Traka Resources Limited

ABN: 63 103 323 173

15 October 2011

Company Announcements Office

ASX Limited

PO Box H224 Australia Square

SYDNEY NSW 2000

Dear Sir / Madam

Annual Report

Attached is the Traka Resources Limited 2011 Annual Report.

Yours faithfully

Peter Ruttledge

Company Secretary

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PO Box 601, West Perth, Western Australia, 6872
Tel: +61 8 9322 1655 Fax: +61 8 9322 9144

Annual Report 2011

Traka Resources Limited

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Corporate Directory

Directors
Neil Tomkinson LLB, Non-Executive Chairman
Patrick Verbeek BSc, MAusIMM, Managing Director
George Petersons, Non-Executive Director
Joshua Pitt BSc, MAusIMM, MAIG, Non-Executive Director

Company Secretary
Peter Ruttledge BSc, CA, FFin

Principal and Registered Office
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West Perth WA 6005
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Auditor
BDO Audit (WA) Pty Ltd
38 Station Street
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PO Box 700 West Perth WA 6872

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Computershare Investor Services Pty Ltd
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Stock Exchange Listing
Traka Resources Limited (TKL) shares are listed on the
Australian Securities Exchange

Managing Director's Report

The principal focus of the Company's business this year has been advancing the Musgrave Project. We have a large portfolio of very prospective ground in the Musgrave region of Western Australia and have undertaken an extensive exploration program during the year. We have had some encouragement from the results received to date and are confident we are heading in the right direction. Our joint venture partner in the Musgraves, Anglo American Exploration (Australia) Pty Ltd (Anglo American), has also carried out a broad program of exploration. We have developed an excellent working relationship with Anglo American and look forward to continuing our association.

Your board is encouraged by the results to date and Traka is well positioned to benefit from the rapidly expanding interest in the Musgraves being shown by other explorers.

The Musgrave Project

The Company is the dominant tenement holder in the Musgrave region of Western Australia. The package of tenements secured by Traka now extends to fifteen granted exploration licences, all of which are being actively explored, and twenty two exploration licence applications covering a combined area of almost 10,500 square kilometres (Figure 1). The holding extends for several hundred kilometres eastwards from Warburton to the West Australian border. Eleven of Traka's tenements, covering 5,100 square kilometres, form our joint venture interests managed by Anglo American (Figure 2).

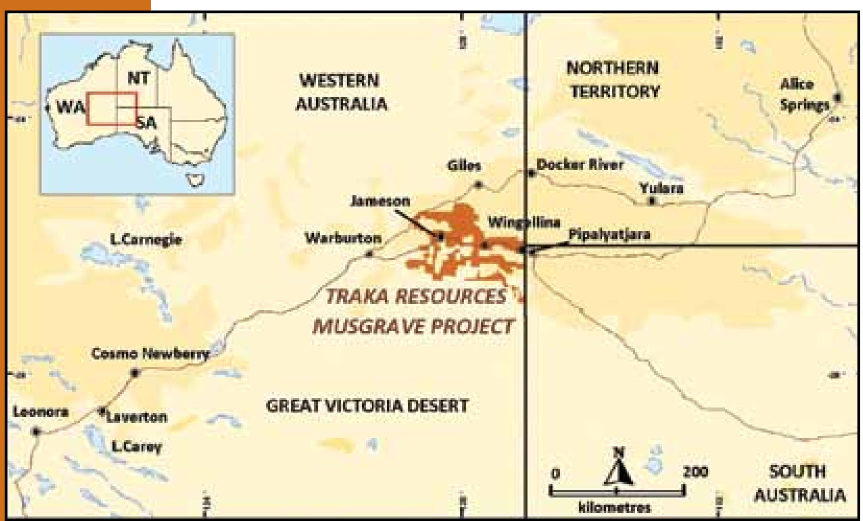

Figure 1 Musgrave Project location plan

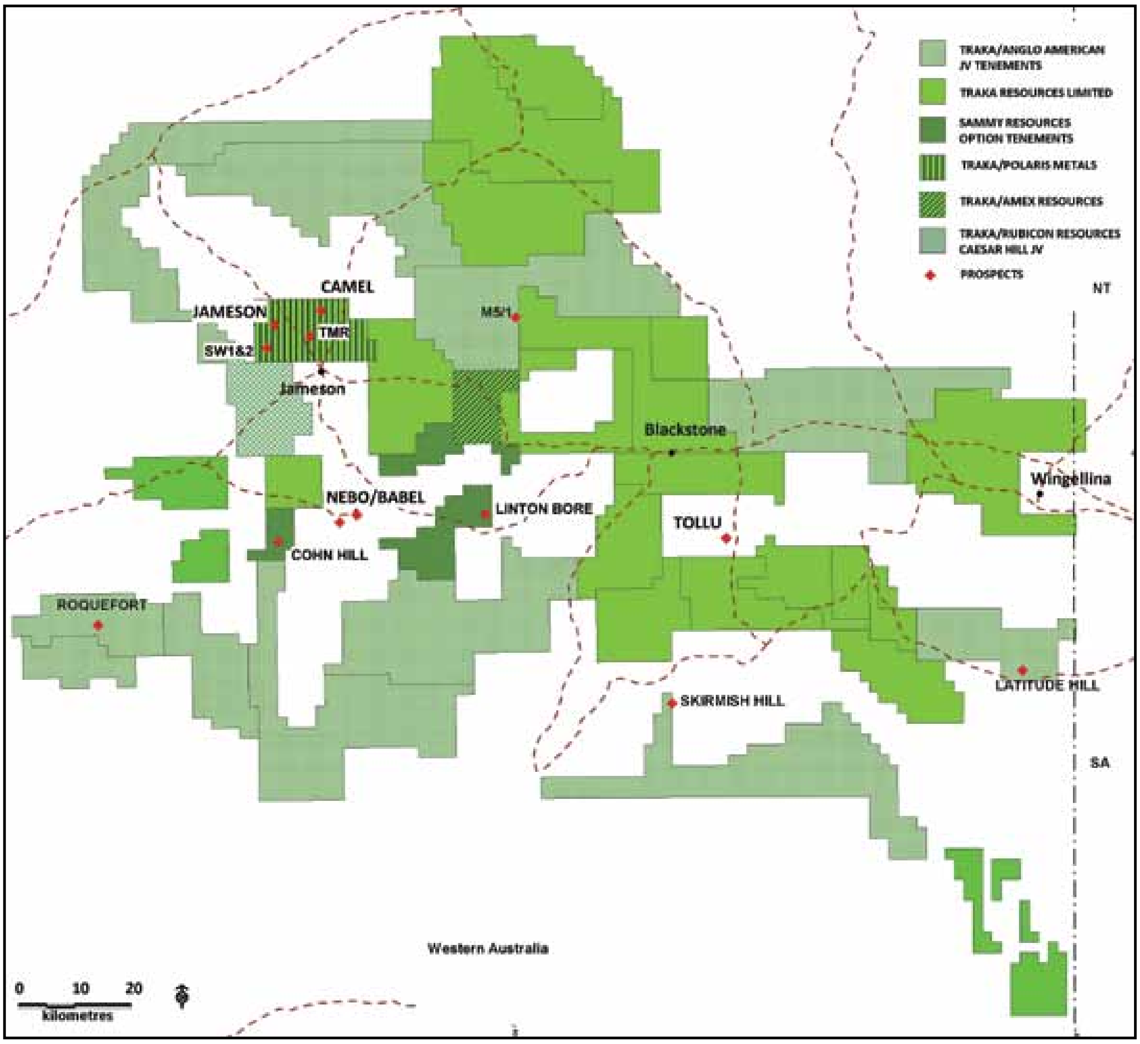

Figure 2 Musgrave Project tenements & prospects

Geologists refer to this region as the West Musgrave Province and it is widely recognised as one of the most prospective and under-explored Proterozoic Basins in the world. Ongoing mapping of the province by the Geological Survey of Western Australia (GSWA) is assisting our understanding of the prospectivity of the region. Given the new information and the limited exploration history of the region, Traka's extensive interests provide a realistic and exciting possibility for new mineral discoveries. Exciting exploration results are being generated in the Musgrave Province which auger well for Traka and demonstrate the overall potential of the region. The pace of exploration is unprecedented for the region with copper, nickel, platinum and gold remaining the main exploration focus.

Negotiations with the Traditional Owners for access to additional granted tenement areas have continued through the year with a further five tenements being cleared for exploration. Good relationships have been forged between Traka, the Traditional Owners and the Ngaanyatjarra Council over the past three years. Their cooperation has allowed sustained exploration which we hope will benefit not only Traka but also the Traditional Owners in the future. I take this opportunity to thank the Traditional Owners for their willingness for us to come onto their lands and the Ngaanyatjarra Council for facilitating this outcome.

The Musgrave Project - Traka Managed

Traka is currently undertaking exploration on five tenements located around the community of Jameson (Figure 3). A sixth tenement (Traka may earn 70% in the tenement) is the subject of

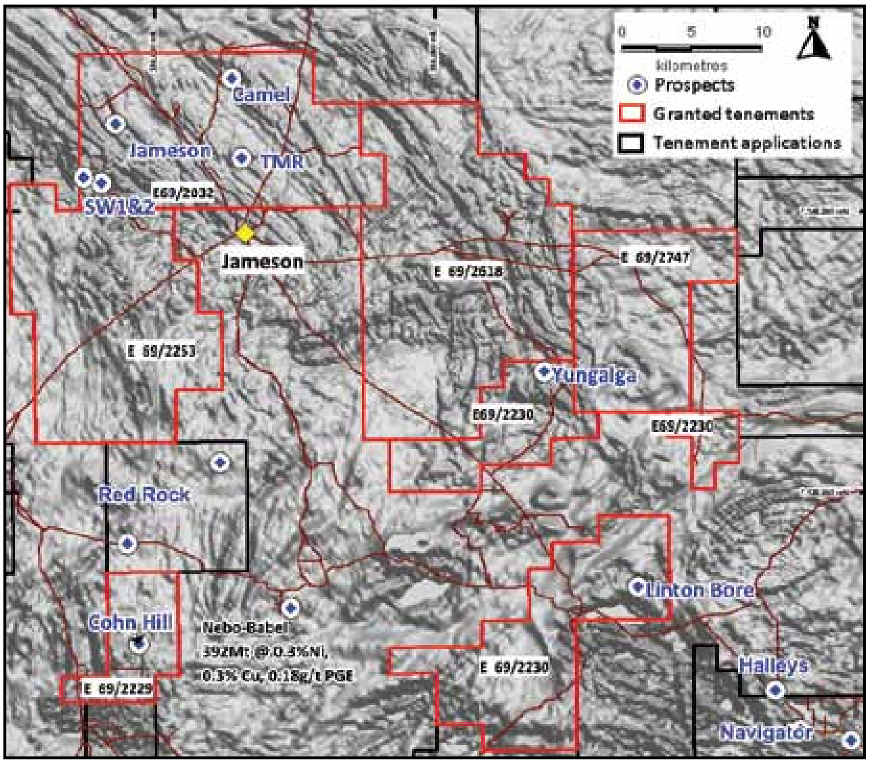

Figure 3 Traka managed tenements in the Jameson area shown over an aeromagnetic image

a recent agreement with Rubicon Resources Ltd and is in the same area but is yet to be explored. A busy field program continued in 2010 and commenced again in March 2011.

An access agreement was successfully negotiated on E69/2747 (Traka 90%, Amex Resources Limited 10%) allowing exploration to commence on this tenement in addition to those explored previously.

Systematic reconnaissance phase geochemical sampling using auger and vacuum rigs has been completed over the five tenements currently being explored by Traka (Figures 4 & 5). Infill sampling has also been completed on numerous areas of interest.

The strongest geochemical anomaly located to date is at the Camel Prospect. Close spaced infill auger geochemical sampling defined the anomaly (Figure 6) as a one kilometre wide copper, gold and palladium anomaly. The geological setting and geochemical signature indicate that this prospect relates to a discrete intrusive within the larger Jameson Range Complex.

Ground Electromagnetic (EM) surveys were carried out on two of the anomalies highlighted by the previous geochemical sampling (Jameson & Cohn Hill Prospects) and on two small airborne EM anomalies located by previous explorers (SW1 & SW2). The EM surveying identified targets coincident with copper, nickel, platinum and gold geochemical anomalism.

A grant of $100,000 from the Royalties for Regions Co-funded Government - Industry Drilling Program (Exploration Incentive Scheme (EIS)) was made for drilling on the Jameson, Camel, SW1 and SW2 Prospects on E69/2032. Two diamond holes and eight reverse circulation (RC) holes were drilled on the prospects in July and August 2011 (Figures 6, 7 & 8). We are awaiting assay and down hole EM (DHEM) results.

Figure 4 Geochemical sampling on the Jameson tenements

Methodical surface rock chip sampling of prominent titaniferous magnetite rock (TMR) horizons undertaken within the Jameson layered intrusion has been undertaken. There are several TMR horizons within the Jameson Range Intrusive Complex and these can be traced over many kilometres within exploration licences E69/2032 and E69/2618. The TMR can also be seen outcropping at prospects like Yungalga on E69/2230 (Figure 5).

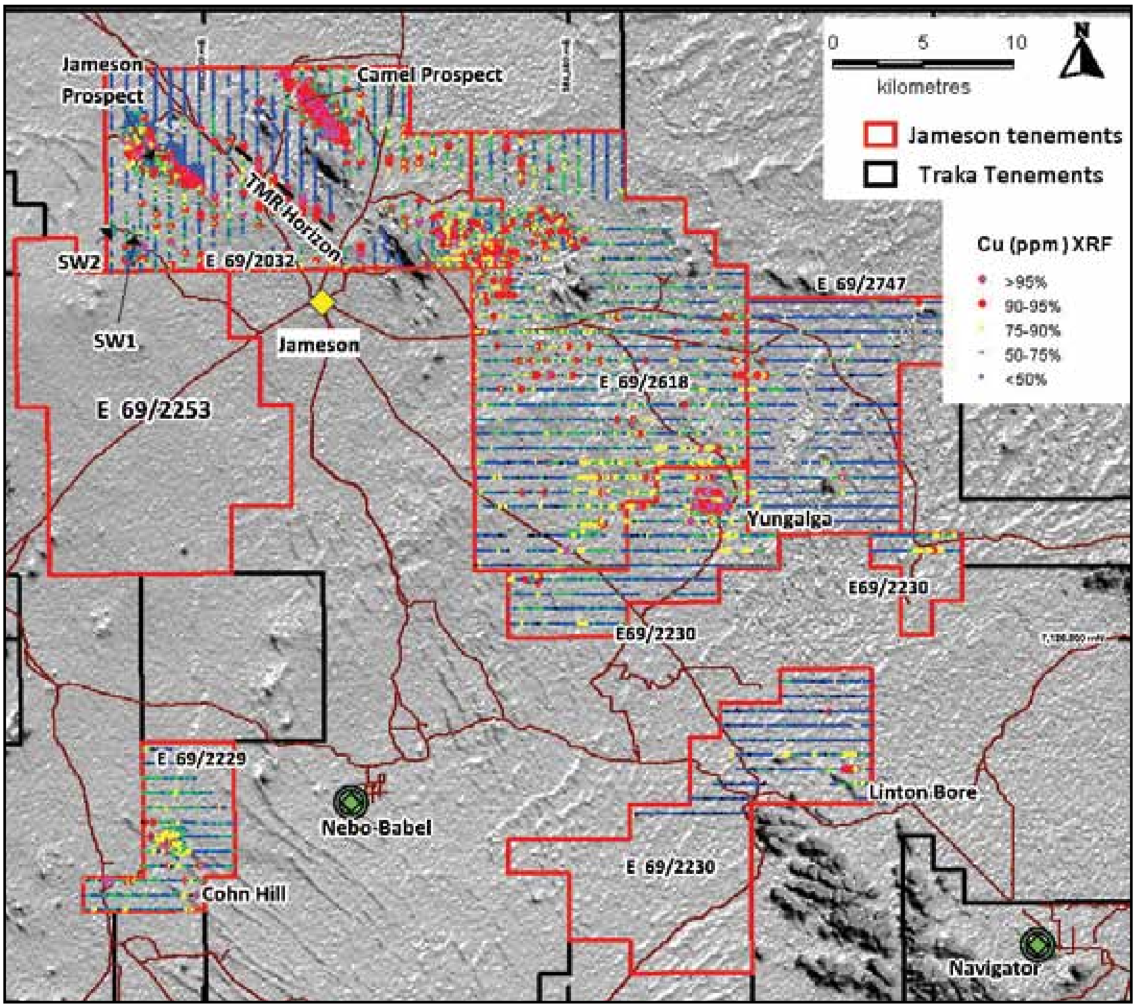

Figure 5 Geochemical sampling pattern showing copper (red & purple) anomalism over a digital elevation image.

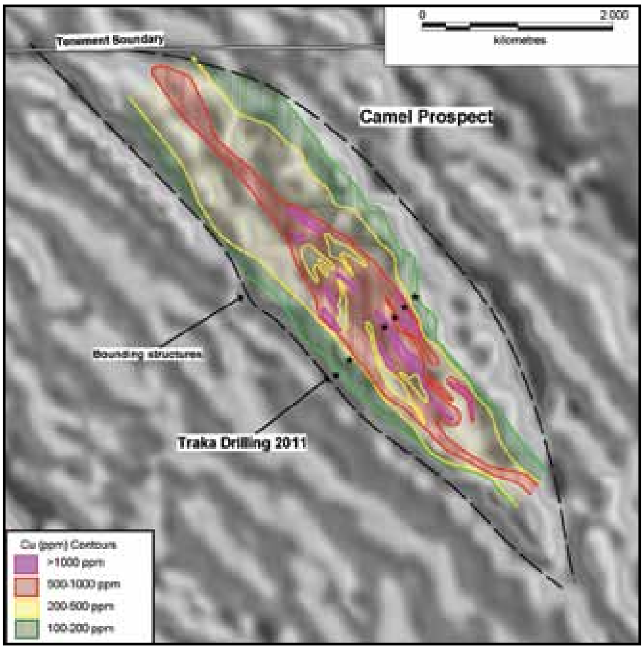

Figure 6 Camel Prospect showing geochemical copper anomalism and drill hole locations over an aeromagnetic image.

The high grade style of vanadium, titanium and platinum mineralisation and coincident distribution of the target metals within the TMR resembles that seen in the magnetite host rocks of the South African Bushveld Complex. This character differentiates the TMR at Jameson from the other lower grade vanadium and titanium projects in Australia.

Previous descriptions of the TMR referred to a single horizon within the layered Jameson Intrusive whereas it is now clear that a number of horizons exist. The basal TMR horizon appears to be the most strongly mineralised with respect to vanadium and precious metals with average grades from our sampling being 1.25% vanadium pentoxide and 1.16 grams per tonne precious metals (gold+platinum+palladium)(Figure 9). The iron content of the TMR averages 47% and the titanium dioxide 23%. The silica and

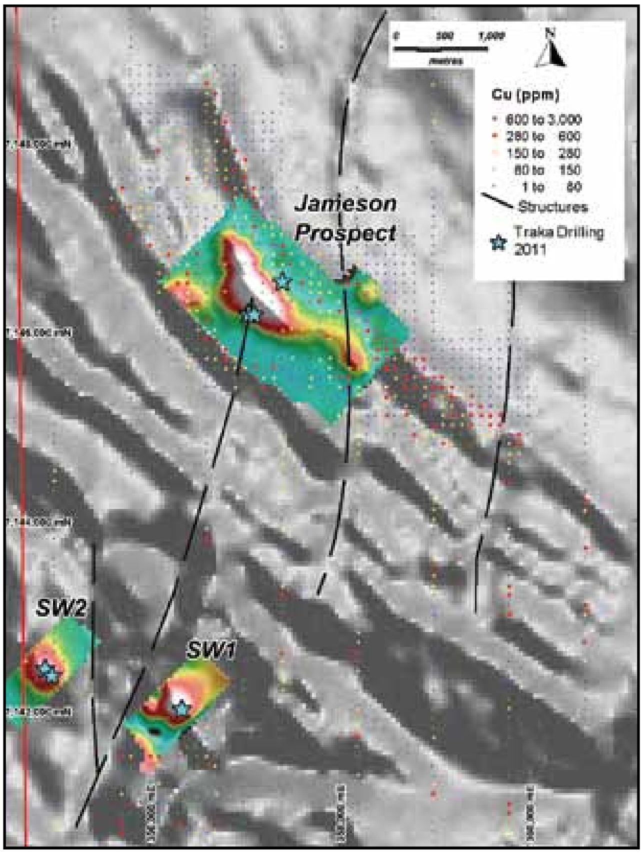

Figure 7 Coincident geochemical and ground EM anomalies with drilling shown over aeromagnetics.

carbonate gangue material in the TMR appears to be low (i.e. ≤ 2% SiO_2 and ≤ 0.1% CaO) which is a positive factor when considering the product for direct kiln feed.

Sampling of the other TMR horizons has not been systematic enough to report grades but it is expected that the vanadium and precious metal content is likely to be less than the main horizon whereas the iron and titanium values will be similar.

The encouragement received to date is a very positive step forward in the evaluation of the TMR and has now justified an escalation in follow

Figure 8 Drilling on the Camel Prospect

Figure 9 Basal TMR outcrop

up activity. The next step may be to introduce a third party with the expertise and resources to evaluate and exploit this style of mineralisation.

The Musgrave Project – Anglo American Managed

(Anglo American earning up to 75%)

Anglo American has maintained a busy exploration program during the year which has included drilling, ground EM, airborne EM (Spectrem) and geochemical surveys. A number of exciting advances have been made on existing targets and new targets have been identified. Anglo American received Royalties for Regions EIS drilling grants totalling $285,000 for drilling on the Musgrave prospects.

During the year Anglo American advised Traka that it had met its initial expenditure requirement of $3 million under the terms of the joint venture agreement. Anglo American has now earned 51% equity in the joint venture tenements and has elected to proceed to earn a further 24% by the expenditure of $6 million within the next four years. (Figure 10)

Anglo American has focussed exploration on following up the strongest conductors identified by the large Spectrem survey undertaken last year. The strongest Spectrem anomaly is M5/1. A detailed ground EM survey was carried out and confirmed the original Spectrem results. It also provided higher resolution data which allowed for

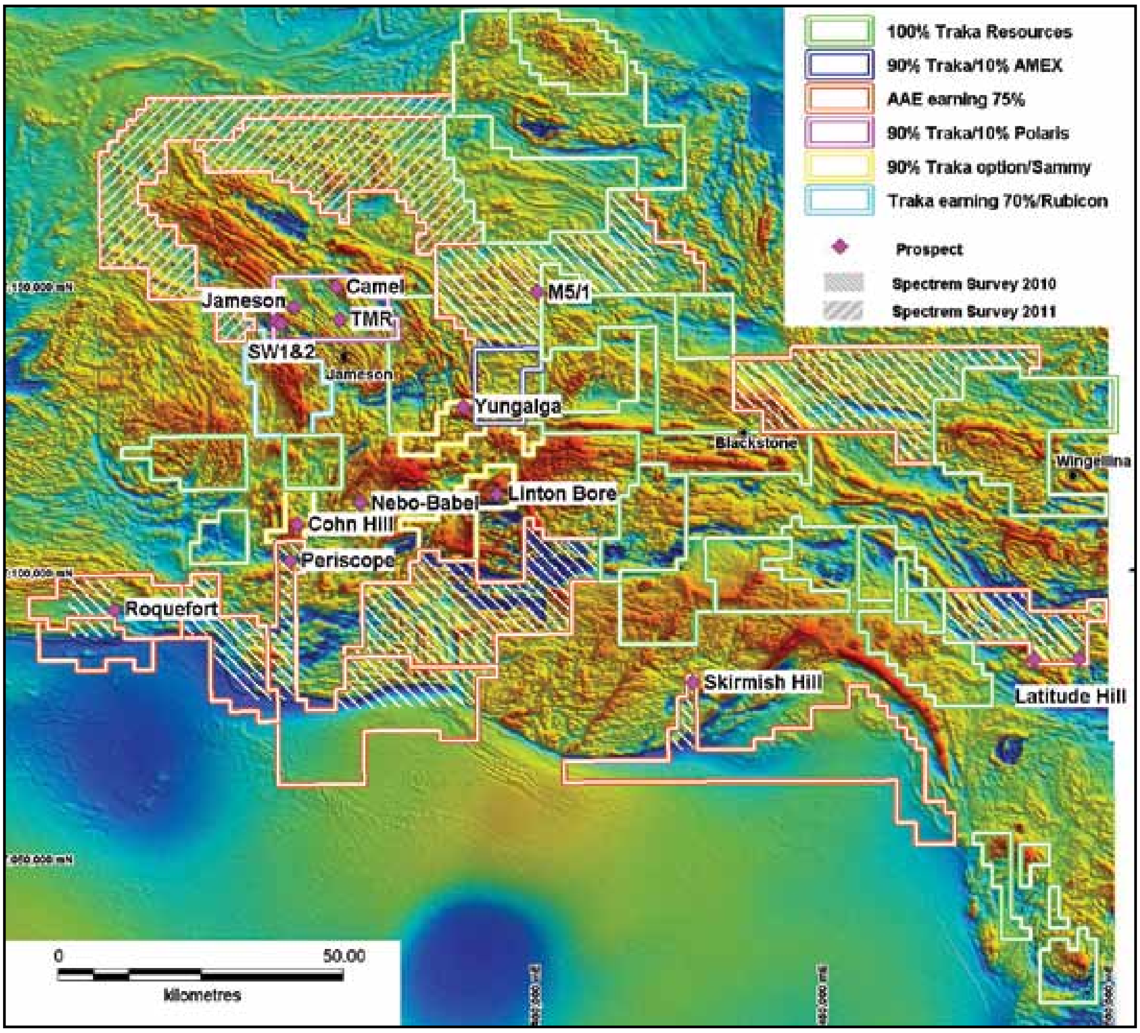

Figure 10 Aeromagnetic image showing Musgrave tenement holdings and prospects.

better modelling. The modelling indicated that there are two parallel conductors dipping steeply to the south and extending from 80 metres to 900 metres below surface. Diamond drilling has commenced on this prospect but no results are available at present (Figure 11).

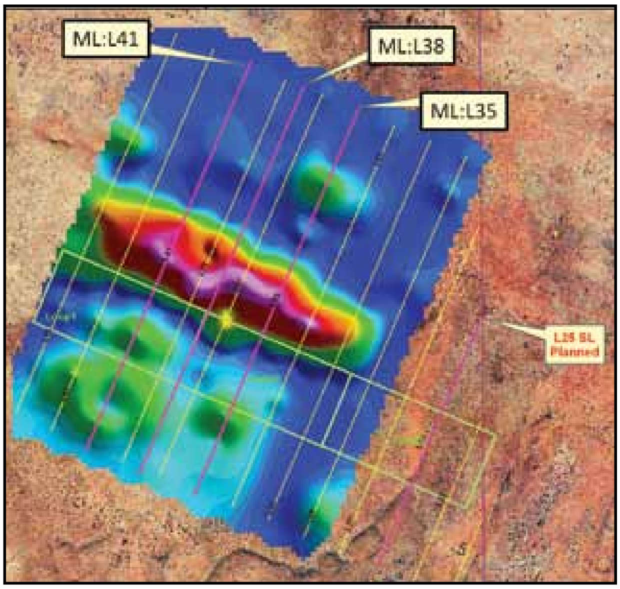

Figure 11 EM Image of the M5/1 prospect showing the conductive zone in red and purple.

At Latitude Hill a Spectrem anomaly was followed up with a geochemical sampling program and a ground EM survey. A strong 3 kilometre long bedrock conductor coincident with a magnetic anomaly was highlighted at Latitude Hill West. The conductor has a signal characteristic of a sulphide source and is on the contact between felsic gneissic rocks and a layered mafic-ultramafic intrusive. Diamond drilling is planned to test this target.

The Roquefort Prospect is a coincident geochemical and EM anomaly which indicated prospectivity for stratiform sediment hosted copper-zinc mineralisation. RC drilling on this target last year failed to reach the conductor and a diamond hole is planned to test the target this year.

The Ravensthorpe Project

The Company's interest in the Ravensthorpe Project is diverse and covers a number of mineral commodities. This reflects the very substantial holding the company has in the Ravensthorpe Greenstone Belt and the different geological environments. The initial Company focus was nickel and gold but now also includes copper, lead and zinc and more recently lithium and tantalum (Figure 12).

The Ravensthorpe Project comprises five sub projects (Figure 12) with the foremost of these being the Traka managed Mt Short Base Metal and Ravensthorpe Nickel Projects.

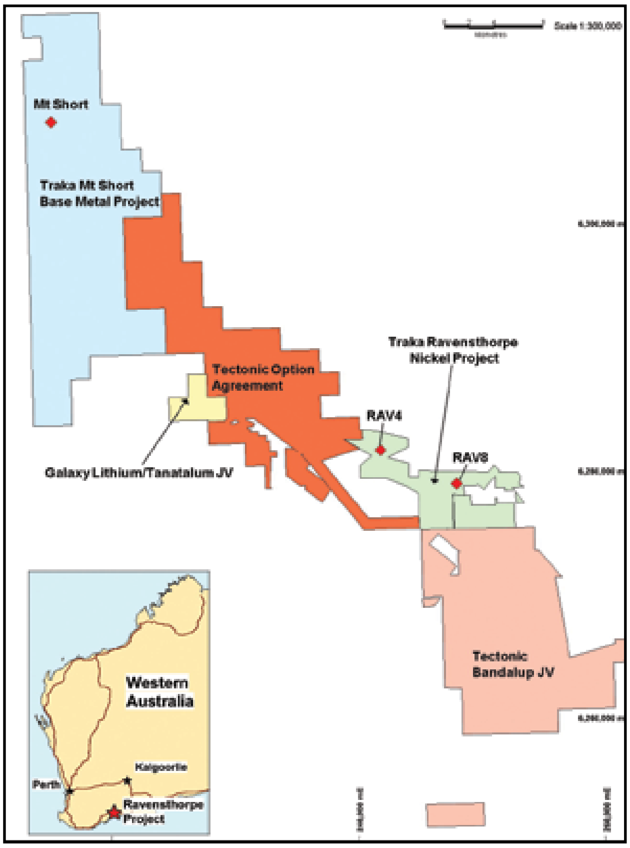

Figure 12 Location Plan of the Ravensthorpe Project

Ravensthorpe Nickel Project

Two diamond drill holes were completed with the assistance of funding from the Royalties for Regions EIS drill program. (Figure 13)

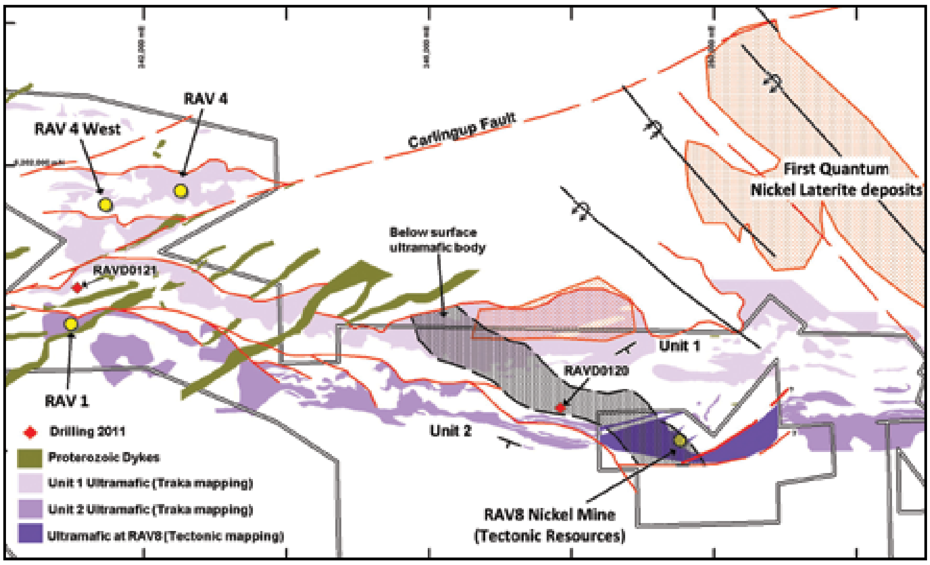

Figure 13 Ravensthorpe Nickel Project drilling 2011.

One hole was drilled north west of RAV8. It was targeted to intercept an interpreted magnetic feature striking in a north-westerly direction from RAV8. The hole intercepted a large ultramafic body in the footwall sequence which had not previously been recognised. A reinterpretation of the stratigraphy in this area is underway to evaluate the implications of this new geological setting to nickel mineralisation in the area.

The second drill hole was targeted to test the down dip extension of the RAV4 and RAV4 West prospects. The hole did not reach the target zone as it intercepted a large granite body. A re-examination of the data and geology from the area is planned in order to position additional drilling.

Mt Short Base Metal Project

Previous drilling on the Mt Short Base Metal anomaly revealed the presence of a large mineralised lead, zinc and copper supergene blanket over a mixed sequence of weathered sedimentary and volcanic rocks. The supergene zone is between 15 and 50 metres deep and overlies a distinct linear magnetic feature.

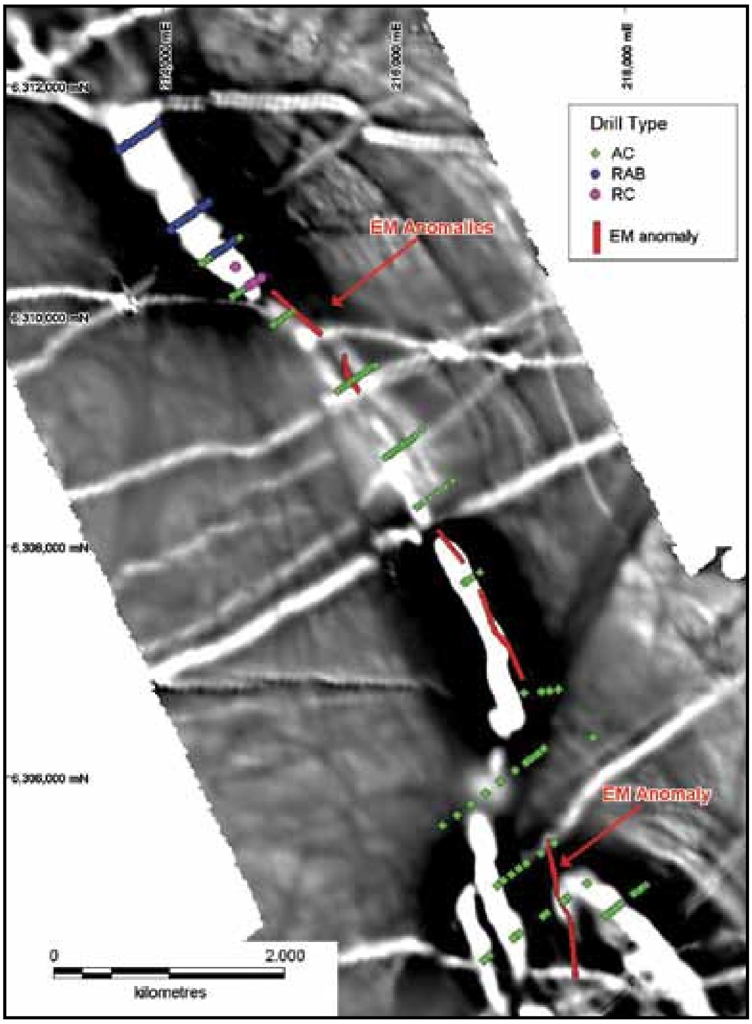

Figure 14 Mt Short EM anomaly positions over an aeromagnetic image.

A ground EM survey was carried out on the Mt Short Base Metal anomaly and detected six conductors over an eight kilometre stratigraphic trend. These conductors have been modelled as steep dipping features most likely reflecting sulphide mineralisation associated with the suite of sedimentary and ultramafic rocks. Some of the conductors are strong features which will be drilled in the coming summer period. The only previous drilling in the vicinity of the conductors has been very shallow Aircore drilling. A successful application for $75,000 was made under the Royalties for Regions EIS for drilling on this project (Figure 14).

Agreements with Tectonic Resources NL

An Option Agreement was signed with Tectonic Resources NL (Tectonic) in February this year on a second portion of Traka's large Ravensthorpe Project. This agreement reflects a consolidation of the Company's own ongoing exploration efforts into two core areas whilst aligning more of the remaining area with Tectonic's advanced and expanding Phillips River Project (Figure 15).

The Option Agreement is for 167 square kilometres of exploration licences and prospecting licences adjacent to Tectonic's existing tenement holdings. The terms of the agreement are that upon payment of $50,000, Tectonic has a three year Option period during which it may acquire Traka's interest in the area (being 100% interests in some tenements and 90% in others where third parties hold the remaining 10% equity). The option can be exercised either by the payment of $1 million in cash or the issue of 5 million Tectonic shares dependant on Traka's election at the time.

The new package includes numerous historical underground copper mines at Mt McMahon within about two kilometres of mineralised strike identified from historic workings. There has been little modern exploration activity with the last drilling carried out in the 1970's. Tectonic intends to explore around the historic workings and search for structures obscured beneath surficial cover.

Previously, Traka entered into a joint venture with Tectonic on a number of exploration licences to the immediate east of Tectonic's ground (Tectonic earning 70%). These tenements are particularly prospective for copper, lead, zinc and gold (Figure 15).

The focus for Tectonic on these tenements is the Bandalup Gossan, a 6 kilometre long gold and base metal anomaly. Wide spaced drilling on this prospect by previous explorers returned best drill hole intersection grades of 10 metres @ 1 gram per tonne gold and 25.9 metres @ 1.8 % lead and 17 metres of 0.8% copper.

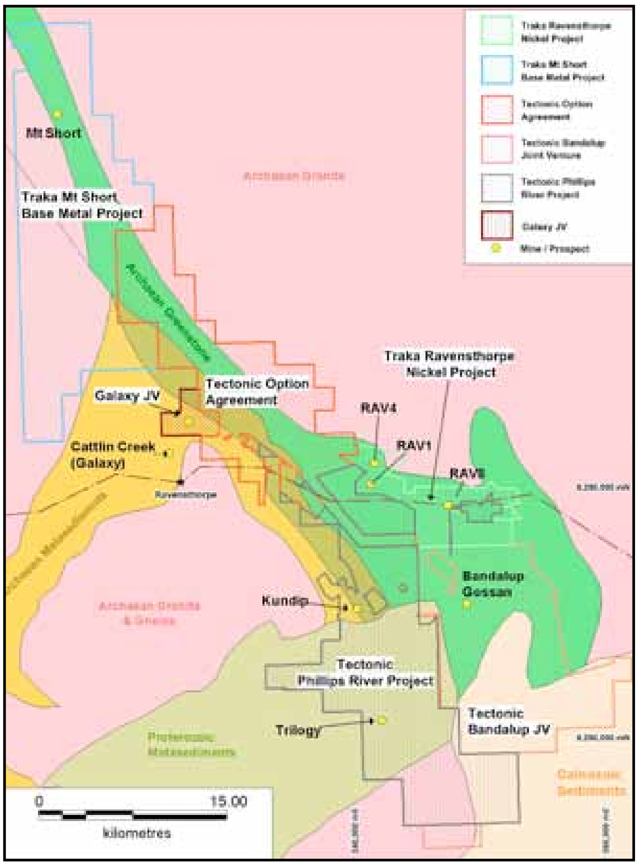

Figure 15 Regional geology and prospects for the Ravensthorpe Project

The Sirdar Joint Venture

(Traka 20% free carried)

The joint venture with Galaxy Resources Limited (Galaxy) provides Traka with an opportunity to participate in the Mt Cattlin Mine operation (Figure 15). Mt Cattlin is an operating spodumene mine with a resource of 18 million tonnes at 1.08% LiO2 (Lithium oxide) and an expected 18 year life.

Galaxy expects to commence exploration further afield and within the Sirdar Joint Venture ground once the Mt Cattlin operation has ramped up to full capacity.

The Lort River Project

Traka's strategy when staking areas in the Albany-Fraser Province was to target the intersection of major large-scale faults within the older Yilgarn Craton and the collisional zone with the younger Albany-Fraser Province. Traka's Lort River project covers the intersection of the projected position of the large-scale Ida Fault and the Albany-Fraser Province (Figure 16).

Difficult access conditions in areas of native vegetation and seasonal limitations imposed by cropping activity in cleared areas have hindered the advance of meaningful exploration activity to date.

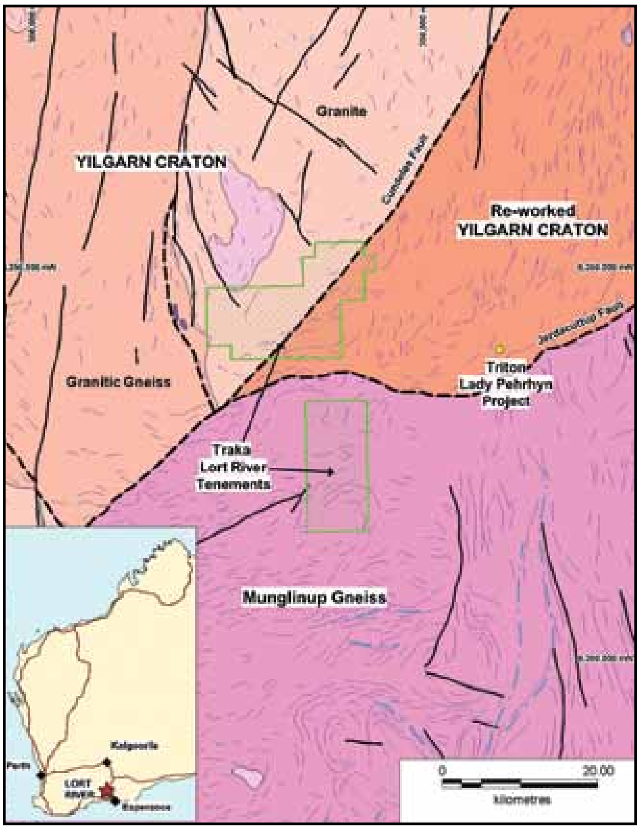

Figure 16 Lort River Project location and geology

JORC Compliance Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr P A Verbeek, the Managing Director of Traka Resources Limited. Mr Verbeek is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and 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'. Mr Verbeek consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Schedule of Tenements

Tenement Type	Tenement Number	Project	Registered Holder	Traka % Interest
E	74/0411	Lort River	Traka Resources Ltd	100
E	74/0412	Lort River	Traka Resources Ltd	100
E	69/2032	Mt Blyth (Polaris Option)	Traka Resources Ltd & Polaris Metals NL	90
E	69/2229	Mt Blyth (Sammy Option)	Sammy Resources Pty Ltd option for	90
E	69/2230	Mt Blyth (Sammy Option)	Sammy Resources Pty Ltd option for	90
E	69/2236	Mt Blyth (AAE Option JVA)	Traka Resources Ltd	100
E	69/2237	Mt Blyth (AAE Option JVA)	Traka Resources Ltd	100
E	69/2238	Mt Blyth (AAE Option JVA)	Traka Resources Ltd	100
E	69/2239	Mt Blyth (AAE Option JVA)	Traka Resources Ltd	100
E	69/2378	Mt Blyth (AAE Option JVA)	Traka Resources Ltd	100
E	69/2403	Mt Blyth (AAE Option JVA)	Traka Resources Ltd	100
E	69/2411	Mt Blyth (AAE Option JVA)	Traka Resources Ltd	100
E	69/2448	Mt Blyth (AAE Option JVA)	Traka Resources Ltd	100
EA	69/2449	Mt Blyth (AAE Option JVA)	Traka Resources Ltd	100
EA	69/2452	Mt Blyth (AAE Option JVA)	Traka Resources Ltd	100
E	69/2583	Mt Blyth (AAE Option JVA)	Traka Resources Ltd	100
EA	69/2590	Mt Blyth	Traka Resources Ltd	100
EA	69/2591	Mt Blyth	Traka Resources Ltd	100
EA	69/2592	Mt Blyth	Traka Resources Ltd	100
EA	69/2608	Mt Blyth	Traka Resources Ltd	100
EA	69/2609	Mt Blyth	Traka Resources Ltd	100
EA	69/2610	Mt Blyth	Traka Resources Ltd	100
E	69/2618	Mt Blyth	Traka Resources Ltd	100
EA	69/2647	Mt Blyth	Traka Resources Ltd	100
EA	69/2648	Mt Blyth	Traka Resources Ltd	100
EA	69/2652	Mt Blyth	Traka Resources Ltd	100

Schedule of Tenements

Tenement Type	Tenement Number	Project	Registered Holder	Traka % Interest
E	69/2747	Mt Blyth (Amex JV)	Traka Resources Ltd & Amex Resources Ltd	90
EA	69/2749	Mt Blyth	Traka Resources Ltd	100
EA	69/2804	Mt Blyth	Traka Resources Ltd	100
EA	69/2805	Mt Blyth	Traka Resources Ltd	100
EA	69/2816	Mt Blyth	Traka Resources Ltd	100
EA	69/2817	Mt Blyth	Traka Resources Ltd	100
EA	69/2834	Mt Blyth	Traka Resources Ltd	100
EA	69/2873	Mt Blyth	Traka Resources Ltd	100
EA	69/2874	Mt Blyth	Traka Resources Ltd	100
EA	69/2875	Mt Blyth	Traka Resources Ltd	100
EA	69/2887	Mt Blyth	Traka Resources Ltd	100
EA	69/2900	Mt Blyth	Traka Resources Ltd	100
E	74/0332	Ravensthorpe	Traka Resources Ltd	100
E	74/0378	Ravensthorpe	Traka Resources Ltd	100
E	74/0379	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd	100
E	74/0401	Ravensthorpe (Galaxy JV)	Galaxy Lithium Australia Ltd & Traka Resources Ltd	20
E	74/0408	Ravensthorpe (Tectonic JV)	Traka Resources Ltd	100
E	74/0439	Ravensthorpe	Traka Resources Ltd	100
E	74/0448	Ravensthorpe (Tectonic JV)	Traka Resources Ltd	100
E	74/0489	Ravensthorpe	Traka Resources Ltd	100
M	74/0082	Ravensthorpe	Traka Resources Ltd	100
M	74/0083	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd	100
M	74/0084	Ravensthorpe	Traka Resources Ltd	100
M	74/0085	Ravensthorpe	Traka Resources Ltd	100
M	74/0106	Ravensthorpe	Traka Resources Ltd	100
P	74/0262	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd	100

Schedule of Tenements

Tenement Type	Tenement Number	Project	Registered Holder	Traka % Interest
P	74/0263	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd	100
P	74/0264	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd	100
P	74/0265	Ravensthorpe (Tectonic JV)	Traka Resources Ltd	100
P	74/0266	Ravensthorpe (Tectonic JV)	Traka Resources Ltd	100
P	74/0267	Ravensthorpe (Tectonic JV)	Traka Resources Ltd	100
P	74/0268	Ravensthorpe (Tectonic JV)	Traka Resources Ltd	100
P	74/0269	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd	100
P	74/0270	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd	100
P	74/0271	Ravensthorpe (Tectonic JV)	Traka Resources Ltd	100
P	74/0272	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd	100
P	74/0273	Ravensthorpe (Tectonic JV)	Traka Resources Ltd	100
P	74/0274	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd	100
P	74/0275	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd	100
P	74/0280	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd	100
P	74/0281	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd & KH Piper	90
P	74/0293	Ravensthorpe	Traka Resources Ltd	100
P	74/0295	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd & KH Piper	90
P	74/0296	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd & J H Kelly	90
P	74/0297	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd & J H Kelly	90
P	74/0298	Ravensthorpe (Tectonic 2011 Option)	Traka Resources Ltd & KH Piper	90
P	74/0309	Ravensthorpe (Galaxy JV)	Galaxy Lithium Australia Ltd & Traka Resources Ltd	20
P	74/0310	Ravensthorpe (Galaxy JV)	Galaxy Lithium Australia Ltd & Traka Resources Ltd	20

E	Exploration Licence	EA	Exploration Licence Application	AAE	Anglo American Exploration
M	Mining Licence	MA	Mining Licence Application	Mt Blyth	Musgrave Region
P	Prospecting Licence	PA	Prospecting Licence Application		

Directors' Report
For the year ended 30 June 2011

Your Directors present their report on Traka Resources Limited ("Traka" or the "Company") for the year ended 30 June 2011.

DIRECTORS

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

Neil Tomkinson

Patrick Verbeek

George Petersons

Joshua Pitt

PRINCIPAL ACTIVITIES

During the year the principal activity of the Company was exploration of Traka's mineral tenements.

DIVIDENDS

No dividends were paid during the year and the directors do not recommend the payment of a dividend.

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

The Company has maintained an active exploration program during the year on the Musgrave and Ravensthorpe Projects and is exploring a number of newly discovered base metal, precious metal, iron, titanium and vanadium targets.

The Musgrave Project

The Company's exploration interests in the West Musgrave region have expanded over the year to the point where Traka is now the key exploration licence holder in the region. This expansion of interests is a result of successful applications for new tenements as well as entering into farm-in joint ventures with four other parties. Commensurate with the expansion of exploration interests is the increase in exploration activity. Approximately 50% of the area where Traka has a major or very significant interest is now being explored.

An existing Joint Venture with Anglo American (Australia) Pty Ltd ("AAE") on a significant portion of the Musgrave Project contributes very significantly to the pace of exploration activity. AAE have undertaken large scale airborne and ground geophysical surveys as well as geochemical and geological surveys in discrete areas. A number of targets with potential for deposits of copper and nickel have been highlighted by this work and these are currently being drilled. AAE's joint venture with Traka in the Musgrave region constitutes this company's main joint venture exploration focus in Australia. The expectation is that this will remain the case for the foreseeable future.

Traka's own exploration activity in the Musgraves matches that of AAE's effort and has also been successful in highlighting a number of new targets. This year the Company's exploration focus has concentrated around the Jameson area. This area is prospective for nickel and copper as well as for vanadium, titanium and the precious metals platinum, palladium and gold. The unique presence of titaniferous magnetite rock formations in the Jameson area provides additional exploration scope.

Traka's exploration work in the Jameson area comprised systematic geochemical, geophysical and geological surveys followed by diamond and reverse circulation drilling on a number of targets. Data from a recently completed drill program is currently being compiled and the outcome from this work will influence the nature of the follow-up programs.

The Company's prime focus can be expected to remain with the prospective Musgrave Project. Traka is well positioned to benefit from the very recent definition of drill targets.

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS (continued)

The Ravensthorpe Project

Traka's exploration interests in the Ravensthorpe Greenstone Belt remain very significant through a mixture of ground held and explored in its own right together with interests held in joint venture with three other parties active in the region. The Company has a 20% free carry interest in ground prospective for Lithium and Tantalum adjacent to the newly developed Mount Catlin Lithium Tantalum Mine owned and operated by Galaxy Resources Ltd. It also has two blocks of ground farmed out to Tectonic Resources NL prospective for base metals and gold. Tectonic is currently completing a Feasibility Study on the Phillips River Project in an area abutting Traka's joint venture interests. Traka also retains a Royalty interest for any laterite mining that may occur on certain of the Company's tenements should First Quantum Minerals' new start-up of the Ravensthorpe Nickel operations expand.

In the Company's own right, exploration activity this year comprised drilling of deep holes down dip and below known occurrences of nickel mineralisation at RAV 8 and RAV 4 Prospects as well as geophysical surveys in the Mt Short area. A number of new targets have been highlighted by the work this year in the Mt Short area. Drilling planned for the Mt Short area will be partly funded by grant money due to the Company as part of the State Government's Drilling Incentive Scheme.

The Lort River Project

This Project is prospective for gold and uranium. No significant exploration activity has occurred on these tenements over the past year.

The Company made a net loss for the financial year of $2,437,600 (2010: $995,578.)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the operating results and the issue of 9,690,902 new shares pursuant to two share placements, a share purchase plan and the exercise of options, raising a total of $2,090,000 before costs, there were no significant changes in the state of affairs of the Company during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no other matters or circumstances which have arisen since the end of the financial year which have significantly affected the operations of the Company nor are there any such matters or circumstances or any likely developments which may affect the future results of those operations or the state of affairs of the Company.

ENVIRONMENTAL REGULATION

The Company is subject to and compliant with all aspects of environmental regulation of its exploration activities. The Directors are not aware of any environmental law that is not being complied with. The National Greenhouse and Energy Reporting Act 2007 requires entities to report annual greenhouse gas emission and energy use. The directors have assessed that there are no current reporting requirements, but that the Company may be required to report in the future.

INFORMATION RELATING TO DIRECTORS

Chairman - Non Executive

Neil Tomkinson LLB (Hons)

Mr Tomkinson has extensive experience extending over the last 30 years in the administration of and investment in exploration and mining companies. He is the executive chairman of Red Hill Iron Limited (appointed chairman April 2008) and non executive chairman of Hampton Hill Mining NL (appointed January 1997) and Pan Pacific Petroleum NL (appointed a director in June 2006 and chairman in December 2008). Mr Tomkinson is an investor in private mineral exploration and in resources in general in Australia.

Managing Director

Patrick Verbeek BSc, AusIMM

Patrick Verbeek is a geologist with over 28 years experience in the resource industry in Australia and internationally. Mr Verbeek's experience is wide ranging and is spread equally between mineral exploration and mining, company management and corporate activity. Mr Verbeek has held a number of senior management positions in exploration and mining operations both in open-pit and underground gold and base metal operations as well as executive directorships in private and public resource companies. Mr Verbeek is a founding director of Traka.

Mr Verbeek has held no other directorships of ASX listed companies during the last three years.

Non Executive Directors

George Petersons

Mr Petersons is an experienced prospector with a long history of identifying and acquiring prospective exploration and ground packages. He is a founding director of Traka. He has established himself as a consultant to the industry with local and offshore mining interests in precious metals, gemstones and base metals. Mr Petersons is Managing Director of Mekong Mining Limited (Thailand), a company involved in exploration and project development in South East Asia.

Joshua Pitt BSc, MAusIMM, MAIG

Mr Pitt is a geologist with substantial exploration experience who has, for more than 30 years, been a director of exploration and mining companies in Australia. Mr Pitt is involved in substantial private mineral exploration and also in resource investments. He was a non-executive director of LionOre Mining International Limited between November 2003 and May 2005 and is currently a non-executive director of Hampton Hill Mining NL (appointed January 1997), Red Metal Limited (appointed July 2003), Red Hill Iron Ltd (appointed June 2005), and Pan Pacific Petroleum NL (appointed December 2008).

INFORMATION RELATING TO COMPANY SECRETARY

Peter Campbell Ruttledge BSc, CA, FFin

Mr Ruttledge is a Chartered Accountant and a Fellow of The Financial Services Institute of Australia and has over 25 years experience as company secretary of a number of listed mining and exploration companies.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The number of shares and options in the Company held directly and indirectly by the Directors as at the date of this report were:

	Ordinary Shares	Options over Ordinary Shares
N Tomkinson	5,788,651	-
P A Verbeek	2,499,999	4,000,000
G J Petersons	1,500,000	-
J N Pitt	7,100,000	-

DIRECTORS' MEETINGS

The following directors' meetings were held during the year and the number of meetings attended by each of the directors during the year was:

	Meetings of Directors	Meetings attended
N Tomkinson	5	5
P A Verbeek	5	5
G J Petersons	5	5
J N Pitt	5	5

The Company does not have any subcommittees.

REMUNERATION REPORT - AUDITED

(A) Principles used to determine the nature and amount of remuneration

The information provided in this remuneration report has been audited as required by Section 308 (3c) of the Corporations Act 2001.

The Board remuneration policy is to ensure remuneration packages properly reflect the duties and responsibilities of the person concerned and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Remuneration is reviewed by the board on an annual basis having regard to performance and market competitiveness.

The remuneration framework has regard to shareholders' interests in the following ways:

- Focuses on sustained growth in share price, as well as focusing the executive on key non-financial drivers of value; and
- Attracts and retains high calibre executives.

The remuneration framework has regard to executives' interests in the following ways:

- Rewards capability and experience;
- Reflects competitive reward for contributions in shareholder growth;
- Provides a clear structure for earning rewards; and
- Provides recognition for contribution.

The remuneration policy is not linked to the Company's performance and is linked to shareholder wealth only in so far as options over the Company's shares are included in remuneration.

Non-executive Directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees are reviewed annually and remuneration packages are determined by the board within the maximum amount approved by shareholders from time to time (currently $100,000 set in 2003) and are set fee amounts with prescribed superannuation if applicable.

Executives

The remuneration of the managing director, Mr Patrick Verbeek, is determined by the board and comprises an agreed fee paid to Malahang Pty Ltd, a company associated with the managing director, and from time to time, at the discretion of the non-executive board members, the grant of options to acquire shares in the Company. The non-executive directors review terms of the managing director's remuneration on an annual basis. The nature and amount of remuneration paid to the managing director has been determined by reference to the services provided, experience, length of service and prevailing market rates. There are no guaranteed salary increases fixed in the managing director's contract.

The remuneration of the company secretary, Mr Peter Ruttledge, is by way of fees paid to Sable Management Pty Ltd for company secretarial, accounting and administration services provided to the Company, and invoiced on an hourly basis. From time to time, at the discretion of the directors, the Company may grant options to Mr Ruttledge to acquire shares in the Company. The directors regularly review the services provided and the hourly rate charged.

Company Performance

It is not possible at this time to evaluate the Company's financial performance using generally accepted measures such as profitability and total shareholder return as the Company is an exploration company with no significant revenue stream. This assessment will be developed as and when the Company moves from explorer to producer.

The table below shows the gross revenue, losses and loss per share for the last five years for the Company:

		2011	2010	2009	2008	2007
Revenue and other income	($000)	208	124	123	175	83
Net Loss	($000)	2,438	996	771	903	589
Loss per share	(cents)	3.89	2.12	1.72	2.02	1.48
Share price at year end	(cents)	18	12	7	9.5	28

Directors' Report
For the year ended 30 June 2011

REMUNERATION REPORT - AUDITED (continued)

(B) Details of Remuneration

The key management personnel of the Company are the directors. The remuneration of key management personnel and other specified executives (being the Company Secretary) for the year is summarised below:

	Short Term Salary & fees	Post Employment Superannuation	Share Based Payments Options	Total	Value of options as proportion of remuneration	Performance Related
	$	$	$	$	%	%
2011						
Non-executive Directors						
N Tomkinson	20,000	1,800	-	21,800	-	-
J N Pitt	20,000	1,800	-	21,800	-	-
G J Petersons	20,000	1,800	-	21,800	-	-
Managing Director						
P A Verbeek	264,667	-	195,600	460,267	73.9	-
Total	324,667	5,400	195,600	525,667	-	-
Other company executives						
P C Ruttledge	38,790	-	24,450	63,240	38.7	-
Total	38,790	-	24,450	63,240	-	-
2010						
Non-executive Directors						
N Tomkinson	20,000	1,800	-	21,800	-	-
J N Pitt	20,000	1,800	-	21,800	-	-
G J Petersons	20,000	1,800	-	21,800	-	-
Managing Director						
P A Verbeek	240,000	-	-	240,000	-	-
Total	300,000	5,400	-	305,400	-	-
Other company executives						
P C Ruttledge	49,002	-	-	49,002	-	-
Total	49,002	-	-	49,002	-	-

No part of the remuneration of directors and other specified executives is contingent on the performance of the Company.

REMUNERATION REPORT - AUDITED (continued)

(C) Service Agreements

Managing Director

The Company entered into a consultancy agreement with Malahang Pty Ltd ("Malahang") on 14 October 2003 ("Malahang Agreement"). In accordance with the terms of the Malahang Agreement, Malahang agreed to provide the services of its employee, Patrick Verbeek, to undertake all functions, duties, roles and authorities which the Company would require of a person engaged as Managing Director of the Company on a full time basis. The Malahang Agreement commenced on 20 November 2003 with an initial term of 2 years and has been extended since for further terms of 2 years at the consultant's election. The current term expires November 2011. The current level of remuneration in terms of this agreement is set at $250,000 per annum (plus $27,000 per annum compensation for the provision of a 4 wheel drive motor vehicle). There are no termination arrangements in respect of Mr Verbeek's engagement other than the expectation that Malahang would receive 3 months' fees in the event of his services being terminated by the Company.

Company Secretary

The Company entered into a consultancy agreement with Sable Management Pty Ltd ("Sable") on 11 September 2006 ("Sable Agreement"). In accordance with the terms of the Sable Agreement, Sable has agreed to provide the services of its employee, Peter Ruttledge, to undertake all functions, duties, roles and authorities which the Company would require of a person engaged as Company Secretary of the Company as well as accounting and financial control services. The Sable Agreement commenced on 13 September 2006 with no fixed term and can be cancelled on 2 months notice by either party. There are no termination arrangements in respect of the Sable Agreement.

(D) Share-based compensation

Directors and other key management personnel are entitled to take part in the Traka Resources Employee Share Option Plan. Share based payments are made at the discretion of the board of directors in the context of the overall remuneration package of the personnel. Directors receiving share based payments are not involved in any board discussions regarding their remuneration.

Share based payments are generally provided in the form of options vesting immediately. The issue of these options is not linked to past company performance since their principal purpose is to promote continuity of performance and provide additional incentive to the key management personnel to increase shareholder wealth. There is no specific board policy restricting employees from taking action to limit their exposure to risk in relation to share based payments. Nevertheless, in terms of the Company's corporate governance policies, all employees are prohibited from dealing in the Company's securities when they possess inside information and they are obliged to inform the board of any proposed transactions in securities.

Share based compensation options

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
17 November 2010	17 November 2010	17 November 2013	$0.2125	$0.0978

Each option is convertible into one ordinary share.

Options granted under the plan carry no dividend or voting rights.

REMUNERATION REPORT - AUDITED (continued)

(D) Share-based compensation (continued)

Details of the options in the Company provided as remuneration to management personnel of the Company are set out below. Further information on options is set out in Note 24 to the financial statements.

	Number of options granted and vested during the year	
	2011	2010
Directors		
P A Verbeek	2,000,000	-
Other Company Executives		
P C Ruttledge	250,000	-

The assessed fair value of the options issued during the year ended 30 June 2011 has been calculated as at the date of grant using the Black-Scholes model for the valuation of call options.

The model inputs for options granted included:

Grant date	17 November 2010
Exercise by	17 November 2013
Exercise price per share	21.25 cents
Expected average life of the options	3 years
Underlying security spot price at time of grant	17 cents
Risk fee interest rate	5.13%
Expected volatility	95%

Historical volatility has been the basis for estimating likely future share price volatility. Actual future volatility may differ from the estimate used.

The expected average life of the options has been estimated as 3 years. The actual life could differ from this estimate if the holder of the options chooses to exercise his options prior to their expiry date.

Shares provided on exercise of remuneration options

During the financial year 1,000,000 shares were issued as a result of the exercise of remuneration options.

REMUNERATION REPORT - AUDITED (continued)

(E) Additional information

Share based compensation: Options

Further details relating to options are set out below:

Name	Grant date	Exercise date	Value at grant date (A) $	Value at exercise date (B) $	Value at lapse date (C) $
P A Verbeek	29 Nov 2005	26 Nov 2010	31,900	20,000	-
P A Verbeek	17 Nov 2010	-	195,600	-	-
P C Ruttledge	17 Nov 2010	-	24,450	-	-

A = The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

B = The value at exercise date of options that were granted as part of remuneration and were exercised during the year being the intrinsic value of the options at that date. No other options were exercised during the year.

C = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year. Lapsed options refer to options that vested but expired unexercised.

The audited remuneration report ends here.

SHARES UNDER OPTION

The number of options on issue is:

Date option granted	Expiry date	Issue price of shares	Number under options
28 December 2006	28 December 2011	20 cents	1,000,000
6 April 2007	6 April 2012	25 cents	150,000
10 December 2008	10 December 2011	10 cents	1,000,000
17 November 2010	17 November 2013	21.25 cents	2,750,000

SHARES ISSUED ON EXERCISE OF OPTIONS

1,000,000 options were exercised during the financial year resulting in the issue of 1,000,000 fully paid ordinary shares.

INSURANCE OF OFFICERS

During the year the Company paid an amount to insure all current directors of the Company and current executive officers of the Company against liabilities arising out of their conduct whilst acting in the capacity of a director or officer of the Company other than conduct involving a wilful breach of duty to the Company. The policy requires that the amount of premium paid and the limits imposed remain confidential.

Directors' Report
For the year ended 30 June 2011

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

NON-AUDIT SERVICES

BDO Audit (WA) Pty Ltd, the company's auditor, did not perform any non-audit services for the company for the year ended 30 June 2011.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with Section 327 of the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in this Annual Report.

This report is made in accordance with a resolution of the Directors.

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NEIL TOMKINSON
Chairman

Dated this 26th day of September 2011

Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	2011 $	2010 $
Revenue from continuing operations	4	**70,901**	21,782
Other income	4	**136,788**	101,822
Exploration and evaluation expenditure		**(1,714,287)**	(611,792)
Administration expenses	5	**(931,002)**	(507,390)
Loss before income tax		**(2,437,600)**	(995,578)
Income tax expense	6	**-**	-
Loss for the year		**(2,437,600)**	(995,578)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year attributable to the ordinary equity holders of the Company		**(2,437,600)**	(995,578)
Loss per share for loss attributable to the ordinary equity holders of the Company		**cents**	cents
Basic and diluted loss per share	23	**(3.89)**	(2.12)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2011

	Notes	2011 $	2010 $
Current assets			
Cash and cash equivalents	7	**1,410,485**	1,616,232
Trade and other receivables	8	**76,291**	65,005
Total current assets		**1,486,776**	1,681,237
Non-current assets			
Trade and other receivables	9	**14,000**	-
Plant and equipment	10	**138,889**	54,206
Total non-current assets		**152,889**	54,206
Total assets		**1,639,665**	1,735,443
Current liabilities			
Trade and other payables	11	**273,288**	162,845
Provisions	12	**450**	3,615
Total current liabilities		**273,738**	166,460
Total liabilities		**273,738**	166,460
Net assets		**1,365,927**	1,568,983
Equity			
Contributed equity	13	**10,495,004**	8,529,410
Reserves	14	**514,530**	245,580
Accumulated losses		**(9,643,607)**	(7,206,007)
Total equity		**1,365,927**	1,568,983

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2011

	Contributed equity $	Share based payments reserve $	Exercised option reserve $	Accumulated losses $	Total equity $
2011					
As at 1 July 2010	8,529,410	245,580	-	(7,206,007)	1,568,983
Loss for the year	-	-	-	(2,437,600)	(2,437,600)
Total comprehensive loss for the year	-	-	-	(2,437,600)	(2,437,600)
Transactions with equity holders in their capacity as equity holders:					
Issue of ordinary fully paid shares net of transaction cost	1,965,594	-	-	-	1,965,594
Issue of options	-	268,950	-	-	268,950
Exercise of options	-	(31,900)	31,900	-	-
As at 30 June 2011	**10,495,004**	**482,630**	**31,900**	**(9,643,607)**	**1,365,927**
2010					
As at 1 July 2009	6,421,879	245,580	-	(6,210,429)	457,030
Loss for the year	-	-	-	(995,578)	(995,578)
Total comprehensive loss for the year	-	-	-	(995,578)	(995,578)
Transactions with equity holders in their capacity as equity holders:					
Issue of ordinary fully paid shares net of transaction cost	2,107,531	-	-	-	2,107,531
Issue of options	-	-	-	-	-
As at 30 June 2010	8,529,410	245,580	-	(7,206,007)	1,568,983

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2011

	Notes	2011 $	2010 $
Cash flows from operating activities			
Interest received		**75,639**	10,068
Receipts from sublease of premises		**142,976**	108,979
Payments to suppliers and employees		**(680,570)**	(452,649)
Payments for exploration activities		**(1,743,666)**	(739,567)
Recovery of exploration expenditure		**139,636**	185,283
Payment for security deposit		**-**	(14,000)
Recovery of security deposit		**-**	14,000
Net cash outflow from operating activities	22	**(2,065,985)**	(887,886)
Cash flows from investing activities			
Payments for plant, equipment and motor vehicle		**(105,357)**	(11,665)
Net cash outflow from investing activities		**(105,357)**	(11,665)
Cash flows from financing activities			
Proceeds from share issue		**2,090,000**	2,119,792
Payment for share issue costs		**(124,405)**	(12,261)
Proceeds from loan facility		**-**	250,000
Repayment of loan facility		**-**	(250,000)
Net cash inflow from financing activities		**1,965,595**	2,107,531
Net (decrease)/increase in cash and cash equivalents held		**(205,747)**	1,207,980
Cash and cash equivalents at the beginning of the financial year		**1,616,232**	408,252
Cash and cash equivalents at the end of the financial year	7	**1,410,485**	1,616,232

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Traka Resources Limited is a listed public company, incorporated and domiciled in Australia.

(a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Traka Resources Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Reporting basis and conventions

These financial statements have been prepared on an accruals basis and under the historical cost convention.

Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates — Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Going Concern

The financial statements have been prepared on the going concern basis of accounting which assumes that the Company will be able to meet its commitments as and when they fall due. In arriving at this assumption, the directors recognise that the Company is depending on various funding alternatives to meet these commitments including share placements or directors' loans.

The directors believe that at the date of signing the financial statements there are reasonable grounds to believe that, having regard to matters set out above, the Company will be able to raise sufficient funds to meet its obligations as and when they fall due.

In the event that the Company does not achieve the matters as set out above, there is significant uncertainty whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial statements.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the members of the board of Directors.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is the tax payable on current period's taxable income based on national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the profit and loss except where it relates to items that may be credited directly to equity or comprehensive income, in which case the deferred tax is adjusted against other comprehensive income or directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any objective evidence that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over it recoverable amount is expensed to the profit or loss account.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(e) Cash and cash equivalents

Cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(f) Financial assets and liabilities

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial assets and liabilities (continued)

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

(g) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest.

Expenditure incurred during exploration and the early stages of evaluation of new areas of interest is written off as incurred.

Where the Directors decide to progress to development in an area of interest all further expenditure incurred relating to the area will be capitalised. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against the Statement of Comprehensive Income in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(h) Plant & equipment

Recognition and measurement

Plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Plant & equipment (continued)

Depreciation

Depreciation is calculated on a straight line basis so as to write off the net cost or re-valued amount of each item of plant and equipment over its expected useful life to the Company. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The depreciation rates used for the current and comparative periods are as follows:

Plant and equipment: 10% - 20% straight line

Motor Vehicle: 12.5% straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date and assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Share based payments

The Company provides benefits to employees, including directors, in the form of share-based payment transactions, whereby employees are provided with incentives via grants of options. The cost of these transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model. The cost of equity based compensation benefits is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of directors of the Company, will ultimately vest. This opinion is formed based on the best available information. Where options are cancelled or lapsed they are treated as if they had vested.

(k) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Loss per share

Basic loss per share

Basic loss per share is determined by dividing the loss from ordinary activities after income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Diluted loss per share

Diluted loss per share adjusts the figures used in determination of basic loss per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will arise from the exercise of options outstanding during the year.

(m) Joint ventures

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

The joint ventures are of the type where initially one party contributes tenements with the other party earning a specified percentage by funding exploration activities; thereafter the parties often share exploration and development costs in proportion to their ownership of joint venture assets. The joint ventures do not hold any assets and accordingly the Company's share of exploration expenditure is accounted for in accordance with the policy set out in Note 1(g).

(n) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as operating cash flow.

(o) New accounting standards and interpretations

The following Australian Accounting Standards have been issued and or amended and are applicable to the Company but are not yet effective. They have not been adopted in the preparation of the financial statements at reporting date. The Application Date of the standard is for the annual reporting periods beginning on or after the date shown in the table below.

Reference and Title	Nature of change to accounting policy and impact on initial application	Application date
AASB 9 Financial Instruments	Replaces the requirements of AASB 139 for classification and measurement of financial assets. The requirements have generally been carried forward unchanged from AASB 139 into AASB 9.These include the requirements relating to: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. The Company does not have any financial liabilities measured at fair value through profit or loss. So there will be no impact on amounts recognised in the financial statements on initial adoption.	1 January 2013
AASB 124 Related Party Disclosures	Additional disclosure requirements only so there will be no impact on amounts recognised in the financial statements on initial adoption.	1 January 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New accounting standards and interpretations (continued)

Reference and Title	Nature of change to accounting policy and impact on initial application	Application date
AASB 2010-4 Amendments to Australian Accounting Standards:	Not urgent but necessary changes to IFRSs as a result of IASB's 2009 annual improvements project.	1 January 2011
AASB 7 Financial Instruments: Disclosures	Deletes various disclosures. There will be no impact on amounts recognised in the financial statements on initial adoption.	1 January 2011
AASB 101 Presentation of Financial Statements	Detailed reconciliation of each item of other comprehensive income to be included in the statement of changes in equity or in the notes. There will be no impact as the Company has always included a detailed reconciliation in the Statement of changes in equity.	1 January 2011
AASB 2010-6 Amendments to Australian Accounting Standards	Additional disclosures required for entities that transfer financial assets. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.	1 January 2011
AASB 11 Joint Arrangements	Joint arrangements to be classified as either 'joint operations' or 'joint ventures'. Due to the recent release of this standard, the Company has yet to conduct a detailed analysis of the differences between the current treatment of joint arrangements and those required by AASB 11.	1 January 2013
AASB 12 Disclosure of Interest in Other Entities	Combines existing disclosures from IAS 27, IAS 28 and IAS 31. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.	1 January 2013
AASB 13 Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value on financial and non-financial items recognised at fair value in the financial statements. Due to the recent release of this standard, the Company has yet to assess the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013. Additional disclosures will be required about fair values.	1 January 2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. When this standard is first adopted there will be no impact on amounts recognised for transactions and balances for 30 June 2014 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).	1 January 2013

NOTE 2. FINANCIAL RISK MANAGEMENT

The Company, in its normal course of business, is exposed to financial risks comprising market risk (essentially interest rate risk), credit risk and liquidity risk.

The directors have overall responsibility for the Company's management of these risks and seek to minimise these risks through ongoing monitoring and review of the adequacy of the risk management framework in relation to the risks encountered by the Company.

Market risk

The Company's market risk exposure is to Australian money market interest rates in respect of its cash assets. The risk is managed by monitoring the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of its cash assets and the interest rate return.

Bank deposits at call, amounting to $600,000 (2010: $1,600,000), will mature within 39 days of balance date.

The weighted average interest rate to which the Company was exposed on its cash assets at the year-end was 4.72% (2010: 5.28%).

The table below summarises the sensitivity of the Company's cash assets to interest rate risk. The Company has no interest rate risk associated with any of its other financial assets or liabilities. Whilst this analysis reflects the effect of a 1% decline in interest rates, recent Australian Treasury announcements and press reports would indicate a downward movement in interest rates of this magnitude to be unlikely over the next 12 months.

Financial Assets	Carrying amount of cash assets	Effect of increase or decrease of interest rate on profit and equity of the Company			
		-1%		+1%	
		Profit	Equity	Profit	Equity
	$	$	$	$	$
2011					
Cash and cash equivalents	**1,410,485**				
Total increase/(decrease)		**(14,105)**	**(14,105)**	**14,105**	**14,105**
2010					
Cash and cash equivalents	1,616,232				
Total increase/(decrease)		(16,162)	(16,162)	16,162	16,162

Liquidity Risk

The Company has no significant exposure to liquidity risk as the Company's only debt is that associated with trade creditors in respect of which the Company's policy is to ensure payment within 30 days. The Company manages its liquidity by monitoring forecast cash flows.

Credit risk

The Company's only exposure to credit risk arises from having its cash assets including security deposits all deposited at one bank. The Company manages this minimal exposure by ensuring its funds are deposited only with a major Australian bank with high security ratings. The Company manages its minimal exposure to credit risk from its other receivables by ensuring prompt collection of those receivables.

NOTE 2. FINANCIAL RISK MANAGEMENT (continued)

Exposure to Credit risk	Closing carrying amount	
	2011 **$**	2010 $
Cash & cash equivalents	**1,410,485**	1,616,232
Trade & other receivables	**90,291**	65,005

Fair value estimates

The carrying amount of the Company's financial assets and liabilities approximates fair value due to their short-term maturity.

Capital management risk

The Company's objective in managing capital, which consists of equity capital and reserves less accumulated losses to date, is to safeguard its ability to continue as a going concern, so that it can continue to explore for minerals with the ultimate objective of providing returns for shareholders whilst maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets, or joint venture its projects.

NOTE 3. SEGMENT INFORMATION

The Management of Traka Resources Limited has determined that the Company has one reportable operating segment, being mineral exploration within Western Australia. The Board monitors the Company based on actual versus budgeted exploration expenditure. This internal reporting framework is the most relevant to assist the Board with making decisions regarding its ongoing exploration activities.

	2011 **$**	2010 $
Reportable segment assets	**138,889**	54,206
Reportable segment loss	**(1,714,287)**	(611,792)
Reconciliation of reportable segment loss		
Reportable segment loss	**(1,714,287)**	(611,792)
Other revenue	**207,689**	123,604
Unallocated: Corporate expenses	**(931,002)**	(507,390)
Loss before tax	**(2,437,600)**	(995,578)

NOTE 4. REVENUE AND OTHER INCOME

Revenue from continuing operations		
Interest received	**70,901**	21,782
Other income	**136,788**	101,822

Other income constitutes income from sublease of office premises and geological and administrative services on normal commercial terms and conditions

	2011 $	2010 $

NOTE 5. EXPENSES

Loss before income tax includes the following specific administration expenses:

	2011 $	2010 $
Personnel expenses		
Salaries, management fee and associated expenses	**808,637**	524,679
Share based payments	**268,950**	-
Recharge to exploration expenditure	**(494,394)**	(328,180)
	583,193	196,499
Depreciation	**20,676**	22,116
Other Expenses		
Rental and rates (office, storage, parking)	**144,400**	121,368
Company secretarial and accounting	**66,366**	49,002
Audit and tax	**26,000**	24,626
Communications	**18,239**	15,681
ASX fees	**15,789**	10,820
Other	**56,339**	67,278
	931,002	507,390

NOTE 6. INCOME TAX

	2011 $	2010 $
(a) Income tax expense	**-**	-
(b) Loss from continuing operations before income tax	**(2,437,600)**	(995,578)
Prima facie tax payable/(benefit) at the Australian tax rate of 30% (2010: 30%)	**(731,280)**	(298,673)
Tax effect of amounts that are taxable/(deductible) in calculating taxable income:		
Share options expense	**80,685**	-
Share issue costs put to equity	**(8,985)**	(1,520)
Tax benefits not brought to account	**659,580**	300,193
Income tax expense (benefit)	**-**	-

The franking account balance at year end was nil. (2010: nil)

	2011 $	2010 $

NOTE 6. INCOME TAX (continued)

(c) Deferred tax assets and liabilities not brought to account.

The Directors estimate that the potential deferred tax assets and liabilities carried forward but not brought to account at year end at the Australian Corporate tax rate of 30%, are made up as follows:

	2011 $	2010 $
Carried forward tax losses	2,858,338	2,198,837
Deductible temporary differences	7,351	8,694
Taxable temporary differences	**(2,359)**	(3,781)
Unrecognised net deferred tax assets	**2,863,330**	2,203,750

These benefits will only be obtained if the conditions for deductibility set out in note 1(c) occur.

NOTE 7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2011 $	2010 $
Cash at bank and on hand	**810,485**	16,232
Deposits at call	**600,000**	1,600,000
	1,410,485	1,616,232

Information about the Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities is disclosed in Note 2.

NOTE 8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2011 $	2010 $
Trade receivables	**4,445**	-
Interest	**7,864**	12,602
Other	**63,982**	38,403
Security deposit	**-**	14,000
	76,291	65,005

Interest receivables comprise pro-rata interest receivable at balance date in respect of deposits at call which are expected to be repaid within 90 days. Information about the Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities is disclosed in Note 2. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The security deposit is held with the bank as security for a Department of Mines and Petroleum bond issued by the bank on behalf of the Company.

No trade or other receivables are considered impaired or past due.

	2011 $	2010 $

NOTE 9. NON-CURRENT ASSETS – RECEIVABLES

	2011 $	2010 $
Security deposit	**14,000**	-

The security deposit is held with the bank as security for a Department of Mines and Petroleum bond issued by the bank on behalf of the Company. The fair value of the receivable is considered to be equal to its carrying amount.

NOTE 10. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	2011 $	2010 $
Leasehold improvements – at cost	**1,470**	1,470
Accumulated depreciation	**(1,470)**	(1,470)
	-	-
Field equipment – at cost	**122,875**	114,431
Accumulated depreciation	**(82,962)**	(71,304)
	39,913	43,127
Office furniture and equipment – at cost	**87,561**	80,481
Accumulated depreciation	**(75,526)**	(69,402)
	12,035	11,079
Motor vehicle – at cost	**89,835**	-
Accumulated depreciation	**(2,894)**	-
	86,941	-
Total plant and equipment	**138,889**	54,206

NOTE 10. NON-CURRENT ASSETS – PLANT AND EQUIPMENT (continued)

A reconciliation of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year is set out below.

	Leasehold improvements	Office furniture & equipment	Field equipment	Motor vehicle	Total
	$	$	$	$	$
2011					
Carrying amount at 1 July 2010	-	11,079	43,127	-	54,206
Additions during the year	-	7,080	8,444	89,835	105,359
Disposals during the year	-	-	-	-	-
Depreciation expense	-	(6,124)	(11,658)	(2,894)	(20,676)
Carrying amount at 30 June 2011	-	**12,035**	**39,913**	**86,941**	**138,889**
2010					
Carrying amount at 1 July 2009	-	15,225	49,433	-	64,658
Additions during the year	-	4,874	6,790	-	11,664
Disposals during the year	-	-	-	-	-
Depreciation expense	-	(9,020)	(13,096)	-	(22,116)
Carrying amount at 30 June 2010	-	11,079	43,127	-	54,206

NOTE 11 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2011	2010
	$	$
Trade creditors and accruals	**249,775**	136,106
Employee entitlements	**23,513**	26,739
	273,288	162,845

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 2.

Employee entitlements include accruals for annual leave. The entire obligation is presented as current since the Company does not have an unconditional right to defer settlement. However it is possible that some employees may not take the full amount of their accrued leave during the next 12 months.

	2011 $	2010 $

NOTE 12. CURRENT LIABILITIES – PROVISIONS

	2011 $	2010 $
Employee entitlements	**450**	3,615

The current provision for employee entitlements relates to long service leave and includes all unconditional entitlements where employees have completed the required minimum period of service and those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current as the Company does not have an unconditional right to defer settlement.

NOTE 13. EQUITY – CONTRIBUTED EQUITY

(a) Share capital

	2011 $	2010 $
Fully paid ordinary shares – 68,605,049 (2010: 58,914,147)	**10,495,004**	8,529,410

(b) Movements in ordinary share capital in the last 2 years

Date	Details	Number of Shares	$
2011			
1 July 10	Balance	58,914,147	8,529,410
	Issue of ordinary shares	9,690,902	2,090,000
	Capital raising costs	-	(124,406)
30 June 11	Balance	**68,605,049**	**10,495,004**
2010			
01 July 09	Balance	44,782,202	6,421,879
	Issue of ordinary shares	14,131,945	2,119,792
	Capital raising costs	-	(12,261)
30 June 10	Balance	58,914,147	8,529,410

(c) Share Options

	No. of Ordinary Shares subject to option	Expiry Date	Exercise Price
Director	1,000,000	28 December 2011	20 cents
Staff	50,000	6 April 2012	25 cents
Consultant	100,000	6 April 2012	25 cents
Director	1,000,000	10 December 2011	10 cents
Director	2,000,000	17 November 2013	21.25 cents
Staff	750,000	17 November 2013	21.25 cents

NOTE 13. EQUITY – CONTRIBUTED EQUITY (continued)

(d) Movements in number of options during the past 2 years

Date	Details	No. of Options	Exercise Price
2011			
01 July 10	Balance	3,150,000	
17 Nov 10	Options issued	2,750,000	21.25 cents
26 Nov 10	Options exercised	(1,000,000)	20 cents
30 June 11	Balance	**4,900,000**	**-**
2010			
01 July 09	Balance	3,150,000	-
10 Oct 08	No Movement	-	-
30 June 10	Balance	3,150,000	-

(e) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares being held.

On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

Refer to Note 2 for the Company's capital risk management policy.

NOTE 14. EQUITY – RESERVES

	2011 $	2010 $
Share based payments reserve	**482,630**	245,580
Exercised option reserve	**31,900**	-
	514,530	245,580

Nature and purpose of reserves

The share-based payments reserve is used to recognise the fair value of options issued.

The exercised option reserve arises on the exercise of options when the share based payments reserve attributable to the options being exercised is transferred to this reserve.

	2011 $	2010 $

NOTE 15. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	2011 $	2010 $
Short term employee benefits	324,667	300,000
Post employment benefits	5,400	5,400
Share based payments	195,600	-
	525,667	**305,400**

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors Report.

(b) Equity instruments relating to key management personnel

Shareholdings

The numbers of shares in the Company held during the financial year by each director and other key management personnel, including those held by their personally related entities, are set out below. There were no shares granted during the reporting period as compensation.

	Balance at beginning of year	Received as remuneration	Options exercised	Net changes other	Balance at end of year
2011					
Directors					
N Tomkinson	5,720,470	-	-	68,181	5,788,651
P A Verbeek	2,499,999	-	1,000,000	(1,000,000)	2,499,999
J N Pitt	7,100,000	-	-	-	7,100,000
G J Petersons	1,500,000	-	-	-	1,500,000
2010					
Directors					
N Tomkinson	3,813,647	-	-	1,906,823	5,720,470
P A Verbeek	1,916,666	-	-	583,333	2,499,999
J N Pitt	4,729,632	-	-	2,370,368	7,100,000
G J Petersons	1,750,000	-	-	(250,000)	1,500,000

The relevant interest of Mr Tomkinson and Mr Pitt in the shares of the Company is their combined holding of 12,888,651 shares (2010: 12,820,470 shares)

NOTE 15. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Equity instruments relating to key management personnel (continued)

Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with the terms and conditions of the options, can be found in the Directors' Report.

Option holdings

	Balance at the beginning of the year	Granted during year as compensation	Expired/ Exercised during year	Balance at the end of the year	Vested and exercisable at the end of the year
2011					
Directors					
N Tomkinson	-	-	-	-	-
P A Verbeek	3,000,000	2,000,000	(1,000,000)	4,000,000	4,000,000
J N Pitt	-	-	-	-	-
G J Petersons	-	-	-	-	-
2010					
Directors					
N Tomkinson	-	-	-	-	-
P A Verbeek	3,000,000	-	-	3,000,000	3,000,000
J N Pitt	-	-	-	-	-
G J Petersons	-	-	-	-	-

(c) Loans to key management personnel

There are no loans made to directors or other key management personnel of the Company.

(d) Other transactions with key management personnel

There are no other transactions with key management personnel other than as disclosed in Note 19.

	2011 $	2010 $

NOTE 16. REMUNERATION OF AUDITORS

Audit Services

Fees paid to BDO Kendalls Audit & Assurance (WA) Pty Ltd

Amounts paid or payable to the auditors for:

	2011 $	2010 $
- Auditing the financial reports of the Company	**22,800**	21,426
Total remuneration	**22,800**	21,426

NOTE 17. CONTINGENCIES

There are no contingent liabilities for termination benefits under service agreements with directors or executives at 30 June 2011.

The Directors are not aware of any other contingent liabilities at 30 June 2011.

NOTE 18. COMMITMENTS

Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

	2011 $	2010 $
Not later than one year	**91,500**	100,000
Later than one year but not later than five years	**-**	91,667
Later than five years	**-**	-
	91,500	191,667
Representing:		
Minimum lease payments in relation to non-cancellable operating leases	**91,500**	191,667

Exploration tenements

In order to maintain the mineral tenements in which the Company and other parties are involved, the Company is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. The minimum estimated expenditure in accordance with the requirements of the Western Australian Department of Industry and Resources for the next financial year is set out below.

	2011 $	2010 $
Minimum estimated expenditure requirements	**999,778**	1,128,734

These requirements are expected to be fulfilled in the normal course of operations and may be varied from time to time subject to approval by the grantor of titles. The estimated expenditure represents potential expenditure which may be avoided by relinquishment of tenure. Exploration expenditure commitments beyond twelve months cannot be reliably determined.

Notes to the Financial Statements

For the year ended 30 June 2011

NOTE 18. COMMITMENTS (continued)

Remuneration commitments

	2011 $	2010 $
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
Not later than one year	**115,417**	240,000
Later than one year but not later than five years	**-**	80,000
Later than five years	**-**	-
	115,417	320,000

NOTE 19. RELATED PARTY TRANSACTIONS

Directors of Traka Resources Limited during the financial year were:

Neil Tomkinson
Patrick Verbeek
George Petersons
Joshua Pitt

Disclosures relating to directors and key management personnel are set out in the Directors' Report and in Note 15.

Other related party transactions

The Company has an agreement with Red Hill Iron Ltd ("Red Hill"), a company of which Mr Pitt and Mr Tomkinson are directors, whereby Red Hill pays rent for use of office space, geological and administrative services to Traka on normal commercial terms and conditions. Amounts received from Red Hill totalled $134,647 (2010: $92,175)

The Company paid Nikita Verbeek, daughter of the Company's Managing Director, $1,430 (2010 $Nil) for administration services.

There are no other related party transactions other than those relating to directors' remuneration.

NOTE 20. INTERESTS IN JOINT VENTURES

The Company has interests in the following mineral exploration joint ventures as at 30 June 2011

Name of project	Interest	Activities	Other Parties
Musgrave Project	49%	Gold and base metal exploration	Anglo American (Australia) Pty Ltd (Anglo earning up to 75%)
Musgrave Project	90%	Gold and base metal exploration	Polaris Metals NL (Polaris free carried 10%)
Musgrave Project	0%	Gold and base metal exploration	Sammy Resources Pty Ltd (Traka earning up to 90%)
Ravensthorpe Project (Sirdar JV)	20%	Gold and base metal exploration	Galaxy Resources Ltd (Traka 20% free carried to production)
Ravensthorpe Project (Bandalup JV)	100%	Gold and base metal exploration	Tectonic Resources NL (Tectonic earning up to 70%)

The Company's joint ventures do not constitute separate legal entities but are contractual agreements between the participants for the sharing of costs and output and do not in themselves generate revenue and profit. Refer note 1(m).

NOTE 21. EVENTS OCCURRING AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 30 June 2011.

NOTE 22. CASH FLOW INFORMATION

	2011 $	2010 $
Reconciliation of operating loss after income tax to net cash used in operating activities:		
Operating loss after income tax	**(2,437,600)**	(995,578)
Depreciation	**20,676**	22,116
Non-cash employee benefit expense	**268,950**	-
(Increase)/decrease in receivables	**(19,101)**	(9,865)
(Decrease)/increase in payables and provisions	**101,090**	95,441
Net cash outflow from operating activities	**(2,065,985)**	(887,886)

NOTE 23. LOSS PER SHARE

	2011 Cents	2010 Cents
Basic and diluted loss per share	**(3.89)**	(2.12)
Reconciliation of loss	**$**	$
The loss used in calculating the basic and diluted loss per share is equal to the loss attributable to ordinary equity holders of the Company in the Statement of Comprehensive Income	**(2,437,600)**	(995,578)
	No of Shares	No of Shares
Weighted average number of ordinary shares used as a denominator in calculating basic and diluted loss per share	**62,663,271**	46,917,523

The weighted average number of ordinary shares used in calculating basic and diluted loss per share is derived from the fully paid ordinary shares on issue

The diluted loss per share is the same as the basic loss per share on account of the Company's potential ordinary shares (in the form of options) not being dilutive because their conversion to ordinary shares would not increase the loss per share.

NOTE 24. SHARE BASED PAYMENTS

Traka Resources Limited Employee Share Option Plan

The Traka Resources Limited Employee Share Option Plan ("ESOP") was adopted by the Company for the purpose of recognising the efforts of, and providing incentive to, employees of the Company. A summary of terms and conditions of the ESOP is set out below:

- Under the ESOP the Company may offer options to subscribe for shares in the Company to eligible persons. Directors and part-time or full-time employees are eligible persons for the purpose of the ESOP.
- The board of directors has discretion to determine who and to what extent an eligible person is entitled to participate in the ESOP.
- Options under the ESOP are to be offered on such terms as the board determines and the offer must set out the number of options offered, the exercise price and the period of the offer. Exercise price is determined by the board with reference to the market value of the shares of the Company at the time of resolving to offer the options. Period of the offer will be no longer than five years.
- No consideration is payable for the options unless the board determines otherwise and the Company will not apply for quotation of the options.
- The options are exercisable in whole or part, and shares will be issued within 10 business days of the receipt of notice of exercise and payment in full of the exercise price.
- If an option holder ceases to be an eligible person prior to the earliest date for exercise of their options for any other reason than retirement at age 60 or over, permanent disability, redundancy or death, the options will automatically lapse. If an option holder ceases to be an eligible person after the earliest date for exercise of their options for any other reason than retirement at age 60 or over, permanent disability, redundancy or death, the options will lapse after three months.

NOTE 24. SHARE BASED PAYMENTS (continued)

Set out below is a summary of options granted:

Grant date	Expiry date	Exercise price	Balance at start date	Granted during the year	Exercised/ expired/ lapsed during the year	Balance at end of year
		Cents	Number	Number	Number	Number
2011						
17 Nov 2010	17 Nov 2013	21.25	-	2,750,000	-	2,750,000
10 Dec 2008	10 Dec 2011	10.00	1,000,000	-	-	1,000,000
6 Apr 2007	6 Apr 2012	25.00	50,000	-	-	50,000
28 Dec 2006	28 Dec 2011	20.00	1,000,000	-	-	1,000,000
29 Nov 2005	29 Nov 2010	20.00	1,000,000	-	(1,000,000)	-
			3,050,000	2,750,000	(1,000,000)	4,800,000
Weighted average exercise price (cents)			17.00	21.25	20.00	19.00
2010						
10 Dec 2008	10 Dec 2011	10.00	1,000,000	-	-	1,000,000
6 Apr 2007	6 Apr 2012	25.00	50,000	-	-	50,000
28 Dec 2006	28 Dec 2011	20.00	1,000,000	-	-	1,000,000
29 Nov 2005	29 Nov 2010	20.00	1,000,000	-	-	1,000,000
			3,050,000	-	-	3,050,000
Weighted average exercise price (cents)			17.00	-	-	17.00

Share based payments to directors can be found in the audited Remuneration Report set out in the Directors' Report.

2,750,000 options were granted during the year (2010: nil) and 1,000,000 options were exercised (2010: nil)

The assessed fair value at grant date of options granted during the year ended 30 June 2011 was $0.0978 per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

NOTE 24. SHARE BASED PAYMENTS (continued)

The model inputs for options granted during the year ended 30 June 2011 were:

Grant date	17 November 2010
Exercise by	17 November 2013
Exercise price per share	21.25 cents
Expected average life of the options	3 years
Underlying security spot price at time of grant	17 cents
Risk fee interest rate	5.13%
Expected volatility	95%

Historical volatility was used as the basis for estimating likely future share price volatility. Actual future volatility may differ from the estimate used.

The expected average life of the options was estimated as 3 years. The actual life could differ from this estimate if the holder of the options chooses to exercise his options prior to their expiry date.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2011	2010
	$	$
Options issued	**$268,950**	-

Directors' Declaration

For the year ended 30 June 2011

The directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2011, comply with section 300A of the Corporations Act 2001.

4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

5. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the directors and is signed for and on behalf of the directors by:

NEIL TOMKINSON

Chairman

Dated this 26th day of September 2011

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Fax: +8 6382 4601
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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

26 September 2011

Traka Resources Limited
The Board of Directors
Suite 2
Ground Floor, 43 Ventnor Avenue
West Perth, WA, 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF TRAKA RESOURCES LIMITED

As lead auditor of Traka Resources Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Peter Toll
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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Australia

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TRAKA RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Traka Resources Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Traka Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Traka Resources Limited is in accordance with the *Corporations Act 2001*, including:
    (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies *with International Financial Reporting Standards* as disclosed in Note 1(a).

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1(a) in the financial report, where the company will have to seek additional funding in order to progress exploitation of its exploration assets. If the company is unable to obtain additional funding it may indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the values stated in these financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Traka Resources Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Dated this 26th day of September 2011
Perth, Western Australia

Corporate Governance Statement
For the year ended 30 June 2011

The Board of Directors of Traka Resources Limited (the "Company") is responsible for monitoring the business affairs of the Company and protecting the rights and interests of shareholders. High standards of corporate governance are essential to give effect to its responsibilities. The Company's corporate governance arrangements are set and reviewed by the Board on an ad-hoc basis having regard to any changing circumstances of the Company and the best interests of shareholders. They comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition (the 'Principles').

This statement outlines the Company's approach to corporate governance policy for the financial year ended 30 June 2011. Any documents referenced in this statement as being available on the Company's website can be found on www.trakaresources.com.au.

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Functions reserved for the Board and those delegated to senior executives

The Board's key objective is the increase of shareholder value by successful exploration for and/or production of minerals. The Board focuses the Company's activities on pursuing exploration opportunities in the mineral resource business which are judged to have the potential for success without exposing the Company to undue risk. Traka has two important areas of interest namely the Musgrave Project and the Ravensthorpe Nickel Project; the Company's main thrust is to add shareholder value by the discovery of economic mineral deposits in these areas.

The Board is accountable to shareholders for the performance of the Company, and its responsibilities include:

a) approval of corporate strategy including annual approval of budget and monitoring performance against the budget;

(b) determining the capital structure of the Company;

(c) appointing and determining the duration, remuneration and other terms of appointment of the Managing Director and other senior management;

(d) evaluating the performance of the Managing Director and other senior management;

(e) approval of financial and other periodic reporting requirements;

(f) approving the risk management strategy and frameworks and monitoring their effectiveness;

(g) corporate governance systems and practices within the company;

(h) approval of investments, corporate acquisitions, new joint ventures; and

(i) appointment of the external auditors and principal advisors.

Due to the concentration of corporate aim and the small size of the Board all issues are considered by the full Board.

Any new directors, who may be appointed to the Board, will be provided with a letter of appointment including their remuneration details together with copies of Company and Board policies, the Constitution and access to prior Board minutes and papers. New directors will also be advised of their confidentiality and disclosure obligations, share trading policy guidelines, indemnity and insurance arrangements.

The Company has not prepared formal letters of appointment for the existing non-executive members of the Board.

Senior executives

The role of the Managing Director during the year under review has been to manage the Company's exploration activities on a day to day basis pursuant to authority delegated by the Board and implementation of Board and corporate policy and planning in accordance with approved exploration programmes and budgets. The Managing Director reports to the Board regularly and is under an obligation to make sure that all reports which he presents give a true and fair view of the Company's exploration activities.

1.2 The process for evaluating the performance of senior executives

The Board is responsible for setting the Managing Director's performance objectives and for evaluating his performance against them. The non-executive members of the Board carry out an annual review of the adequacy of his remuneration and participation in share incentive arrangements.

The Board is responsible for the appointment of the Company Secretary, evaluating his performance on an annual basis and determining his remuneration.

2. STRUCTURE THE BOARD TO ADD VALUE

2.1 Board members' independence

The Board is made up of four Directors only one of whom, Mr G Petersons, is independent in terms of the Relationships affecting Independent Status (the "Categories") in Recommendation 2.1 of the Principles.

The remainder of the Directors on the Board are not independent within the strict meaning of the Categories because Mr P Verbeek is an executive of the Company and Messrs Tomkinson & Pitt are associated with a substantial shareholder in the Company as defined in the Corporations Act. However, Directors believe that there exists a strong incentive for all Board members to carry out their directorial duties in an independent manner. The Board considers that this, combined with the fact that there is sufficient independence of view and variety of intellectual input between the Directors, achieves the objectives of the Categories and consequently it views a majority of the Directors as independent.

A determination with respect to independence is made by the Board on an annual basis. In addition the Directors are required on an ongoing basis to disclose relevant personal interests and conflicts of interest which may in turn trigger a review of a director's independent status.

2.2 Chairman's independence

As detailed above the chairman is considered to be independent and the Board considers that the Board and shareholder structure of the Company ensure that the chairman effectively acts as an independent director

2.3 Roles of chairman and chief executive officer

The Company has complied with this Principle - the chief executive officer (equivalent) role is filled by the Managing Director.

Role of the Chairman

The Chairman is responsible for the effective conduct of meetings of directors and general meetings of shareholders. The Chairman is also responsible for settling the agenda for Board meetings with the Company Secretary and Managing Director. Any director of the Board may request an item of business to be included on the agenda.

While the Managing Director is responsible to the Board as a whole, he also liaises with the Chairman and other Board Members regularly.

2.4 The Board should establish a nomination committee

Due to the size of the Company and the composition of the Board, a nomination committee has not been established. No formal procedure governing the appointment of new Directors has been established. The Board considers that it is in the best interests of the Company to determine the criteria for the selection of new directors based on any perceived "gaps" in the skill set of the Board as and when a casual vacancy arises.

Retirement and rotation of directors is governed by the Corporations Act and the constitution of the Company. Each year, onethird of the directors must retire and offer themselves for re-election. Any casual vacancy filled between general meetings will be subject to a shareholder vote at the next Annual General Meeting of the Company.

Re-appointment of directors is not automatic. Shareholders are provided with relevant information on each of the candidates for election or, where applicable, re-election.

2.5 Board performance

Due to the size and composition of the Board, the Company does not have a formal process for the performance evaluation of the Board, its committees or individual directors.

Accordingly, no formal performance evaluation for the Board or its members took place in the reporting period.

Directors are encouraged to attend director training and professional development courses, as required, at the Company's expense. New directors will have access to all employees to gain full background on the Company's operations.

All directors have access to company records and information and receive regular detailed financial and operational reports from management. The Chairman and the other non-executive directors regularly consult with the Managing Director and the Company Secretary and may consult with and request additional information from any employee.

The Board collectively, and each director individually, has the right to seek independent professional advice at the expense of the Company to assist with the discharge of their duties. While the Chairman's prior approval is required, it may not be unreasonably withheld.

Company Secretary

The Board is responsible for the appointment of the Company Secretary. The Company Secretary attends all Board meetings and is responsible for providing directors with ongoing guidance and advice on commercial and corporate governance matters. The Company Secretary is also responsible for the preparation of the semi annual and annual accounts

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1 Code of conduct

Due to its size, activities, and the number of employees, the Company has not adopted a formal code of conduct, but is committed to achieving the following objectives:

(a) ensuring that all of its business affairs are conducted legally, ethically and with integrity;

(b) ensuring that the Company itself and its joint venturers who act as operators of projects in which the Company has an interest adopt high standards of occupational health and safety, environmental management and ethics;

(c) managing its legal obligations and the reasonable expectations of stakeholders effectively through the development and implementation of a risk management framework which incorporates these key areas; and

(d) fostering and maintaining a culture of ownership, care, professional excellence, confidentiality, integrity and freedom from any conflict or perceived conflict of interest in each of the Company's employees and consultants.

Director conflict of interest

All directors are required to disclose any actual or potential conflict of interest upon appointment and are required to keep these disclosures to the Board up-to-date.

3.2 Diversity

During the year the Company considered its approach to diversity in the context of the new diversity requirements set out in the ASX Principles and Recommendations, which are required to be reported on with respect to the financial year commencing 1 July 2011 onwards.

The company believes in creating fair and equal access for employees to all employment opportunities and that a diverse workforce will provide the broadest and most effective talent pool. All appointments are, however, made on the basis of merit.

Due to its size, however, the Company does not currently have a formalised diversity policy in place. The Board believes noncompliance by the Company with this Principle will not be detrimental to the Company.

3.3 Trading in company securities

The Company's securities trading policy was announced to the ASX on 29 December 2010. The policy is published on the Company's website.

4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Audit committee

Traka's Directors do not consider that the Company's affairs are of such a size and complexity as to merit the establishment of a separate audit committee. Until this situation changes, the Board of will carry out all audit committee functions.

The Board monitors the form and content of the Company's financial statements; it also maintains an overview of the Company's internal financial control and audit system and risk management systems.

Additionally, on an annual basis, the Board, in line with its overall responsibility to shareholders, reviews the performance and independence of the external auditor and the continuation of that appointment. The Board also approves the remuneration and terms of engagement of the external auditor. Any appointment of a new external auditor will be submitted for ratification by shareholders at the next annual general meeting of the Company.

Corporate governance recommendations 4.2 and 4.3 do not apply as there is no audit committee.

5. MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Compliance with ASX disclosure requirements

Detailed compliance procedures, to ensure timely and balanced disclosure of information in line with the Principles have been noted and adopted by the Company. The Company Secretary is charged with ensuring that any necessary steps which need to be taken by the Company are brought before the Board for discussion and, subject to amendment, approval.

The Company Secretary is responsible for non-material and standard form disclosures to the market. In addition he is responsible for communications with the ASX.

Commentary on Financial Results

The Company provides commentary in conjunction with its half yearly and yearly results in a clear and objective manner to ensure that shareholders and potential shareholders have access to the information needed to make an informed assessment of the Company's activities and results.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Communication with and participation of Shareholders

The Board aims to ensure that shareholders are fully informed by communicating to shareholders through:

(a) continuous disclosure reporting to the ASX;

(b) the quarterly, half yearly and annual reports; and

(c) media releases copies of which are lodged with ASX and placed on the Company's website, www.trakaresources.com.au.

Shareholders are given the option to receive information such as the Annual Report and Notices of Meeting / Explanatory Memoranda in print or electronic form.

Traka Resources Limited maintains a website at www.trakaresources.com.au and complies with the continuous disclosure requirements of the ASX Listing Rules. Shareholders may find all recent information on the Company under various headings on the Company's website, including latest ASX releases, details of its projects and its Corporate Profile. Shareholders may also request a copy of the Company's ASX recent releases.

7. RECOGNISE AND MANAGE RISK

7.1 Oversight and management of material business risks

The Company has a management policy in place for the identification and effective management of risk. The policy caters for the management of risk by the Board and management being principally the risks involved in exploration for copper, nickel, gold and platinum group elements.

7.2 Design and implementation of systems to manage material business risks

Management has established a register of business risks and identified the material business risks affecting the Company. To the extent possible in a Company with a very small staff, internal controls are in place to mitigate against any material business risks. Risks of a strategic, financial and operational nature (such as ability to raise capital to fund exploration, commodity price and currency fluctuations, adequate levels of insurance, contract documentation, resourcing, and meeting financial reporting and compliance obligations) are reviewed on a regular basis by the Board as and when applicable.

Potential operational risks involved in running the Company are managed by the Board. Due to the size of the Company, the Board does not consider it practicl to establish a separate committee to focus on these issues.

The Company Secretary, who has overall responsibility for the implementation of the policy, reports to the Board on whether those risks are being managed effectively.

7.3 Compliance with Corporations Act Section 295A

The Board receives a declaration from the Managing Director and the Company Secretary covering the matters set out in section 295A of the Corporations Act 2001 and in accordance with the terms stipulated in Recommendation 7.3.

8. REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration committee

The Board does not have a separate remuneration committee due to the small size of the Board and the Company and the limited number of employees. The full Board carries out the functions of a remuneration committee.

The Board on an annual basis reviews executive remuneration and incentive policies, as well as superannuation arrangements. In addition, the Board reviews and approves the audited remuneration report set out in the Directors' Report. The Board where needed consults external consultants and specialists.

8.2 Distinguishing remuneration structure

Remuneration for non-executive directors is fixed and non-executive directors do not participate in any incentive plans. Nonexecutive directors do not receive any retirement benefits, except that, as part of their fixed remuneration, they are paid superannuation. For information about non-executive director remuneration practice, reference can be made to the audited remuneration report set out in the Directors' Report.

Managing Director

For information about the remuneration of the Managing Director, reference can be made to the audited remuneration report set out in the Directors' Report.

SHAREHOLDER INFORMATION
As at 15 September 2011

NUMBER OF EQUITY SECURITIES

	Listed	Not listed
Shares		
Ordinary shares fully paid	68,605,049	-
Options over unissued shares		
Exercisable at 10 cents expiring 10 Dec 2011	-	1,000,000
Exercisable at 20 cents expiring 28 Dec 2011	-	1,000,000
Exercisable at 25 cents expiring 6 Apr 2012	-	150,000
Exercisable at 21.25 cents expiring 17 Nov 2013	-	2,750,000
	-	4,900,000

DISTRIBUTION OF SHAREHOLDERS AND OPTION HOLDERS

			Shareholders	Option Holders
1	-	1,000	31	-
1,001	-	5,000	44	-
5,001	-	10,000	78	-
10,001	-	100,000	315	5
100,001+			97	4
			565	9

MARKETABLE PARCEL

There are 41 holders of less than a marketable parcel of ordinary shares

SUBSTANTIAL SHAREHOLDERS

The following information is extracted from the Company's register of substantial shareholders:

Name	No of Shares	%
Wythenshawe Pty Ltd & Waramboo Holdings Pty Ltd	12,888,651	18.79
Tattersfield Group	11,715,025	17.08

SHAREHOLDER INFORMATION
As at 15 September 2011

VOTING RIGHTS

The voting rights attaching to the ordinary shares, set out in clause 10.20 of the Company's constitution are:

Subject to any rights for the time being attached to any class or classes of shares at general meetings of Members or classes of Members:

- Each Member entitled to vote may vote in person or by proxy, attorney or representative;
- On a show of hands, every person who is present who is a Member or a proxy, attorney or representative of a Member has one vote; and
- On a poll every person present who is a Member or a proxy, attorney or representative of a Member shall, in respect of each fully paid share held by him, or in respect of which he is appointed proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. The fraction shall be equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable, (excluding amounts credited). In this clause, amounts paid in advance of a call are ignored when calculating a true proportion.

TWENTY LARGEST HOLDERS OF LISTED EQUITY SECURITIES

	Shareholders	Number of shares	%
1	Tattersfield Securities Ltd	11,675,025	17.02
2	Wythenshawe Pty Ltd	7,100,000	10.35
3	Warramboo Holdings Pty Ltd	5,788,651	8.44
4	Y M G Yovich	2,648,181	3.86
5	Malahang Pty Ltd	1,595,833	2.33
6	G J Petersons	1,310,000	1.91
7	Pensions Australia Nominees Pty Ltd	1,000,000	1.46
8	Nalmor Pty Ltd <J Chappell Super Fund A/c>	904,999	1.32
9	Malahang Pty Ltd <Patrick Verbeek Super Fund A/c>	904,166	1.32
10	M J Pevats	850,000	1.24
11	Penmaen Limited	800,000	1.17
12	D & E Benney <Benney Family Super Fund>	687,500	1.00
13	Yandal Investments Pty Ltd	645,000	0.94
14	Nutsville Pty Ltd <Industrial Electric Super Fund A/c>	550,000	0.80
15	Building Blocks Limited	450,000	0.66
16	Aiken & Associates Ltd	439,250	0.64
17	W D & B H Whitfield	400,000	0.58
18	T R & L Ward	398,181	0.58
19	H Riddell	375,000	0.55
20	Crescent Nominees Pty Ltd	370,000	0.54
		38,891,786	56.71

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