



Traka Resources Limited

ABN: 63 103 323 173

25 October 2006

The Manager
Announcements
Company Announcements Office
Australian Stock Exchange Limited
PO Box H224 Australia Square
SYDNEY NSW 2000

Dear Sir / Madam

Annual Report 2006

We attach a copy of the 2006 Annual Report forwarded to shareholders.

Yours faithfully

Peter Rutledge
Company Secretary



Annual Report 2006

Traka Resources Limited

ABN 63 103 323 173



Traka Resources Limited Annual Report 2006

30 June 2006 ABN 63 103 323 173

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Corporate Directory

Directors

Neil Tomkinson LLB (Hons) Non-Executive Chairman
Patrick Andrew Verbeek BSc., MAusIMM Managing Director
George Juris Petersons Non Executive Director
Joshua Norman Pitt BSc., MAusIMM Non Executive Director

Company Secretary

Desmond John Kelly BComm, CPA, MAICD (to 13 September)
Peter Campbell Rutledge BSc., CA, FFIA (from 13 September 2006)

Principal and Registered Office

Suite 2 Ground Floor
43 Ventnor Avenue
West Perth WA 6005
Ph: 9322 1665
Fax: 9322 9144
Email: traka@trakaresources.com.au
Web: www.trakaresources.com.au

Auditor

Horwath Audit (WA) Pty Ltd
128 Hay Street
Subiaco WA 6008

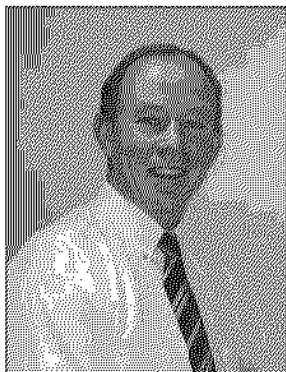
Share Register

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000
Telephone (08) 9323 2000
Facsimile (08) 9323 2033

Stock Exchange Listing

Traka Resources Limited shares (TKL) are listed on the
Australian Stock Exchange Limited

Managing Director's Report



Exploration at Ravensthorpe continued throughout the year and predominantly concentrated on the search for nickel sulphide deposits with lesser emphasis on iron ore and gold. Elsewhere in Western Australia, Traka has broadened its exploration focus through applications for tenements which cover a portion of the large Giles Mafic/Ultramafic Complex near Mt. Blyth.

Listed below are some details of a busy year:-

- Total "in-ground" exploration expenditure was \$2,205,000 comprising expenditure of \$822,550 by Traka and \$1,382,450 by our joint venture partners.
- 5,503 metres of RC drilling was completed at a cost of \$402,360.
- 4,615 geochemical samples were collected and assayed at a cost of \$104,486.
- 220 line kilometres of geophysical surveys for a cost of \$443,560.
- 437 geologist man days for a cost of \$284,670.

"Whilst the technical description puts the statistics into perspective a simpler view point is that as long as a company can maintain a significant interest in its ventures together with a high level of exploration activity it remains positioned to reap the rewards of exploration success. I believe we can look very favorably to an exciting new year.

Before proceeding with my technical review, I would like to draw your attention to the recent departure of Des Kelly our Company Secretary. Des has left Traka to concentrate on his other business affairs but we would like to take this opportunity to wish him the very best for his future and thank him very sincerely for the support and assistance he provided the company during its formative stage and over the last three years. Mr. Peter Rutledge is our new Company Secretary. Peter brings with him a wealth of experience in the resource industry and we welcome him to our team."

The Ravensthorpe Nickel Project

This project remains the Company's primary asset and focus. Initial exploration by Traka highlighted numerous prospective exploration targets. In order to accelerate the exploration program while recognising the company's limited cash reserves, it was decided to seek a joint venture partner.

An option to enter into joint venture was granted to Independence Group NL ("IGO") on the 26th October 2005. IGO is a very successful mid-tier nickel mining company with operations in the Kambalda region of Western Australia. It has the capacity to fund an aggressive ongoing exploration program and manage any mining project that may result.

In the last ten months IGO has funded, under Traka's management, a very aggressive exploration program and by September 2006 had completed the initial committed expenditure of \$1,500,000. It is a measure of the high regard in which IGO holds the Ravensthorpe project

that it has elected to exercise its option and commence earning an interest by sole funding joint venture exploration.

Under the joint venture terms IGO can earn a 51% interest by carrying out minimum additional expenditure of \$5,000,000 by the 31st December 2009. Traka may then elect to contribute to future expenditure and retain a 49% interest or reduce its equity to 30% by electing to be free carried from that date through to a decision to mine.

Traka's royalty interests in the nickel laterite potential of the area as well as any iron ore development on the project tenements are excluded from the joint venture with IGO.

A description of the work underway and the results achieved to date follows. For ease of reference the Ravensthorpe Nickel Project is split into four smaller areas (Figure 1).

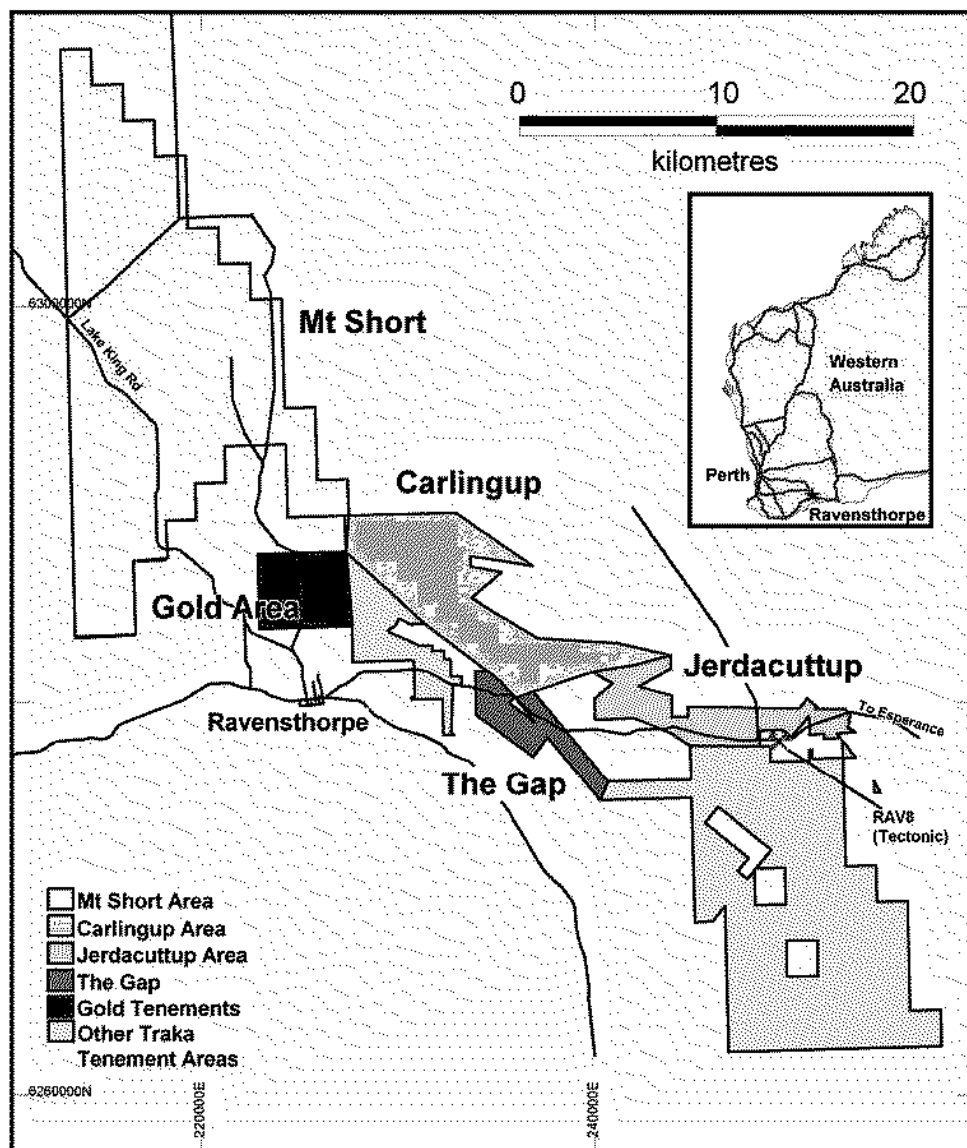


Figure 1. Ravensthorpe Nickel Project Location Plan

The Ravensthorpe Nickel Project

The Jerdacuttup Area:

The first two years of exploration activity involving systematic geological, geochemical and geophysical surveys in the Jerdacuttup region resulted in the

delineation of numerous drill targets along two main ultramafic horizons extending over about 12 kilometres strike length (Figure 2).

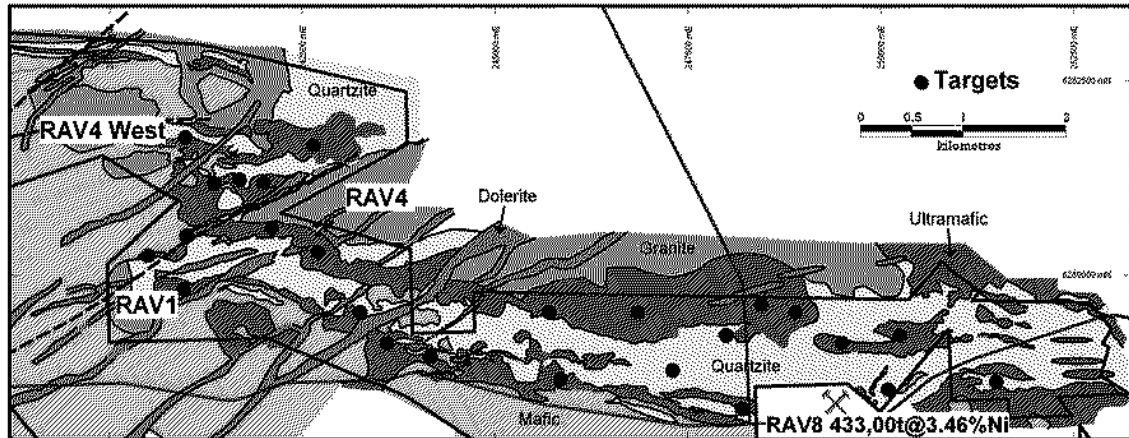


Figure 2. Geology plan of the Jerdacuttup Area showing targets

Coincident with the executing of the option with IGO, a decision was made to complete Moving Loop Electromagnetic ("MLEM") geophysical survey coverage of the Jerdacuttup area and in particular the northern most unit of the two main ultramafic horizons (Figure 3). This decision delayed some follow-up drilling programs

but was considered an important and necessary step to assist in the accurate ranking of targets.

Drilling operations have recently recommenced and it is expected that drilling will now form the bulk of exploration activity in the Jerdacuttup area during the coming year.

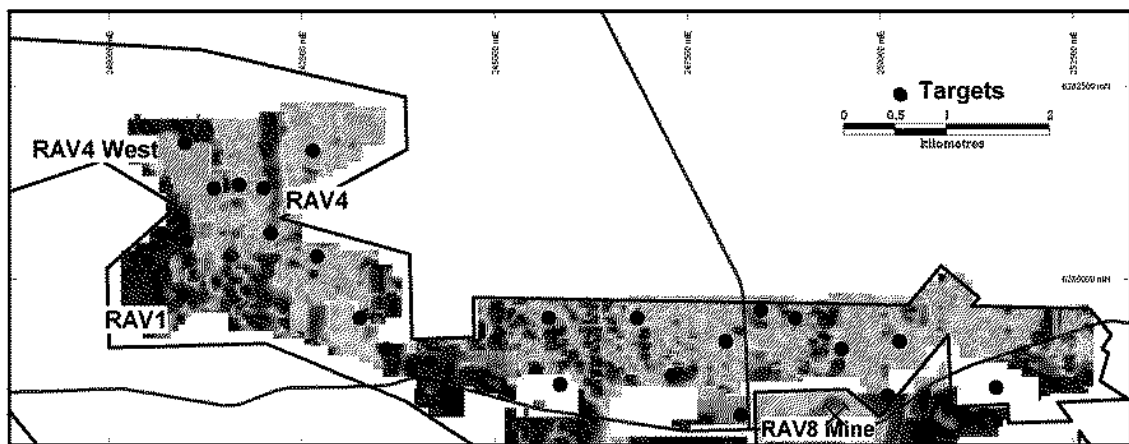


Figure 3. Plan of the Jerdacuttup area showing an image of the MLEM survey

The Ravensthorpe Nickel Project

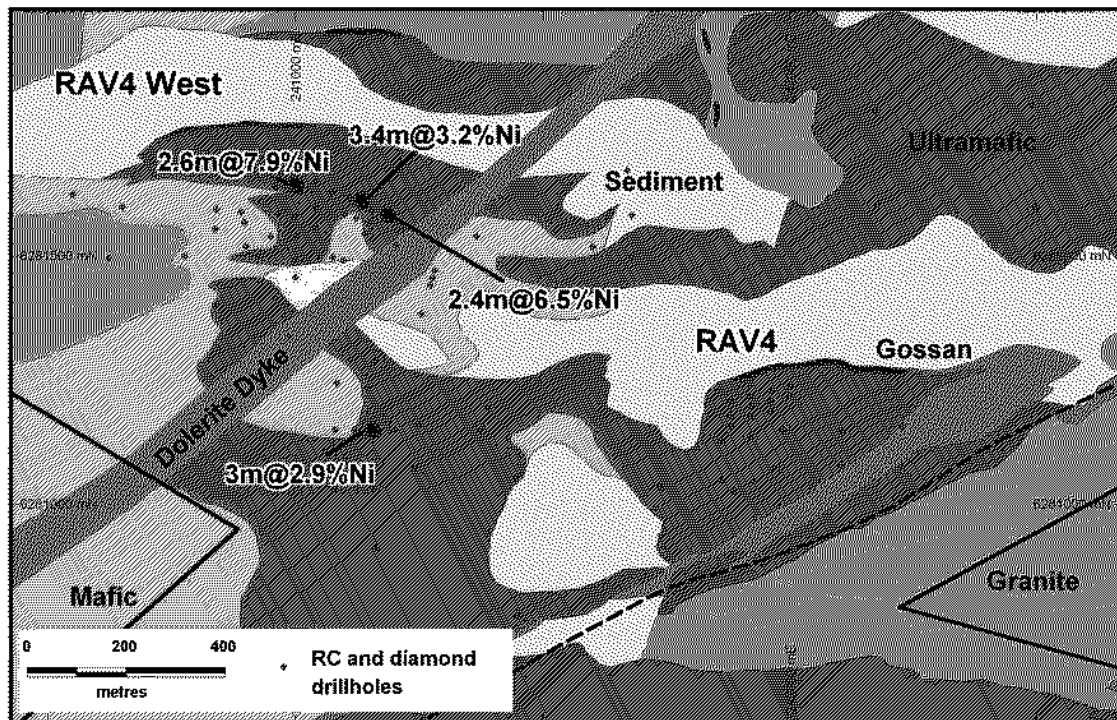


Figure 4. Geology plan of RAV 4 West showing select drill hole intersections

The prospect currently receiving the most attention is RAV 4 West. Previous work by other parties many years ago as well as Traka's work last year highlighted a shallow south dipping nickel body extending below a gossan. Previous intersections included 3.4 metres @ 3.2% nickel, 2.4 metres @ 6.5% nickel, 2.6 metres @ 7.9% nickel and 3 metres @ 2.97% nickel (Figure 4). These intersections are made within breccia and stringer style mineralisation associated with low sulphide but very high nickel tenure zones partly made up of supergene enriched violarite mineralisation.

This style of mineralisation resembles that of the RAV 8 Mine where Tectonic Resource Ltd mined 443,000 tonnes @ 3.46% nickel for 15,350 tonnes of contained nickel.

The RAV 4 West target strikes over about 500 metres and has been drilled in an irregular fashion to about 120 metres vertical depth. Mineralisation is open at depth and is located on the basal contact of an ultramafic unit in contact with quartzite. Low angle structures and some granite and dolerite intrusives locally disrupt the stratigraphic sequence and mineralisation; otherwise the geological setting is very favourable for channel style nickel mineralization.

Past drilling at RAV 4 West and also at the nearby RAV 4 and RAV 1 targets outlined broad, modest grade zones of nickel sulphide mineralization at shallow depth. A preliminary economic assessment is now being carried out by IGO to determine whether these deposits may be mined profitably given the enhanced value of nickel and the outlook for continued strong nickel demand.

The Ravensthorpe Nickel Project

The Mt Short Area:

The Mt Short area has also recently been subjected to a systematic MLEM survey covering approximately 5 kilometres in strike length of the prospective ultramafic stratigraphy. This survey filled in gaps in the data base and identified 14 new drill targets (Figure 5).

These targets are additional to several targets previously highlighted including the Mt Short Gossan Prospect. Drilling has recently commenced.

It is interesting to note that the current RC drill program is the first ever to test the deeper sub-surface rock below the base of weathering. Numerous anomalies had been highlighted by previous explorers with shallow RAB drilling but with few exceptions these targets were never followed up. Some of these old anomalies are now known to be coincident with favourable ultramafic units, elevated multi-element geochemistry and MLEM geophysical targets. Progress to date augers well for the Mt Short area and vindicates the joint venture strategy of adopting a systematic multi-disciplined approach to exploration.

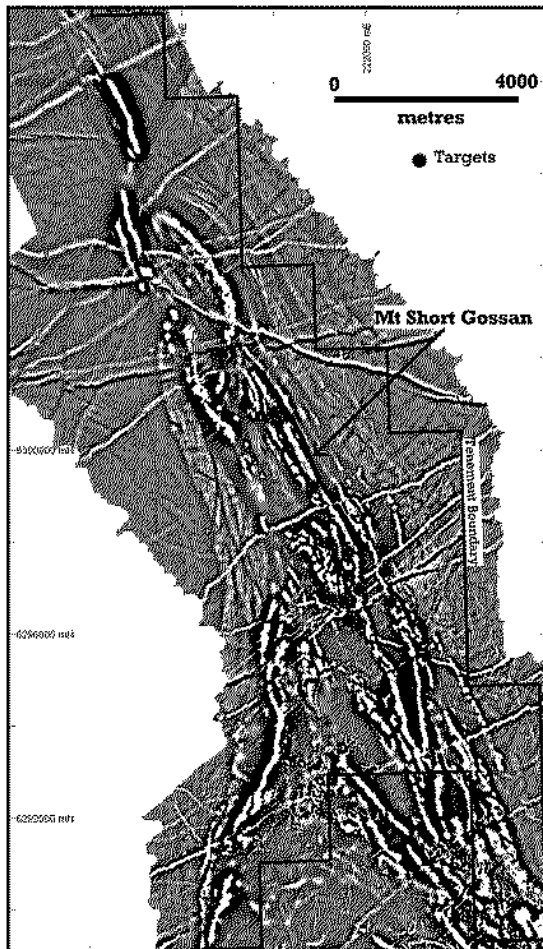


Figure 5. Aeromagnetic image of the Mt Short Area showing target locations

The Carlingup and Gap Areas:

Previous exploration activity in the Carlingup and Gap Areas highlighted a number of prospective geological and geochemical targets on prospective ultramafic horizons. MLEM surveys to provide the same systematic coverage and data base as obtained in the Jerdacuttup and Mt Short Areas (Figure 6) have commenced. Upon receipt of this information EM targets will be correlated with the existing geological and geochemical data and the resultant targets will be ranked in order of priority for drill testing.

The Carlingup and Gap Areas share a similar geological setting and occur between the more advanced exploration areas of Mt Short and Jerdacuttup. The geological setting and early results are encouraging. A geological zone stretching over 15 kilometres in strike length contains several prospective horizons that have only been subjected to limited exploration by earlier explorers. This augers well for the longer term prospects and growth opportunities at Ravensthorpe.



Figure 6. Geology plan of the Carlingup area showing targets and the MLEM survey position

The Ravensthorpe Iron Ore Project

Over the year this prospect has advanced from a new prospect with some good rock chip results to a project showing some real scope for discovery of new iron ore resources. Two geological settings for iron ore mineralisation are now recognized at Ravensthorpe. Each is associated with rock formations which by dint of their strike extent offer exciting scope for resources of economic proportions.

Previous reconnaissance rock chip sampling at Ravensthorpe highlighted the presence of anomalous iron ore mineralisation with results typically ranging between 55% and 65% iron collected from quite diverse geological settings. The settings included martite-goethite iron enrichment associated with strongly magnetic horizons typical of Banded Iron Formations ("BIF"), unusually iron rich hematitic and goethitic caprock and hematitic non-magnetic horizons parallel to the magnetic horizons (Figure 7). From this start point it has been subsequently resolved that there are two prospective geological models. The first of these is more obvious and related to iron ore associated with the BIF's.

The second is associated with buried massive pyrite horizons within the sedimentary rock sequence where the pyrite has altered to hematite as a result of both supergene and hypogene processes.

This second setting has not been recognized at Ravensthorpe before but is not uncommon in the Yilgarn Province of Western Australia and occurs in other parts of the world. Large pyrite bodies have been known in the Ravensthorpe region for a long time and quarried locally for use as a flux at a nearby copper smelter. There is therefore thought to be substantial potential for economic iron resources developed where these pyrite bodies have been altered.

It is clearly evident from geological mapping and the aeromagnetic data that the Company has a significant opportunity to delineate iron ore resources. There is over 13 kilometres of prospective strike within Traka's ground and while laterite cap-rocks blanket large sections of this strike, there is sufficient exposure in a few places to give confidence in the overall potential.

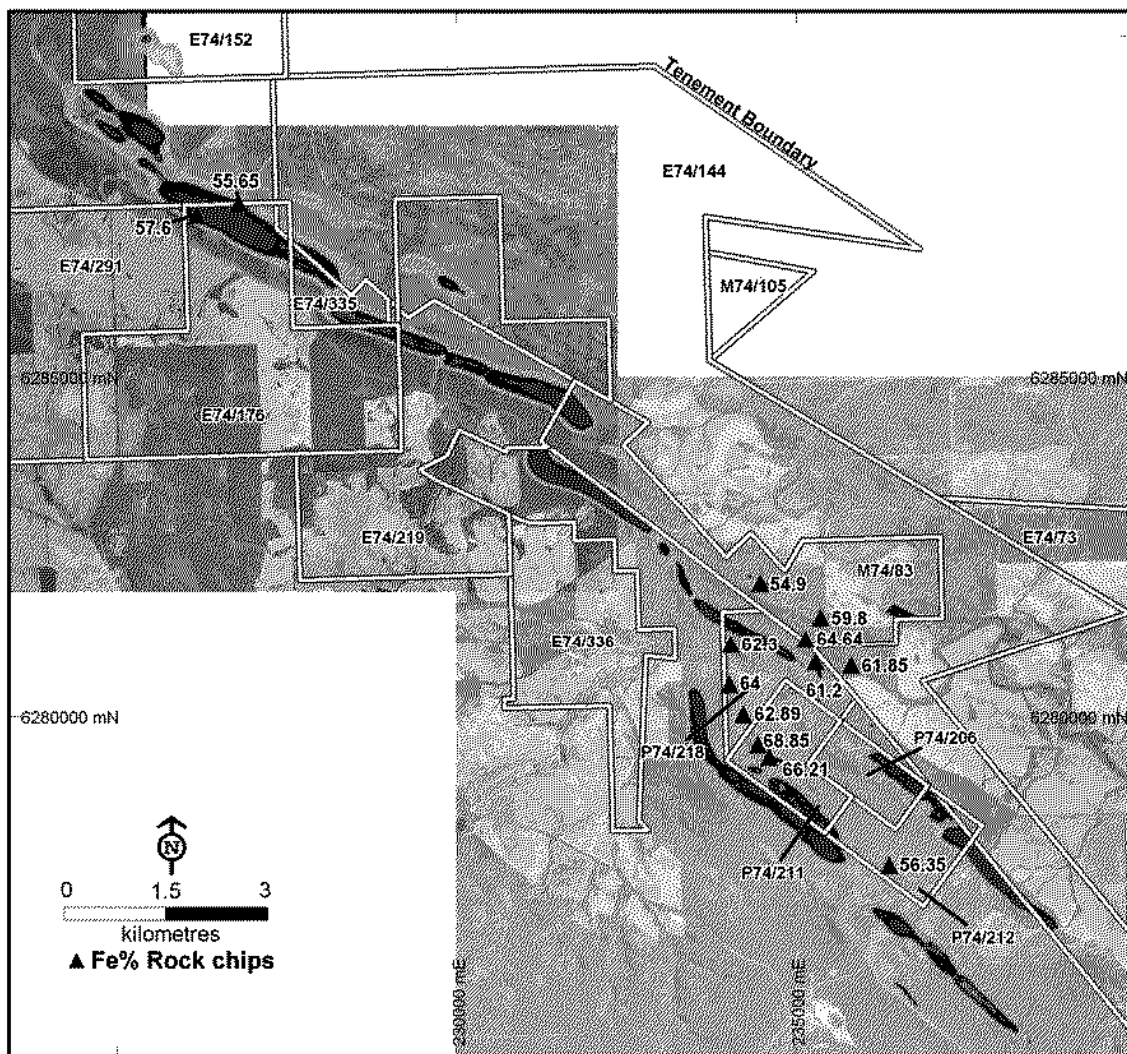


Figure 7. Aerial photo showing aeromagnetic features and select rock-chip samples

The Ravensthorpe Iron Ore Project

A small RC drilling program was recently completed in The Gap Area as the first pass reconnaissance program to test an outcrop of hematitic rock assaying between 55% and 68% iron. The drilling revealed a pyrite rich zone 20 to 35 metres wide over which a hematitic cap has formed that appears to vary in thickness from 5 to 30 metres thick. This zone extends over 1.5 kilometres of strike before being displaced by a fault (Figure 8).

The zone appears to continue in an offset position beyond the fault. Assay results from the drill program are awaited.

While laterite and the presence of ferricrete duricrust make it difficult to trace zones prospective for iron ore the results of our initial appraisals are clearly encouraging and more comprehensive exploration is now being scheduled for commencement as soon as possible.

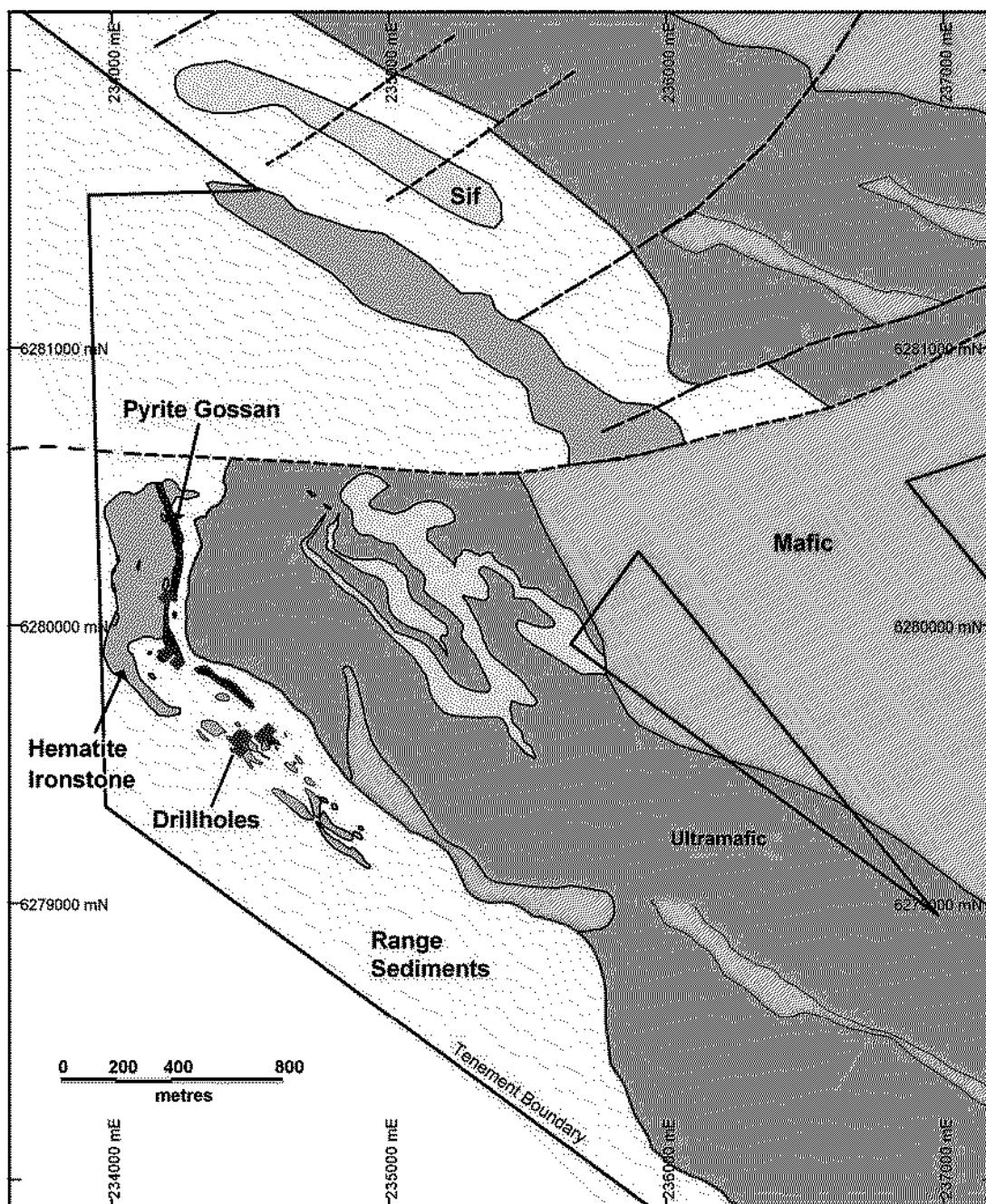


Figure 8. Geology map of The Gap showing location of hematite ironstones

Other Projects

The Ravensthorpe Gold Project

No significant exploration activity was carried out on this project through the year. The future of this project lies in its inclusion with a larger resource base of sufficient critical mass to sustain economic operations. Various opportunities have been looked at to achieve this outcome.

The Mt Blyth Project

Traka recently applied for a very large tract of ground (3,077sq.km) in the Musgrave region of Western Australia. This application straddles the contact zone between the Musgrave/Giles Complex rocks to the north and the Officer Basin sedimentary rocks to the south (Figure 9). This area in general is one of the most prospective and under-explored regions in Australia.

The isolation of the area, the difficult desert environment and its location within Aboriginal Lands have been serious impediments to exploration in the past. These factors, although still present, are now less daunting. Application of new technologies has made remote exploration more effective and affordable. Also, there are now several workable agreements established by other mining companies with the Aboriginal stake holders which set a precedent for effecting access to the land.

The project covers part of the Musgrave/Giles Complex comprising one of the largest intrusive mafic and

ultramafic complexes in the world with significant potential for nickel, copper, cobalt and platinum group elements. At Wingellina, 80 kilometres north-east of the Mt Blyth project area, 200 million tonnes of nickel laterite ore assaying 1.2% nickel equivalent has been outlined. Furthermore WMC Ltd discovered the Babel and Nebo nickel sulphide deposits near the northern boundary of the project.

The Babel and Nebo prospects were discovered by airborne geophysics and lag geochemistry sampling. The Mt Blyth Project has a number of similar geochemical and geophysical targets defined by former explorers. Continuation of the geochemical and geophysical surveys as well as follow-up of the targets already highlighted is contemplated as part of Traka's exploration strategy.

The southern margin of the complex is bounded by a major tectonic zone comprising a number of significant structures which extends for over 1000 kilometres. This zone separates the Musgrave/Giles Complex from the Officer Basin. Oxide Iron Copper Gold type deposits such as Olympic Dam and roll front uranium deposits associated with unconformities are two target styles that the project is prospective for.

Negotiation of access agreements and data compilation are currently underway. The Mt Blyth Project represents an opportunity for Traka to take part in what we believe will prove to be a major new mining province.

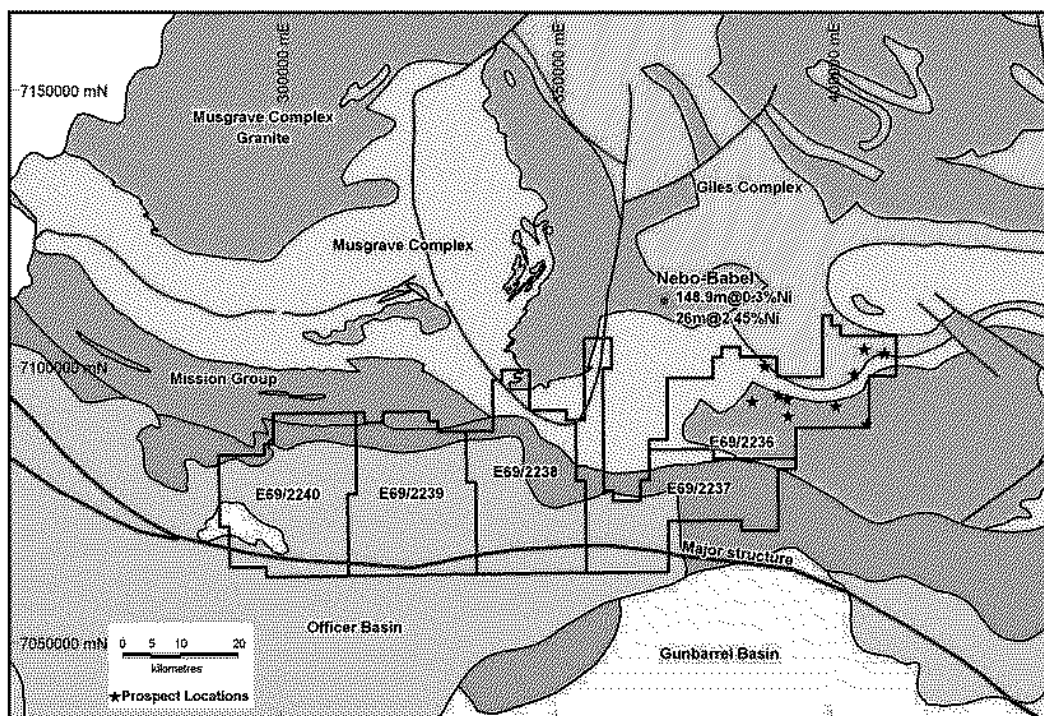


Figure 9. Location map of the Mt Blyth Project showing the main geological features

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 Ltd. Mr. P. A. 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. P. A. Verbeek consents to the inclusion in the 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 1	Traka % Interest
ELA	69/2236	Mt Blyth	Traka Resources Ltd	100%
ELA	69/2237	Mt Blyth	Traka Resources Ltd	100%
ELA	69/2238	Mt Blyth	Traka Resources Ltd	100%
ELA	69/2239	Mt Blyth	Traka Resources Ltd	100%
ELA	69/2240	Mt Blyth	Traka Resources Ltd	100%
EL	74/0073	Ravensthorpe	"Billiton Nickel (Ravensthorpe) Pty Ltd, J.W. Ellis, S.L.Lippie, L.G.B. Wadley"	100%
EL	74/0144	Ravensthorpe	Traka Resources Ltd	100%
EL	74/0152	Ravensthorpe	Traka Resources Ltd	100%
EL	74/0176	Ravensthorpe	Traka Resources Ltd	100%
EL	74/0209	Ravensthorpe	Traka Resources Ltd	100%
EL	74/0219	Ravensthorpe	Traka Resources Ltd	100%
EL	74/0272	Ravensthorpe	Traka Resources Ltd	100%
EL	74/0291	Ravensthorpe	Vistarise Ltd	Earning up to 100%
ELA	74/0332	Ravensthorpe	Traka Resources Ltd	100%
ELA	74/0378	Ravensthorpe	Traka Resources Ltd	100%
ELA	74/0379	Ravensthorpe	Traka Resources Ltd	100%
ELA	74/0380	Ravensthorpe	Traka Resources Ltd	100%
ELA	74/0381	Ravensthorpe	Traka Resources Ltd	100%
ELA	74/0386	Ravensthorpe	Traka Resources Ltd	100%
ML	74/0082	Ravensthorpe	Traka Resources Ltd	100%
ML	74/0083	Ravensthorpe	Traka Resources Ltd	100%
ML	74/0084	Ravensthorpe	Traka Resources Ltd	100%
ML	74/0085	Ravensthorpe	Traka Resources Ltd	100%
ML	74/0105	Ravensthorpe	"Billiton Nickel (Ravensthorpe) Pty Ltd, J.W. Ellis, S.L.Lippie, L.G.B. Wadley"	100%
MLA	74/0106	Ravensthorpe	"Billiton Nickel (Ravensthorpe) Pty Ltd, J.W. Ellis, S.L.Lippie, L.G.B. Wadley"	100%
MLA	74/0127	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0129	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0130	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0134	Ravensthorpe	K H Piper	Earning up to 100%
MLA	74/0148	Ravensthorpe	K H Piper	Earning up to 100%
MLA	74/0151	Ravensthorpe	J H Kelly	Earning up to 100%
MLA	74/0152	Ravensthorpe	J H Kelly	Earning up to 100%
MLA	74/0156	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0157	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0188	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0189	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0190	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0191	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0192	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0193	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0194	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0195	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0204	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0205	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0206	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0207	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0208	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0209	Ravensthorpe	Traka Resources Ltd	100%

Schedule of Tenements

Tenement Type	Tenement Number	Project	Registered Holder 1	Traka % Interest
MLA	74/0210	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0211	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0212	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0213	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0214	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0215	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0216	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0217	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0218	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0221	Ravensthorpe	Vistarise Ltd	Earning up to 100%
MLA	74/0222	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0223	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0224	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0225	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0226	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0227	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0228	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0229	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0230	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0231	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0232	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0233	Ravensthorpe	Traka Resources Ltd	100%
MLA	74/0234	Ravensthorpe	Traka Resources Ltd	100%
PL	74/0206	Ravensthorpe	K H Piper	Earning up to 100%
PL	74/0211	Ravensthorpe	J H Kelly	Earning up to 100%
PL	74/0212	Ravensthorpe	J H Kelly	Earning up to 100%
PL	74/0218	Ravensthorpe	K H Piper	Earning up to 100%
PL	74/0252	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0253	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0262	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0263	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0264	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0265	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0266	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0267	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0268	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0269	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0270	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0271	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0272	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0273	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0274	Ravensthorpe	Traka Resources Ltd	100%
PLA	74/0275	Ravensthorpe	Traka Resources Ltd	100%

EL Exploration Licence
ML Mining Licence
PL Prospecting Licence

ELA Exploration Licence Application
MLA Mining Licence Application
PLA Prospecting Licence Application

Corporate Governance Statement

For the year ended June 30, 2006

Traka Resources Limited ("Traka" or "the Company") is a small listed company with an uncomplicated corporate structure and relatively simple financial and management control requirements. It adheres to the ten Essential Corporate Governance Principles as published by the ASX Corporate Governance Council and has adopted those of the Best Practice Recommendations which its Board considers to be relevant and essential for the efficient management of the Company and its business whilst safeguarding shareholder assets.

The following is a detailed review of the Corporate Governance measures current at Traka:

MANAGEMENT AND OVERSIGHT

Objectives of the Board

The Board's key objectives are the addition of value to corporate assets whilst safeguarding shareholders' rights and interests together with the provision of an appropriate overview of management. With this in mind, the Board meets regularly in the appropriate discharge of its responsibilities.

Board Responsibility

The Board concentrates Traka on the investigation of exploration opportunities in the mineral resource business which are judged to have the potential for success without exposing the Company to undue risk by establishing and maintaining adequate management control through monitoring systems which include:

- (a) continually reviewing the performance of the Company and its executive, including management and financial performance, overseeing strategy implementation and where necessary ensuring appropriate resources are available. The board retains the right to replace the Company's Managing Director.
- (b) at regular Board meetings, reviewing, approving and amending where necessary the Managing Director's annual programmes and budgets and Traka's overall corporate objectives;
- (c) putting in place effective risk management and legal exposure reviews;
- (d) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- (e) maintaining responsibility for the overall financial management of the Company with the ability to approve the appointment (if necessary) of a Financial Officer and to replace the Company Secretary;
- (f) monitoring and approving financial and other reporting;
- (g) supervising the overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities to ensure division of functions remain appropriate to corporate needs;
- (h) liaising with Traka's external auditor;
- (i) monitoring, and ensuring compliance with all of Traka's legal obligations, in particular those relating to the maintenance of the Company's mineral tenements, the environment, native title, cultural heritage and occupational health and safety requirements.

Within the above framework the Board retains the ability to delegate some of its responsibilities; however, to date, the size of the Company and the nature of its operations has resulted in any delegation being kept to a minimum.

Materiality

The Board has agreed on the following guidelines, which are deemed appropriate for a company of the maturity and size of Traka for assessing the materiality of matters:

- (a) Materiality – Quantitative
All balance sheet and income statement items are material.
- (b) Materiality – Qualitative
 - (i) any matters which impact on the reputation of Traka and/or its Board;

Corporate Governance Statement

For the year ended June 30, 2006

- (ii) any activities of the Company, its joint venturers, employees or contractors which may involve a breach of legislation or are in the Board's view outside the ordinary course of its business;
- (iii) any matter which might negatively affect Traka's rights to its assets;
- (iv) any activity of the Company its joint venturers, employees or contractors which has the capacity to involve a contingent liability that would in the Board's view have a potential material effect on the Company's balance sheet or a similar effect on one or more income statement items.

(c) Material Contracts

Traka is a relatively small company and its Directors consider most contracts entered into by the Company to be material. With the exception of day to day agreements the responsibility for which fall upon the Managing Director, all contracts are subjected to review by the Board.

BOARD OF DIRECTORS

The name, expertise, experience and term of the office of each director is set out in the Directors' Report. The Board comprises three non-executive directors, including the Chairman, and one executive director being the Managing Director.

Independent Directors

There are no independent directors on the Board, within the strict meaning of the term as set down in the ASX Principles of Good Corporate Governance, because all the current directors are substantial shareholders as defined in the Corporations Act and hence are deemed to lack independence. However the make up of the Board is such that although each of Traka's directors, because of his shareholding in the Company, is not deemed to be independent, the Board is satisfied that there is sufficient independence of view and lack of association between directors to mollify any reservations which shareholders might have in this regard.

The Chairman

The Chairman is a non-executive director and is responsible for leadership of the Board and for the efficient organisation and conduct of the Board. He also retains overall responsibility, subject to management input, for communication with shareholders.

The Managing Director

The Managing Director runs the Company on a day-to-day basis pursuant to authority delegated by the Board and is responsible for the implementation of Board and corporate policy and planning in accordance with approved 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 Traka's exploration and other activities and its then current financial status.

Nomination for board positions

The full Board will decide on the choice of any new director(s) upon the creation of any new board position and/or if any casual vacancy arises. Full minutes will be kept of any meetings of the Board where any decisions to appoint new directors are taken. The small size of the Company and the Board do not warrant the formation of a nomination committee.

Independent professional advice

Each director has the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required and will not be unreasonably withheld.

ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Board adheres to and is responsible for enforcing the Corporate Code of Conduct set out in this Corporate Governance Statement.

Policy on share trading

Traka Board policy is that directors, officers and employees are prohibited from dealing in Traka's shares when they possess inside information. The Board is to be notified when trading of shares in Traka by any Director or officer of the Company occurs.

Corporate Governance Statement

For the year ended June 30, 2006

INTEGRITY IN FINANCIAL REPORTING

Financial Reports

The Managing Director is required to confirm in writing to the Board that the Company's half year & full year financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

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 Traka will carry out any necessary audit committee functions.

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

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

TIMELY & BALANCED DISCLOSURE

Compliance procedures, to ensure timely and balanced disclosure of information in line with ASX Listing Rule disclosure requirements and Continuous Disclosure Guidelines, have been noted and adopted by Traka. The Company Secretary is charged with ensuring that any necessary steps which need to be taken by the Company in this area are brought before the Board for discussion and, subject to amendment, approval.

COMMUNICATION WITH AND PARTICIPATION OF SHAREHOLDERS

Traka maintains a website at www.trakaresources.com.au

Under various headings Traka shareholders may find all recent information on the Company, its recent ASX releases, its projects and its corporate profile. Shareholders may also register for receipt of an automatic copy by email of all Traka ASX releases.

Traka will invite its external auditor to attend every annual general meeting and to be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

RISK MANAGEMENT

Consistent with the compliance systems detailed elsewhere in this statement the Board takes responsibility for the risk management of the Company.

The Board routinely reviews corporate risk and supervises internal compliance and control systems.

The Managing Director is responsible to the board for ensuring the systems are complied with and is required annually to make a statement to the board in writing to this effect.

Whilst high priority is given to the management of risk in the Company, current and potential investors are reminded that Traka is a company engaged in exploration activities which by their very nature are high risk and if successful may give rise to high rewards.

PERFORMANCE EVALUATION OF THE BOARD, INDIVIDUAL EXECUTIVE AND NON-EXECUTIVE DIRECTORS

The Chairman conducts regular informal reviews of Board and executive performance including that of the Company Secretary on at least an annual basis.

Corporate Governance Statement

For the year ended June 30, 2006

REMUNERATION OF DIRECTORS & EXECUTIVES

The Company currently has one full time employee, the Managing Director. The full Board excluding the Managing Director carries out an annual review of the adequacy of his remuneration, and participation in share incentive arrangements.

The size of Traka and the current remuneration of non-executive directors is not considered of a size and nature to warrant independent review or the formation of a separate remuneration committee.

Details of directors' and executives' remuneration are set out in the annual Financial Report in accordance with accounting standards.

CORPORATE CODE OF CONDUCT AND OBJECTIVES

Traka is committed to:

- (a) applying the Company's funds in an efficient manner and providing above average and sustainable returns to shareholders through both capital appreciation and the payment of dividends when in a position to do so;
- (b) applying high standards of professional excellence and being a leader in its chosen field of operations;
- (c) adopting high standards of occupational health and safety, environmental management and ethics;
- (d) fostering and maintaining a culture of ownership, care and professional excellence from the Company's employees; and
- (e) ensuring that all of its business affairs are conducted legally, ethically and with integrity.

Corporate Responsibility

Traka complies with all legislative and common law requirements which affect its business, particularly environmental regulations, native title and cultural heritage laws.

Employment

Traka policy is to employ the best available staff; at this stage in the Company's development all potential employees will be subject to full Board scrutiny.

Third Parties

The Company treats third parties in a fair and reasonable manner and does not engage in deceptive practices.

Conflict of Interest

The Board is obligated to avoid situations of real or apparent conflict of interest between board members as individuals and as Directors or as is the case with the Managing Director, as an executive of Traka, a Director of Traka and an individual. If a situation where a conflict of interest arises the Chairman is to be notified; the matter will then be considered and the appropriate steps taken to avoid a repetition.

Breach of Corporate Governance

Any breach of Corporate Governance is to be reported directly to the Chairman.

Review of Rules of Corporate Governance

The Board through the Chairman monitors the Company's compliance with the Rules periodically.

Directors' Report

For the year ended June 30, 2006

Your Directors present their report on Traka Resources Ltd ("Traka" or "the Company") for the year ended 30 June 2006.

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 Andrew Verbeek

George Juris Petersons

Joshua Norman Pitt

PRINCIPAL ACTIVITIES

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

DIVIDENDS

Traka is an exploration company and accordingly the directors have decided that no dividends should be paid by the Company for the year under review.

REVIEW OF OPERATIONS

The Ravensthorpe Nickel Project

On 26th October 2005 the Company entered into an Option Agreement with the Independence Group NL ("IGO") on the Ravensthorpe Nickel Project. The agreement with IGO put in place an important exploration funding strategy on what is the Company's principal asset.

Under the terms of the Option Agreement, IGO has the option upon meeting a minimum expenditure commitment of \$1,500,000 by 31 December 2006 to earn an interest in the Ravensthorpe Nickel Project. During the option period Traka will provide management of the project.

Upon exercise of the option IGO will have the right to earn up to a 70% equity in the Ravensthorpe Nickel Project on the following terms:

1. IGO can earn 51% equity by the minimum additional expenditure of \$5,000,000 by 31 December 2009.
2. Upon IGO earning 51% equity Traka may elect to contribute to expenditure at the 49% level or reduce its equity to 30% and be free carried through to a decision to mine.
3. Traka's royalty interests in the nickel laterite potential of the area as well as any iron ore development on the project tenements remain with Traka.

The Ravensthorpe Iron Ore Project

The Company recently embarked on an iron ore exploration program on the Ravensthorpe Project; an RC drilling program will commence shortly. The iron ore potential of the area was previously to be tested by Resource Mining Corporation Ltd ("RMC") under agreement with Traka. In June 2006 RMC agreed with Traka to withdraw from the Agreement. RMC paid Traka \$120,000 as consideration for such withdrawing from their commitments under the agreement so as to be able to concentrate on their own projects.

The Ravensthorpe Gold Project

No work of significance was undertaken on the Ravensthorpe Gold Project as a consequence of higher priority work being undertaken on the company's other projects.

Directors' Report

For the year ended June 30, 2006

The Mt Blyth Project

The Company recently applied for exploration licences in the Musgrave area of Western Australia. The project is prospective for nickel, copper, gold and uranium. Data collation and negotiations with the Aboriginal land owners has commenced.

Corporate

On 10 November 2005 the Company announced the offer to shareholders to purchase shares at a discount to current market price. Under the share purchase plan, 1,886,652 new shares were issued raising a total of \$282,998.

A full review of operations during the financial year and the results of those operations is set out separately in the Company's Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than those shown above, there were no significant changes in the state of affairs of the Company during the year.

RESULTS AND FINANCIAL POSITION

Traka Resources Limited had a net loss for the financial year of \$1,006,382 (2005: \$1,352,847).

At the end of the financial year the Company had net cash balances of \$346,889 (2005: \$1,417,846) and net assets of \$507,355 (2005: \$1,198,839).

Total liabilities amounted to \$39,600 (2005: \$287,989) and were limited to trade and other creditors and employee entitlements.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR AND LIKELY DEVELOPMENTS

There are no 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.

INFORMATION ON DIRECTORS

Chairman

Neil Tomkinson LLB (Hons)

Mr Tomkinson has extensive experience over the last 26 years in the administration of and investment in exploration and mining companies. Prior to its merger with LionOre Mining International Limited he was the non-executive Chairman of Dalrymple Resources NL (resigned October 2003) and is the non-executive Chairman of Hampton Hill Mining NL (appointed January 1997) and Pan Pacific Petroleum NL (appointed June 2006). Mr Tomkinson is also 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 26 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 held no other directorships of ASX listed companies during the last three years.

Directors' Report

For the year ended June 30, 2006

Non Executive Director

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.

During the last three years Mr Petersons held a directorship in Ferraus Limited (resigned November 2003), an ASX listed company.

Non Executive Director

Joshua Pitt BSc, MAusIMM

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. Prior to its merger with LionOre Mining International Limited he was a director of Dalrymple Resources NL (resigned October 2003). More recently he was a non-executive director of LionOre Mining International Limited (appointed November 2003, resigned May 2005) and is currently a non-executive director of Hampton Hill Mining NL (appointed January 1997), Red Metal Limited (appointed July 2003) and Red Hill Iron Ltd (appointed June 2005). Mr. Pitt is involved in substantial private mineral exploration and also in resource investments.

Management

Company Secretary

Desmond John Kelly BComm, CPA, MAICD

Mr Kelly is an accountant with over 30 years experience in industry and public practice. He currently consults to both public and private companies in the capacity of Company Secretary and provides management and administration services for them. He has wide managerial experience including serving for a period as managing director of a public listed exploration company.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at the date of this report the interests of the Directors in the shares and options of the company were:

	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
N Tomkinson	-	2,328,333	-	-
P A Verbeek	-	1,916,666	1,000,000	2,000,000
G J Petersons	1,750,000	-	-	-
J N Pitt	-	2,886,193	-	-

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:

Director	Meetings held while a Director	Number of meetings attended
N Tomkinson	4	4
P A Verbeek	4	4
G J Petersons	4	4
J N Pitt	4	4

Total number of meetings held in the year was 4.

Directors' Report

For the year ended June 30, 2006

REMUNERATION REPORT

Directors

The following persons were directors of Traka Resources Limited during the whole of the financial year:

Non-executive Chairman

Neil Tomkinson

Managing Director

Patrick Verbeek

Non-executive Directors

George Petersons

Joshua Pitt

Other Key Management Personnel

The following person also had authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year:

Company Secretary

Desmond Kelly

Remuneration of Key Management Personnel

(a) Remuneration policy (audited)

Principles used to determine the nature and amount of remuneration

The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities 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;
- 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.

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 and are set fee amounts with prescribed superannuation if applicable.

Directors' Report

For the year ended June 30, 2006

Executives

Executive remuneration packages include set fee amounts and long term incentives through grants of share options.

Executives' remuneration is reviewed annually with regard to competitiveness and performance.

There are no guaranteed salary increases fixed in any senior executives' contracts.

Short term incentives

Benefits

Executives may receive benefits including reimbursement of reasonable travel and accommodation expenses, payment of professional body membership subscriptions and entertainment benefits.

(b) Compensation of key management personnel (audited)

Details of the remuneration of each Director of Traka Resources Ltd and the one specified executive, including their personally-related entities, are set out in the following tables:

2006				
	Short Term Salary & fees	Post Employment Superannuation	Share Based Payments	Total
Name	\$	\$	\$	\$
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	185,000	-	31,900	216,900
Total	245,000	5,400	31,900	282,300

Remuneration of the directors of Traka Resources Limited for the year ended 30 June 2005 is set out below:

2005				
	Short Term Salary & fees	Post Employment Superannuation	Share Based Payments	Total
Name	\$	\$	\$	\$
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	165,000	-	-	165,000
Total	225,000	5,400	-	230,400

Directors' Report

For the year ended June 30, 2006

Other Key Management Personnel

2006

	Short Term Salary & fees	Post Employment Superannuation	Share Based Payments	Total
Name	\$	\$	\$	\$
D J Kelly – Company Secretary	37,998	-	-	37,998

2005

	Short Term Salary & fees	Post Employment Superannuation	Share Based Payments	Total
Name	\$	\$	\$	\$
D J Kelly – Company Secretary	33,000	-	-	33,000

(c) Compensation options granted (audited)

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. Directors receiving share based payments are not involved in any board discussions regarding their remuneration. Share based payments are provided as incentives and are not linked to company performance.

The following options were issued to key management personnel:

During the financial year 1,000,000 options were granted to the Managing Director Mr P Verbeek on the following terms:

Grant date:	29 November 2005
Expiry Date:	29 November 2010
Consideration:	Nil
Exercise price:	20 cents
Vesting:	immediate
% of remuneration:	14.7%

The fair value of the options granted during the year was 3.19 cents per option. The price was calculated using the Black-Scholes European Option Model applying the following inputs:

Call Option Valuation	Input
Share price – Average Weighted	18.8 cents
Exercise price	20 cents
Risk free rate	5.12%
Average Weighted Volatility (based on Bloomberg published average rate for the past 12 months)	22.57%
Time (years) to expiry	5 years
Grant date	29 November 2005
Expiry date	29 November 2010
Consideration	Nil

Directors' Report

For the year ended June 30, 2006

Historical volatility has been the basis for determining expected share price volatility. Actual future volatility may differ from the estimate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

During the financial year there were no shares issued as a result of the exercise of remuneration options.

During the year ended 30 June 2005 no options were issued to directors or key management personnel as remuneration.

(d) Employment Agreements (audited)

Managing Director

The Company entered into a consultancy agreement with Malahang Pty Ltd on 14 October 2003 ("Consultancy Agreement"). In accordance with the terms of the Consultancy Agreement Malahang has 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 Consultancy Agreement commenced on the 20 November 2003 and continued for a period of 2 years. Prior to its expiry, the Company and the Consultant elected to extend the term of the Consultancy Agreement for a further period of 2 years.

Company Secretary

The Company entered into a consultancy agreement with Mosman Management Pty Ltd ("MMPL") on 1 January 2003 ("Consultancy Agreement 2"). In accordance with the terms of the Consultancy Agreement 2, MMPL has agreed to provide the services of its employee, D J Kelly to undertake all functions, duties, roles and authorities which the Company would require of a person engaged as Company Secretary of the Company. The Consultancy Agreement 2 commenced on the 1 January 2003 and continues for a period of renewable terms fixed for 12 months and can be cancelled on 2 months notice by either party.

Share Holdings

The numbers of shares in the Company held during the financial year by each director and other key management personnel of Traka Resources Limited, including those held by their personally related entities, are set out below:

Directors

Name	Opening balance	Acquired during year	Disposed during year	Closing balance
N Tomkinson	2,280,000	48,333	-	2,328,333
P Verbeek	1,850,000	66,666	-	1,916,666
J Pitt	2,150,000	736,193	-	2,886,193
G Petersons	1,750,000	-	-	1,750,000

Other Key Management Personnel

Name	Opening balance	Acquired during year	Disposed during year	Closing balance
D J Kelly	700,000	33,333	-	733,333

Directors' Report

For the year ended June 30, 2006

Directors

Name	Opening balance	Granted during year	Exercised during year	Closing balance
N Tomkinson	-	-	-	-
P Verbeek	2,000,000	1,000,000	-	3,000,000
J Pitt	-	-	-	-
G Petersons	-	-	-	-

Other Key Management Personnel

Name	Opening balance	Granted during year	Exercised during year	Closing balance
D J Kelly	-	-	-	-

SHARES UNDER OPTION

The number of options on issue is:

- 2,000,000 exercisable at 35 cents with an expiry date of 10 October 2008;
- 50,000 exercisable at 20 cents with an expiry date of 31 December 2009; and
- 1,000,000 exercisable at 20 cents with an expiry date of 29 November 2010.

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 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.

PROCEEDINGS ON BEHALF OF 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

The following non-audit services were provided by the company's auditor Horwath Audit (WA) Pty Ltd or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor;

none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing economic risk and rewards.

Directors' Report

For the year ended June 30, 2006

Fees paid to Horwath (WA) Pty Ltd

- other services	\$7,700
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AUDITOR

Horwath 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 set out on page 52.

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



NEIL TOMKINSON

Chairman

Dated the 13th day of September 2006

Income Statement

For the year ended June 30, 2006

	Notes	2006 \$	2005 \$
Revenue from continuing operations	2	253,553	310,567
Exploration and evaluation expenditure	3	(822,520)	(1,289,065)
Employee benefits expense	3	(151,662)	(91,992)
Depreciation	3	(16,182)	(14,395)
Administration expenses		(269,571)	(267,962)
Loss before income tax		(1,006,382)	(1,352,847)
Income tax expense	4	-	-
Loss for the year		(1,006,382)	(1,352,847)
Net loss attributable to members of Traka Resources Ltd		(1,006,382)	(1,352,847)
Basic and diluted loss per share (cents)	23	(3.07)	(4.27)

Balance Sheet

As at June 30, 2006

	Notes	2006 \$	2005 \$
Current Assets			
Cash and cash equivalents	6	346,889	1,417,846
Trade and other receivables	7	176,912	35,079
Total current assets		523,801	1,452,925
Non-current assets			
Property, plant and equipment	8	23,154	33,903
Total non-current assets		23,154	33,903
Total assets		546,955	1,486,828
Current liabilities			
Trade and other payables	10	28,094	279,549
Borrowings	11	2192	-
Provisions	12	9,314	8,440
Total current liabilities		39,600	287,989
Total liabilities		39,600	287,989
Net assets		507,355	1,198,839
Equity			
Contributed equity	13	4,419,760	4,136,762
Reserves	14	36,400	4,500
Accumulated losses	15	(3,948,805)	(2,942,423)
Total equity		507,355	1,198,839

Statement of Changes in Equity

For the year ended June 30, 2006

	2006	2005
	\$	\$
Total equity at the beginning of the financial year	1,198,839	2,547,186
Employee share options	31,900	4,500
Loss for the financial year	(1,006,362)	(1,352,847)
Total recognised income and expense for the financial year	(974,462)	(1,348,347)
Transactions with equity holders in their capacity as equity holders		
Contributions of equity net of transaction costs	282,998	-
Total equity at the end of the financial year	507,355	1,198,839

Cash Flow Statement

For the year ended June 30, 2006

	Notes	2006 \$	2005 \$
Cash flows from operating activities			
Interest received		33,705	109,539
Payments to suppliers and employees (incl GST)		(255,931)	(328,805)
Payments for exploration activities (incl GST)		(1,159,932)	(1,107,540)
Other – Compensation for release from mineral rights option expenditure		120,000	200,000
Other – security deposits paid		-	(11,299)
Net cash outflow from operating activities	5	(1,262,158)	(1,138,105)
Cash flows from investing activities			
Payments for exploration properties		(86,364)	
Payments for plant & equipment		(5,433)	(8,092)
Net cash outflow from investing activities		(91,797)	(8,092)
Cash flows from financing activities			
Proceeds from issue of shares		282,998	-
Net cash inflow from financing activities		282,998	-
Net (decrease)/increase in cash and cash equivalents held		(1,070,957)	(1,146,197)
Cash and cash equivalents at the beginning of the financial year		1,417,846	2,564,043
Cash and cash equivalents at the end of the financial year	6	346,889	1,417,846

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 1. STATEMENT OF ACCOUNTING POLICIES

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

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the financial statements and notes of Traka Resources Limited comply with International Financial Reporting Standards (IFRSs).

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Traka Resources Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Traka Resources Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Traka Resources Limited 2006 financial statements, management has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments.

A reconciliation of equity and profit and loss between previous AGAAP and Australian equivalents to IFRS has been prepared per note 25.

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified where applicable by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit and loss, certain classes of property, plant & equipment and investments property.

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

(b) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Interest Income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective rate of the instrument, and continues unwinding the discount as interest income.

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 1. STATEMENT OF ACCOUNTING POLICIES (continued)

(d) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

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 income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted 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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(e) Leases

Leases of property, plant and equipment where the Company has all the risks and rewards of ownership are classified as financial leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(f) 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 profit or loss 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.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

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 an undiscounted basis.

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 1. STATEMENT OF ACCOUNTING POLICIES (continued)

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.

(g) Recoverable Amount of Non-current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

(h) Cash and Cash Equivalents

For the purposes of the statement of cash flows, 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.

(i) Borrowings

Any loans incurred by the Company will be carried forward at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest will be accrued over the period it becomes due and will be recorded as part of other creditors.

(j) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(k) 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 indication 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 its recoverable amount is expensed to the income statement.

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.

(l) Trade Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 1. STATEMENT OF ACCOUNTING POLICIES (continued)

(m) Depreciation of Plant & Equipment

Depreciation is calculated on a straight line basis so as to write off the net cost or revalued 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 are as follows:

Furniture and office equipment: 10% - 20%

(n) 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.

(o) 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.

(p) Earnings Per Share

(i) Basic Earnings Per Share

Basic earnings 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.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in determination of basic earnings 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.

(q) Financial Instruments

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.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 1. STATEMENT OF ACCOUNTING POLICIES (continued)

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.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

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

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement

(f) 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.

(s) 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 balance sheet.

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.

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 1. STATEMENT OF ACCOUNTING POLICIES (continued)

(1) New Accounting Standards and URG Interpretations

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2006. There are no anticipated changes to Traka Resources Limited's accounting policies in future periods as a result of these changes. Below is a summary of recently amended or issued Accounting Standards relevant to Traka Resources Limited:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Company
2005-1	AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-4	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 1023: <i>General Insurance Contracts</i> , AASB 1028: <i>Life Insurance Contracts</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-5	AASB 1: <i>First-time adoption of AIFRS</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-10	AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101: <i>Presentation of Financial Statements</i> , AASB 114: <i>Segment Reporting</i> , AASB 117: <i>Leases</i> , AASB 133: <i>Earnings Per Share</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 1: <i>First-time adoption of AIFRS</i>	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
New standard	AASB 7: <i>Financial Instruments: Disclosures</i>	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

Notes to the Financial Statements

For the year ended June 30, 2006

	2006	2005
	\$	\$
NOTE 2. REVENUE		
Revenue from continuing operations		
<i>Other revenue</i>		
Compensation for release from mineral rights option expenditure	120,000	200,000
Management fees	99,429	-
Interest received – other corporations	33,705	109,539
Sundry income	419	1,028
Revenue from ordinary activities	253,553	310,567

NOTE 3. EXPENSES

Loss before income tax includes the following specific expenses:

Depreciation - Plant & equipment*	16,182	14,395
Exploration and evaluation expenditure written off	822,520	1,289,065
Rental expense relating to operating leases	55,445	24,450
Employee benefits expense	151,662	91,992

NOTE 4. INCOME TAX

(a) Income tax expense	-	-
(b) Loss from continuing operations before income tax	(1,006,382)	(1,348,347)
Tax at the Australian tax rate of 30%	(301,915)	(404,504)
Tax effect of amounts that are not tax deductible (taxable) in calculating Taxable income:		
Employee share scheme	9,570	1,350
Deferred tax assets relating to tax losses and temporary differences not recognised	292,345	403,154
Income tax expense	-	-

The franking account balance at year end was nil. (30 June 2005: nil)

(c) Deferred tax assets and liabilities not recognised relate to the following:

Deferred tax assets

Tax losses	1,224,526	909,029
Other temporary differences	62,322	83,376

Deferred tax liabilities

Other temporary differences	-	-
Net deferred tax assets	1,286,848	992,405

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

Notes to the Financial Statements

For the year ended June 30, 2006

	2006	2005
	\$	\$
NOTE 5. STATEMENTS OF CASH FLOWS		
Reconciliation of operating loss after income tax to net cash used in operating activities:		
Operating loss after income tax	(1,006,382)	(1,352,847)
Depreciation	16,182	14,395
Non-cash employee benefit expense	31,900	4,500
Payments for purchase of exploration properties written off	86,364	-
(Increase)/decrease in receivables	(141,833)	(3,508)
(Decrease)/increase in payables	(249,263)	192,973
Increase/(decrease) in provisions	874	6,382
Net cash outflow from operating activities	(1,262,158)	(1,138,105)

NOTE 6. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	46,889	417,846
Deposits at call	300,000	1,000,000
	346,889	1,417,846

NOTE 7. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade debtors	172,321	2,241
Other debtors	4,591	21,539
Deposits	-	11,299
	176,912	35,079

NOTE 8. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT

Plant & equipment at cost	58,934	53,501
Accumulated depreciation	(35,780)	(19,598)
	23,154	33,903

Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year are set out below.

Office Equipment

Carrying amount at 1 July	33,903	40,206
Additions	5,433	8,092
Depreciation expense	(16,182)	(14,395)
Carrying amount at 30 June	23,154	33,903

Notes to the Financial Statements

For the year ended June 30, 2006

	2006	2005
	\$	\$

NOTE 9. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION COSTS CARRIED FORWARD

Balance at the beginning of the financial year	-	-
Exploration and evaluation costs incurred during the financial year	822,520	1,289,065
Exploration and evaluation costs expensed during the financial year	(822,520)	(1,289,065)
Balance at 30 June 2006	-	-

NOTE 10. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade creditors	18,808	250,579
Other creditors	385	184
Accrued expenses	8,901	28,786
	28,094	279,549

NOTE 11. CURRENT LIABILITIES – BORROWINGS

Unsecured Credit card debt	2,192	-
	2,192	-

NOTE 12. CURRENT LIABILITIES – PROVISIONS

Employee entitlements	9,314	8,440
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The Company had two employees at the end of the financial year (2005: 1)

NOTE 13. EQUITY – CONTRIBUTED EQUITY

(a) Share capital

Fully paid ordinary shares – 33,586,652 (2005: 31,700,000)	4,419,760	4,136,762
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(b) Movements in ordinary share capital:

Date	Details	Number of Shares	Issue Price \$	\$
01/07/04	Balance	31,700,000		4,136,762
30/06/05	Balance	31,700,000		4,136,762
10/11/05	Share issue pursuant to share purchase plan	1,886,652	0.15	282,998
30/06/06	Balance	33,586,652		4,419,760

Notes to the Financial Statements

For the year ended June 30, 2006

(c) *Share Options*

No. of Ordinary Shares Subject to Option	Expiration Date	Exercise Price
2,000,000	10 October 2008	35 cents
50,000	31 December 2009	20 cents
1,000,000	29 November 2010	20 cents

(d) *Movements in the number of options*

Date	Details	No. of Options	Exercise Price
01/07/04	Balance	2,000,000	
05/02/05	Options issued	50,000	20 cents
30/06/05	Balance	2,050,000	
29/11/05	Options issued	1,000,000	20 cents
30/06/06	Balance	3,050,000	

(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.

2006	2005
\$	\$

NOTE 14. EQUITY – RESERVES

Share based payments reserve

36,400	4,500
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Movements

Date	Details	\$
01/07/04	Balance	-
05/02/05	Options issued	4,500
30/06/05	Balance	4,500
29/11/05	Options issued	31,900
30/06/06	Balance	36,400

Nature and purpose of reserves

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

Notes to the Financial Statements

For the year ended June 30, 2006

	2006 \$	2005 \$
NOTE 15. EQUITY – ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial year	(2,942,423)	(1,589,576)
Net loss	(1,006,382)	(1,352,847)
Accumulated losses at the end of the financial year	(3,948,805)	(2,942,423)

NOTE 16. FINANCIAL INSTRUMENTS

(a) *Interest rate risk exposures*

The Company is exposed to movements in market interest rates on short-term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and interest rate return.

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the company intends to hold fixed rate assets and liabilities to maturity.

2006	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	over 1 year less than 5 \$	more than 5 years \$	Non-Interest bearing \$	Total \$
Financial Assets						
Cash and cash equivalents (note 6)	46,689	300,000	-	-	200	346,889
Receivables (note 7)	-	-	-	-	176,912	176,912
	46,689	300,000	-	-	177,112	523,801
Weighted average interest rate	2.8%	5.4%	-	-	-	-
Financial Liabilities						
Trade and other payables (note 10)	-	-	-	-	28,094	28,094
Borrowings (note 11)	2,192	-	-	-	-	2,192
	2,192	-	-	-	28,094	30,286
Weighted average interest rate	16.75%	-	-	-	-	-
Net financial assets (liabilities)	44,497	300,000	-	-	149,018	493,515

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 16. FINANCIAL INSTRUMENTS (continued)

2005	Floating interest rate	Fixed interest maturing in			Non-Interest bearing	Total
		1 year or less	over 1 year less than 5	more than 5 years		
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and cash equivalents	417,646	1,000,000	-	-	200	1,417,846
Receivables	-	-	-	-	33,023	33,023
	417,646	1,000,000	-	-	33,223	1,450,869
Weighted average interest rate	4.45%	5.50%	-	-	-	-
Financial Liabilities						
Payables	-	-	-	-	279,549	279,549
	-	-	-	-	279,549	279,549
Weighted average interest rate	-	-	-	-	-	-
Net financial assets (liabilities)	417,646	1,000,000	-	-	(246,326)	1,171,320

(b) Financial assets

Other receivables are carried at nominal amounts due. Interest is taken up as income on an accruals basis.

(c) Financial liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

(d) Credit risk exposures

The entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into.

(e) Net fair value of Financial Assets and Liabilities

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

NOTE 17. RELATED PARTY TRANSACTIONS

Directors of Traka Resources Limited during the financial year were:

Neil Tomkinson
Patrick Andrew Verbeek
George Juris Petersons
Joshua Norman Pitt

Disclosures relating to directors and key management personnel are set out in the directors' report and in Note 18.

Other related party transactions

During the financial year Traka entered into an agreement with Red Hill Iron Ltd ("Red Hill"), a company of which Mr Pitt is a director, whereby Red Hill agreed to rent office space from Traka on normal commercial terms and conditions. Amounts received from Red Hill totalled \$18,063.

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

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 18. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of Traka Resources Limited during the whole of the financial year:

Non-executive Chairman

Neil Tomkinson

Managing Director

Patrick Verbeek

Non-executive Directors

George Petersons

Joshua Pitt

(b) Other Key Management Personnel

The following person also had authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year:

Company Secretary

Desmond Kelly

(c) Key Management Personnel Compensation

	2006	2005
	\$	\$
Short term employee benefits	282,998	258,000
Post employment benefits	5,400	5,400
Share based payments	31,900	-
	320,298	263,400

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the Directors' Report.

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 18. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(d) Equity Instrument Disclosures Relating to Key Management Personnel

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

2006

Name	Balance at the beginning of the year	Granted during year as compensation	Exercised during year	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Directors</i>					
N Tomkinson	-	-	-	-	-
P Verbeek	2,000,000	1,000,000	-	3,000,000	3,000,000
J Pitt	-	-	-	-	-
G Petersons	-	-	-	-	-

Other Key Management Personnel

D J Kelly	-	-	-	-	-
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2005

Name	Balance at the beginning of the year	Granted during year as compensation	Exercised during year	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Directors</i>					
N Tomkinson	-	-	-	-	-
P Verbeek	2,000,000	-	-	2,000,000	2,000,000
J Pitt	-	-	-	-	-
G Petersons	-	-	-	-	-

Other Key Management Personnel

D J Kelly	-	-	-	-	-
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Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 18. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Share Holdings

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.

2006

Name	Balance at the beginning of the year	Acquired during year	Disposed during year	Balance at the end of the year
<i>Directors</i>				
N Tomkinson	2,280,000	48,333	-	2,328,333
P Verbeek	1,850,000	66,666	-	1,916,666
J Pitt	2,150,000	736,193	-	2,886,193
G Petersons	1,750,000	-	-	1,750,000
<i>Other Key Management Personnel</i>				
D J Kelly	700,000	33,333	-	733,333

2005

Name	Balance at the beginning of the year	Acquired during year	Disposed during year	Balance at the end of the year
<i>Directors</i>				
N Tomkinson	2,240,000	40,000	-	2,280,000
P Verbeek	1,850,000	-	-	1,850,000
J Pitt	2,150,000	-	-	2,150,000
G Petersons	1,750,000	-	-	1,750,000
<i>Other Key Management Personnel</i>				
D J Kelly	700,000	-	-	700,000

(e) Loans to Key Management Personnel

There are no loans made to directors or other key management personnel of Traka Resources Limited.

(f) Other Transactions with Key Management Personnel

There are no other transactions with key management personnel.

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 19. AUDITOR'S REMUNERATION

	2006	2005
	\$	\$
Audit Services		
Fees paid to Horwath Audit (WA) Pty Ltd		
Amounts received, or due and receivable by the auditors for:		
- Auditing the financial reports of the company	12,560	9,875
Taxation Services		
Fees paid to Horwath (WA) Pty Ltd		
Amounts received, or due and receivable by the tax agent for:		
- Tax compliance services including preparation of Company income tax returns	7,700	4,770
Total remuneration	20,260	14,645

NOTE 20. 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 entity, the results of those operations, or the state of affairs of the entity in financial years subsequent to the financial year ended 30 June 2006.

NOTE 21. SEGMENT INFORMATION

Traka Resources Limited operates in the mineral exploration industry only within Australia which is a single geographic segment.

Notes to the Financial Statements

For the year ended June 30, 2006

	2006	2005
	\$	\$

NOTE 22. COMMITMENTS FOR EXPENDITURE

Lease Commitments

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

Not later than one year	46,615	46,615
Later than one year but not later than five years	42,730	89,345
Later than five years	-	-
	89,345	135,960

Representing:

Minimum lease payments in relation to non-cancellable operating leases	89,345	135,960
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Exploration Tenements

In order to maintain current rights of tenure to exploration and mining tenements the Company has the following exploration expenditure requirements up until the expiry of the tenements.

Not later than one year	889,646	611,618
Later than one year but not later than five years	1,330,774	1,315,050
Later than five years	-	-
	2,220,420	1,926,668

Tenements are subject to annual expenditure requirements and thus commitments in excess of 12 months are subject to the Company wishing to retain the properties, and of maintaining them in good standing by meeting the minimum annual expenditure requirement.

The expenditure commitments may be reduced by separate agreements and undertakings entered into by the entity or they may increase if the entity is successful with further exploration.

Remuneration Commitments

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	185,000	68,750
Later than one year but not later than five years	77,083	-
Later than five years	-	-
	262,083	68,750

Notes to the Financial Statements

For the year ended June 30, 2006

	2006	2005
	\$	\$
NOTE 23. EARNINGS PER SHARE		
Basic and diluted loss per share (cents per share)	(3.07)	(4.27)
Weighted average number of ordinary shares used as a denominator in calculating basic and diluted earnings per share	32,692,431	31,700,000
The loss used in the calculation of basic and diluted earnings per share is the loss from ordinary activities before income tax as shown on the Income Statement	(1,006,382)	(1,352,847)

NOTE 24. EMPLOYEE BENEFITS

Employee Benefits and Related On-cost Liabilities

Provision for employee benefits – current (Note 12)	9,314	8,440
Average number of employees during the financial year	2	1

Traka Resources Limited 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.

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 24. EMPLOYEE BENEFITS (continued)

Set out below is a summary of options granted under the plan:

Grant date	Expiry date	Exercise price \$	Balance at the start of year	Issued during year	Balance at the end of year
5 February 2005	31 December 2009	0.20	50,000	-	50,000

No employee options were exercised during the year.

Share-based payments to directors can be found in the directors' report.

Fair Value of Employee Options Granted

There were no options granted during the year. During the previous year, 50,000 options were granted under the Employee Share Option Plan.

The assessed fair value of the 2005 options at grant date was \$0.09, determined using a Black-Scholes option pricing model that takes into account the exercise price, 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.

The options included model inputs:

	2005
Volatility	70%
Expected dividend yield	0%
Risk free interest rate	5%
Expected life of the option	5 years

The expected price volatility is based on historic volatility (based on remaining life of the options), and any expected changes to future volatility due to publicly available information was also considered. The options were granted for no consideration. There was insufficient evidence of the behaviour of option holders concerning exercise date, and neither was there any other obvious indication of what might be the likely exercise pattern. As such it was assumed that the exercise date was the last possible exercise date. There were no vesting conditions on the options and accordingly these options vested immediately.

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 25. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

(a) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

- i. At the date of transition to AIFRS: 1 July 2004
There were no material adjustments at this date.
- ii. At the end of the last half-year reporting period under previous AGAAP: 31 December 2004
There were no material adjustments on transition at this date.
- iii. At the end of the last reporting period under previous AGAAP: 30 June 2005

Notes	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
CURRENT ASSETS			
Cash assets	1,417,846	-	1,417,846
Receivables	35,079	-	35,079
Total current assets	1,452,925	-	1,452,925
NON-CURRENT ASSETS			
Plant & equipment	33,903	-	33,903
Total non-current assets	33,903	-	33,903
TOTAL ASSETS	1,486,828	-	1,486,828
CURRENT LIABILITIES			
Payables	279,549	-	279,549
Provisions	8,440	-	8,440
Total current liabilities	287,989	-	287,989
TOTAL LIABILITIES	287,989	-	287,989
NET ASSETS	1,198,839	-	1,198,839
EQUITY			
Contributed equity	4,136,762	-	4,136,762
Reserves (d) i.	-	4,500	4,500
Accumulated losses (d) i.	(2,937,923)	(4,500)	(2,942,423)
TOTAL EQUITY	1,198,839	-	1,198,839

Notes to the Financial Statements

For the year ended June 30, 2006

NOTE 25. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(b) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRSs (AIFRS)

i. Reconciliation of loss for the half-year ended 31 December 2004

There were no material adjustments at this date

ii. Reconciliation of loss for the year ended 30 June 2005

	Notes	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
Revenue		310,567	-	310,567
Employee benefits expense	(d) ii.	(87,492)	(4,500)	(91,992)
Depreciation expense		(14,395)	-	(14,395)
Office and administration expense		(267,962)	-	(267,962)
Exploration and evaluation expenditure		(1,289,065)	-	(1,289,065)
Loss before income tax		(1,348,347)	(4,500)	(1,352,847)
Income tax expense		-	-	-
Loss attributable to members of Traka Resources Limited		(1,348,347)	(4,500)	(1,352,847)

(c) Reconciliation of cash flow statement for the year ended 30 June 2005

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

(d) Notes to the reconciliations

Share based payments

Under AASB 2 Share Based Payments from 1 July 2004 the Company is required to recognise an expense for those options that were issued to directors.

i. At 30 June 2005 there has been an increase of \$4,500 in accumulated losses and a corresponding increase in reserves.

ii. At 30 June 2005 there has been an increase in employee benefits expense of \$4,500.

Directors' Declaration

For the year ended June 30, 2006

In the directors' opinion:

- (a) the financial statements and notes of the Company and the additional disclosures included in the Directors' Report designated as audited, are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date ; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 20 to 23 of the Directors' Report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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.

This declaration is made in accordance with a resolution of the directors.



NEIL TOMKINSON

Chairman

Dated the 13th day of September 2006



Horwath Audit (WA) Pty Ltd

ABN 79 112 284 787

Chartered Accountants

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14 September 2006

Private and Confidential

The Board of Directors
Traka Resources Limited
Suite 2 Ground Floor
43 Ventnor Avenue
WEST PERTH WA 6005

AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with my audit of the financial report of Traka Resources Limited for the year ended 30 June 2006 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor 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 this audit;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this audit.

Yours sincerely

HORWATH AUDIT (WA) PTY LIMITED

Horwath.

A handwritten signature in black ink, appearing to read "Glyn O'Brien".

GLYN O'BRIEN

Director



Horwath Audit (WA) Pty Ltd
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**Independent audit report on the financial report to
members of Traka Resources Limited**

We have audited the accompanying financial report of Traka Resources Limited (the company) for the year ended 30 June 2006. The financial report comprises the balance sheet at 30 June 2006, and the income statement, statement of changes in equity, cash flow statement, summary of significant accounting policies and other explanatory notes, and the directors' declaration for the year then ended.

We have also audited the information about the remuneration of directors and executives ("remuneration disclosures"), the company has disclosed in accordance with Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 20 to 23 of the directors' report, as permitted by the Corporations Regulations 2001.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and the remuneration disclosure based on our audit. We conducted our audit in accordance with Auditing Standards in Australia. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 and fair presentation of the financial report 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

We are independent of the company, and have complied with the independence requirements of the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. The financial reports of Traka Resources Limited are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - (b) complying with Accounting Standards in Australia and the Corporations Regulations 2001.
2. The remuneration disclosures that are contained in pages 20 to 23 of the directors' report comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

Dated the 14th day of September 2006.

Yours sincerely
HORWATH AUDIT (WA) PTY LIMITED

Horwath.


GLYN O'BRIEN
Director

ASX Additional Information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

SHAREHOLDINGS

Substantial shareholders

The following substantial shareholders have lodged notices with the Company as at 29 September 2006

Holders	Ordinary shares
Crescent Nominees Limited	4,053,686
Wythenshawe Pty Ltd	2,886,193
Warramboe Holdings Pty Ltd	2,328,333
George Juris Petersons	1,750,000
Malahang Pty Ltd	1,916,666

Class of shares and voting rights

At 29 September 2006 there were 365 holders of the ordinary shares of the Company. 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.

At 29 September 2006, there were options over 3,050,000 unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares when the options have been exercised.

On-market buy-back

There is no current on-market buy-back.

Distribution of shareholders (as at 29 September 2006)

Category	Number of holders	
	Ordinary shares	Options
1 – 1,000	14	0
1,001 – 5,000	28	0
5,001 – 10,000	38	0
10,001 – 100,000	231	1
100,001 +	48	2
	359	3

Unmarketable parcels

There were 16 holders holding less than a marketable parcel of ordinary shares.

ASX Additional Information

Unquoted securities

There are the following unquoted securities on issue:

3,050,000 options

Restricted Securities

There are no restricted securities

Twenty largest security holders (as at 29 September 2006)

Holder name	Ordinary shares		Options	
	Number	%	Number	%
Crescent Nominees Limited	4,003,686	11.92		
Wythenshawe Pty Ltd	2,886,193	8.59		
Warramboe Holdings Pty Ltd	2,298,333	6.84		
George Juris Petersons	1,750,000	5.21		
Malahang Pty Ltd	1,595,833	4.75	2,000,000	65.57
Desmond John Kelly <DJ Kelly Family Account>	733,333	2.18		
Yandal Investments Pty Ltd	650,000	1.94		
Leecorp Pty Ltd	595,000	1.77		
Second Naremi Pty Ltd	450,000	1.34		
Malahang Pty Ltd<Patrick Verbeek Super Fund Account>	320,833	0.96		
Julian Francis Gordon Phillips <JFG Phillips Family Account>	300,000	0.89		
Mr Donald George Maloney	294,000	0.88		
Denioma Holdings Pty Ltd <The MB Super Fund Account>	272,000	0.81		
Mr Terrence Peter Williamson + Ms Jonine Maree Jancey <The Wiljan Super Fund Account>	259,083	0.77		
Annsborough Pty Ltd	218,000	0.65		
Mr Gerald Francis Pauley + Mr Michael James Pauley <Pauley Super Fund Account>	214,833	0.64		
Florin Mining Investment Company Limited <Trading Account>	211,333	0.63		
Mrs Karen Elizabeth Carpenter	200,000	0.60		
Evalon Investments Pty Ltd	200,000	0.60		
Nattim Pty Ltd <Nattim Investment Account>	200,000	0.60		
Patrick Verbeek	-	-	1,000,000	32.79
	17,652,460	52.57	3,000,000	98.36

Other information

Traka Resources Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.



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