Traka Resources Limited

ABN: 63 103 323 173

29 September 2010

Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Financial Statements and Directors' Report

Attached is a copy of the Financial Statements and Directors' Report for the company for the year ended 30 June 2010.

Yours faithfully

P C Ruttledge
Company Secretary

TRAKA RESOURCES LIMITED

ABN 63 103 323 173

FINANCIAL REPORT

30 JUNE 2010

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

Your Directors present their report on Traka Resources Limited ("Traka" or the "Company") for the year ended 30 June 2010.

DIRECTORS

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

Neil Tomkinson
Patrick Verbeek
George Petersons
Joshua Pitt

PRINCIPAL ACTIVITIES

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

DIVIDENDS

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

REVIEW OF OPERATIONS

Traka continued to expose its land holding to exploration for base metals, platinum group elements and gold during the year. The Company's main areas of interest are in the Musgrave Area of Western Australia and the Ravensthorpe Nickel Project.

Exploration of Traka's extensive tenement package in the Musgrave area is split between those tenements which are the subject of a joint venture with a subsidiary of Anglo American Corporation and those being explored by Traka itself on a 100% basis.

The Musgrave Project in Joint Venture with Anglo American (Anglo American earning up to 75%)

Anglo American steadily advanced geological, geochemical and geophysical programs on the joint venture tenements with a Reverse Circulation ("RC") drilling program commencing late in the year. This program aimed to test the Navigator Prospect and then three other targets.

The Spectrem EM aerial survey has been fully processed with seven targets highlighted for follow-up exploration work. Four of the seven Spectrem targets are currently being evaluated by drilling while the other three occur in exploration licences which are currently the subject of access negotiations with the Ngaanyatjarra Council and the Traditional Aboriginal owners. Spectrem targets that look promising are firstly tested with higher resolution and more powerful ground EM systems, geological investigations and geochemical sampling where appropriate.

Reconnaissance auger geochemical sampling program also continued during the year. The assay data from the most recently completed programs is awaited.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

The Musgrave Project - Traka 100%

Exploration programs comprising auger drilling and geological and geochemical surveys commenced on schedule in April. Good progress was achieved and over 3,000 geochemical and rock-chip samples were collected during the year. Significant assay results were received leading to infill drilling ahead of possible RC drilling in 2011.

The Ravensthorpe Project

Mt Short

A 5 hole Reverse Circulation ("RC") drilling program on the Mt Short Lead surface geochemical anomaly revealed the presence of a large mineralised lead, zinc and copper supergene blanket over a mixed sequence of weathered sedimentary and volcanic rocks The indicated potential is sufficiently encouraging to lead to further exploration evaluation now being scheduled for the coming summer period after harvesting has been completed.

Nickel Exploration

The Company has been successful in receiving a $150,000 grant from the Royalties for Regions Exploration Incentive Scheme. This grant can be drawn upon to fund 50% of direct drilling costs for a program of drilling on the Ravensthorpe Nickel Project. In the Ravensthorpe area the Company joint ventured two blocks of tenements to Galaxy Resources and Tectonic Resources. In both cases Traka is currently free carried.

The Company made a net loss for the financial year of $995,578 (2009: $770,542.)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the operating results and the issue of 14,131,945 new shares pursuant to a one-for-two rights issue to raise $2,119,792 before costs, there were no significant changes in the state of affairs of the Company during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

ENVIRONMENTAL REGULATION

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

INFORMATION RELATING TO DIRECTORS

Chairman

Neil Tomkinson LLB (Hons)

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

Managing Director

Patrick Verbeek BSc, AusIMM

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

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

Non Executive Directors

George Petersons

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

Joshua Pitt BSc, MAusIMM

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

INFORMATION RELATING TO COMPANY SECRETARY

Peter Campbell Ruttledge BSc, CA, FFin

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

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

	Ordinary Shares	Options over Ordinary Shares
N Tomkinson	5,720,470	-
P A Verbeek	2,499,999	3,000,000
G J Petersons	1,500,000	-
J N Pitt	7,100,000	-

DIRECTORS' MEETINGS

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

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

REMUNERATION REPORT - AUDITED

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

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

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

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

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

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

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

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

Non-executive Directors

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

Executives

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

The remuneration of the company secretary, Mr Peter Ruttledge, is by way of fees paid to Sable Management Pty Ltd for company secretarial, accounting and administration services provided to the Company, and invoiced on an hourly basis. The directors regularly review the services provided and the hourly rate charged.

REMUNERATION REPORT – AUDITED (Continued)

(B) Details of Remuneration

The key management personnel of the Company are the Directors. The remuneration of key management personnel and other specified executives for the year is summarised below:

2010

Name	Short term Salary & fees	Post employment Superannuation	Share based payments Options	Total	Value of options as proportion of remuneration	Performance Related
	$	$	$	$	%	%
Non-executive Directors						
N Tomkinson	20,000	1,800	-	21,800	-	-
J N Pitt	20,000	1,800	-	21,800	-	-
G J Petersons	20,000	1,800	-	21,800	-	-
Managing Director						
P A Verbeek	240,000	-	-	240,000	-	-
Total	300,000	5,400	-	305,400		
Other Company executives						
P C Ruttledge	49,002	-	-	49,002	-	-
Total	49,002	-	-	49,002		

2009

Name	Short term Salary & fees	Post employment Superannuation	Share based payments Options	Total	Value of options as proportion of remuneration	Performance Related
	$	$	$	$	%	%
Non-executive Directors						
N Tomkinson	20,000	1,800	-	21,800	-	-
J N Pitt	20,000	1,800	-	21,800	-	-
G J Petersons	20,000	1,800	-	21,800	-	-
Managing Director						
P A Verbeek	240,000	-	32,900	272,900	12.05	-
Total	300,000	5,400	32,900	338,300		
Other Company executives						
P C Ruttledge	48,000	-	-	48,000	-	-
Total	48,000	-	-	48,000		

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

REMUNERATION REPORT – AUDITED (Continued)

(C) Service Agreements

Managing Director

The Company entered into a consultancy agreement with Malahang Pty Ltd ("Malahang") on 14 October 2003 ("Malahang Agreement"). In accordance with the terms of the Malahang Agreement, Malahang agreed to provide the services of its employee, Patrick Verbeek, to undertake all functions, duties, roles and authorities which the Company would require of a person engaged as Managing Director of the Company on a full time basis. The Malahang Agreement commenced on 20 November 2003 with an initial term of 2 years and has been extended since for further terms of 2 years at the consultant's election. The current term expires November 2011. The current level of remuneration in terms of this agreement is set at $240,000 (including compensation for the provision of a 4 wheel drive vehicle). There are no termination arrangements in respect of Mr Verbeek's engagement other than the expectation that Malahang would receive 3 months' fees in the event of his services being terminated by the Company.

Company Secretary

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

(D) Share-based compensation

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

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

No options were issued to directors or other Company executives during the year ended 30 June 2010.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

REMUNERATION REPORT – AUDITED (Continued)

(D) Share-based compensation (continued)

Share based compensation options

No remuneration options were granted during the financial year.

Shares provided on exercise of remuneration options

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

This is the end of the audited Remuneration Report

SHARES UNDER OPTION

The number of options on issue is:

Date option granted	Expiry date	Issue price of shares	Number under options
29 November 2005	29 November 2010	20 cents	1,000,000
28 December 2006	28 December 2011	20 cents	1,000,000
6 April 2007	6 April 2012	25 cents	150,000
10 December 2008	10 December 2011	10 cents	1,000,000

SHARES ISSUED ON EXERCISE OF OPTIONS

No options were exercised during the financial year.

INSURANCE OF OFFICERS

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

BDO Audit (WA) Pty Ltd, the company's auditor, did not perform any non-audit services for the company for the year ended 30 June 2010.

AUDITOR

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

AUDITOR'S INDEPENDENCE DECLARATION

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

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

Neil Tomkinson

NEIL TOMKINSON
Chairman
Dated this 28th day of September 2010

TRAKA RESOURCES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	**2010** **$**	2009 $
Revenue from continuing operations	4	**21,782**	37,061
Other Income	4	**101,822**	85,717
Exploration and evaluation expenditure	10	**(611,792)**	(359,774)
Administration expenses	5	**(507,390)**	(533,546)
Loss before income tax		**(995,578)**	(770,542)
Income tax expense	6	**-**	-
Loss for the year		**(995,578)**	(770,542)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year attributable to the ordinary equity holders of the Company		**(995,578)**	(770,542)
Loss per share attributable to the ordinary equity holders of the Company		**Cents**	Cents
Basic and diluted loss per share	23	**(2.12)**	(1.72)

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Notes	2010 $	2009 $
Current Assets			
Cash and cash equivalents	7	**1,616,232**	408,252
Trade and other receivables	8	**65,005**	35,850
Total current assets		**1,681,237**	444,102
Non-current Assets			
Plant and equipment	9	**54,206**	64,658
Total non-current assets		**54,206**	64,658
Total assets		**1,735,443**	508,760
Current Liabilities			
Trade and other payables	11	**162,845**	50,202
Provisions	12	**3,615**	1,528
Total current liabilities		**166,460**	51,730
Total liabilities		**166,460**	51,730
Net assets		**1,568,983**	457,030
Equity			
Contributed equity	13	**8,529,410**	6,421,879
Reserves	14	**245,580**	245,580
Accumulated losses		**(7,206,007)**	(6,210,429)
Total equity		**1,568,983**	457,030

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

TRAKA RESOURCES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Contributed Equity	Share Based Payments Reserve	Accumulated Losses	Total Equity
	$	$	$	$
2010				
As at 1 July 2009	6,421,879	245,580	(6,210,429)	457,030
Loss for the year	-	-	(995,578)	(995,578)
Total comprehensive loss for the year	-	-	(995,578)	(995,578)
Transactions with equity holders in their capacity as equity holders:				
Issue of ordinary fully paid shares, net of transaction cost	2,107,531			2,107,531
Issue of options	-	-	-	-
As at 30 June 2010	**8,529,410**	**245,580**	**(7,206,007)**	**1,568,983**
2009				
As at 1 July 2008	6,421,879	212,680	(5,439,887)	1,194,672
Loss for the year	-	-	(770,542)	(770,542)
Total comprehensive loss for the year	-	-	(770,542)	(770,542)
Transactions with equity holders in their capacity as equity holders:				
Issue of ordinary fully paid shares	-	-	-	-
Issue of options	-	32,900	-	32,900
As at 30 June 2009	6,421,879	245,580	(6,210,429)	457,030

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	**2010** **$**	2009 $
Cash flows from operating activities			
Interest received		**10,068**	36,758
Receipts from sublease of premises		**108,979**	76,127
Payments to suppliers and employees		**(452,649)**	(481,686)
Payments for exploration activities		**(739,567)**	(814,800)
Recovery of exploration expenditure		**185,283**	457,118
Payment for security deposit		**(14,000)**	-
Recovery of security deposit		**14,000**	-
Net cash outflow from operating activities	22	**(887,886)**	(726,483)
Cash flows from investing activities			
Payments for plant & equipment		**(11,665)**	(11,043)
Proceeds from disposal of motor vehicle		-	55,155
Net cash inflow/(outflow) from investing activities		**(11,665)**	44,112
Cash flows from financing activities			
Proceeds from share issue		**2,119,792**	-
Payment for share issue costs		**(12,261)**	-
Proceeds from loan facility		**250,000**	-
Repayment of loan facility		**(250,000)**	
Net cash inflow from financing activities		**2,107,531**	-
Net (decrease)/increase in cash and cash equivalents held		**1,207,980**	(682,371)
Cash and cash equivalents at the beginning of the financial year		**408,252**	1,090,623
Cash and cash equivalents at the end of the financial year	7	**1,616,232**	408,252

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of preparation

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

Compliance with IFRS

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

Reporting basis and conventions

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

Critical accounting estimates and judgements

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

Key Estimates — Impairment

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

(b) Segment reporting

The Company has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting and requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker, which has been identified by the Company as the Board of Directors. There has been no impact on the measurement of the Company's assets and liabilities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Presentation of financial statements.

The Company has applied AASB 101 Presentation of Financial Statements, which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in the full year financial statements ended 30 June 2010. Comparative information has been re-presented so that it also is in conformity with the revised standard.

(d) Income tax

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

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

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

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

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

(e) Impairment of assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Cash and cash equivalents

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

(g) Financial assets and liabilities

Recognition

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

Loans and receivables

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

Financial liabilities

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

Impairment

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

(h) 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 a discounted basis.

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

(i) Plant and equipment

Recognition and measurement

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

Depreciation

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

Plant and equipment: 10% - 20% *straight line*

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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.

(k) 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.

(l) 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.

(m) Loss per share

Basic loss per share

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Diluted loss per share

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

(n) Joint ventures

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

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

(o) Goods and services tax (GST)

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and interpretations

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

Reference	Affected Standards	Nature of change to accounting policy and impact on accounts	Application date
AASB 124	Related Party Disclosures	There will be no financial impact when these amendments are first adopted because these amendments related to additional disclosure requirements only.	1 January 2011
AASB 9	Financial Instruments	The company has not yet determined the extent of the impact of the amendments, if any.	30 June 2014
AASB 2009-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Process (AASB 5, 107 and 136)	There will be no financial impact when these amendments are first adopted because these amendments relate to additional disclosure requirements only.	1 January 2010
	AASB 101 – Presentation of financial statements	Initial adoption will have no impact as the company does not have any current liabilities where the counter party has the option to have the liabilities settled by the issue of equity instruments.	
	AASB 107 – Statement of cash flows	Initial adoption will have no impact as the company only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.	
	AASB 136 – Impairment of assets	There will be no impact as these requirements are only required to be applied prospectively to goodwill impairment calculations.	
Amendments to International Financial Reporting Standards (IFRS)	Amendments to International Financial Reporting Standards IFRS 7 Financial Instruments Disclosures	Initial adoption will have no impact on amounts recognised in financial statements as the amendments result in fewer disclosures only.	1 January 2011

NOTE 2 FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

Bank deposits at call, amounting to $1,600,000 (2009: $225,000) of which $1,200,000 matures within 69 days of balance date and $400,000 within 7 days of balance date.

The weighted average interest rate to which the Company was exposed on its cash assets at the year-end was 5.28% (2009: 3.33%).

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

Financial Assets	**Carrying amount of cash assets**	**Effect of increase or decrease of interest rate on profit and equity of the Company**			
		-1%		**+1%**	
		Profit	**Equity**	**Profit**	**Equity**
	$	**$**	**$**	**$**	**$**
2010					
Cash & cash equivalents	**1,616,232**				
Total increase/(decrease)		**(16,162)**	**(16,162)**	**16,162**	**16,162**
2009					
Cash & cash equivalents	408,252				
Total increase/(decrease)		(4,083)	(4,083)	4,083	4,083

Liquidity Risk

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

Credit risk

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

Exposure to Credit risk	**Closing carrying amount**	
	2010	2009
	$	**$**
Cash & cash equivalents	**1,616,232**	408,252
Trade & other receivables	**65,005**	35,850

Fair value estimates

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

Capital management risk

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

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

NOTE 3 SEGMENT INFORMATION

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

	2010	2009
	$	$
Reportable segment assets	**54,206**	64,658
Reportable segment loss	**(611,792)**	(359,775)
Reconciliation of reportable segment loss		
Reportable segment loss	**(611,792)**	(359,775)
Other profit	**123,604**	122,778
Unallocated:		
Corporate expenses	**(507,390)**	(533,545)
Loss before tax	**(995,578)**	(770,542)

NOTE 4 REVENUE AND OTHER INCOME

Revenue from continuing operations		
Interest received	**21,782**	37,061
Other income	**101,882**	85,717

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 5 EXPENSES

	2010 **$**	2009 $
Loss before income tax includes the following specific administration expenses:		
Personnel expenses		
Salaries, superannuation and associated expenses	**133,356**	119,151
Share based payments	**-**	32,900
Depreciation	**22,116**	43,609
Other expenses		
Management fee	**63,143**	83,442
Rental and rates (office, storage, parking)	**121,368**	96,995
Company secretarial and accounting	**49,002**	48,000
Insurance	**18,648**	14,180
Audit and tax	**21,426**	20,787
Communications	**15,681**	17,499
ASX fees	**10,820**	12,120
Other	**51,830**	44,863
	507,390	533,546

NOTE 6 INCOME TAX

(a) Income tax expense	**-**	-
(b) Loss from continuing operations before income tax	**(995,578)**	(770,542)
Tax at the Australian tax rate of 30%	**(298,673)**	(231,163)
Tax effect of amounts that are taxable/(deductible) in calculating taxable income:		
Employee share scheme	**-**	9,870
Entertainment	**-**	20
Prior year adjustment	**-**	(10,189)
Capital raising costs	**(1,520)**	(785)
Deferred tax assets relating to tax losses and temporary differences not recognised	**300,194**	232,246
Income tax expense	**-**	-

The franking account balance at year end was nil. (2009: nil)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 6 INCOME TAX (continued)

	2010 $	2009 $
(c) Deferred tax assets and liabilities not recognised relate to the following:		
Deferred tax assets		
Tax losses	**2,198,837**	1,897,248
Other temporary differences	**8,694**	6,308
Deferred tax liabilities		
Other temporary differences	**(3,781)**	-
Net deferred tax assets - unrecognised	**2,203,750**	1,903,556

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.

NOTE 7 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**16,232**	183,252
Deposits at call	**1,600,000**	225,000
	1,616,232	408,252

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

NOTE 8 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivables	**-**	24,490
Interest	**12,602**	888
Other	**38,403**	10,472
Security deposit	**14,000**	-
	65,005	35,850

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 9 NON-CURRENT ASSETS – PLANT & EQUIPMENT

	2010 $	2009 $
Plant & equipment at cost	**196,382**	184,718
Accumulated depreciation	**(142,176)**	(120,060)
	54,206	64,658

Reconciliation

Reconciliation 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.

	2010 $	2009 $
Plant and Equipment		
Carrying amount at the beginning of the year	**64,658**	142,790
Additions	**11,664**	11,042
Disposals	**-**	(45,564)
Depreciation expense	**(22,116)**	(43,609)
Carrying amount at the end of the year	**54,206**	64,658

NOTE 10 NON-CURRENT ASSETS – EXPLORATION AND EVALUATION COSTS CARRIED FORWARD

	2010 $	2009 $
Balance at the beginning of the year	**-**	-
Costs incurred net of recoveries during the financial year	**611,792**	359,774
Costs expensed during the financial year	**(611,792)**	(359,774)
Balance at the end of the year	**-**	-

NOTE 11 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2010 $	2009 $
Trade creditors and accruals	**136,106**	34,354
Employee entitlements	**26,739**	15,848
	162,845	50,202

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 $	2009 $
NOTE 12 CURRENT LIABILITIES – PROVISIONS		
Employee entitlements	**3,615**	1,528

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

NOTE 13 EQUITY – CONTRIBUTED EQUITY

(a) Share capital

	2010 $	2009 $
Fully paid ordinary shares – 58,914,147 (2009: 44,782,202)	**8,529,410**	6,421,879

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

Date	Details	Number of Shares	$
2010			
1 July 09	Balance	44,782,202	6,421,879
	Issue of ordinary shares	14,131,945	2,119,792
	Capital raising costs	-	(12,261)
30 June 10	Balance	**58,914,147**	**8,529,410**
2009			
01 July 08	Balance	44,782,202	6,421,879
	No Movement	-	-
30 June 09	Balance	44,782,202	6,421,879

(c) Share Options

	No. of Ordinary Shares Subject to Option	Expiry Date	Exercise Price
Employee	1,000,000	29 November 2010	20 cents
Employee	1,000,000	28 December 2011	20 cents
Employee	50,000	6 April 2012	25 cents

Consultant	100,000	6 April 2012	25 cents
Employee	1,000,000	10 December 2011	10 cents

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13 EQUITY – CONTRIBUTED EQUITY (continued)

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

Date	Details	No. of Options	Exercise Price
2010			
01 July 09	Balance	3,150,000	
	No Movement	-	
30 June 10	Balance	3,150,000	
2009			
01 July 08	Balance	4,250,000	
10 Oct 08	Options expired/lapsed	(2,100,000)	
10 Oct 08	Options issued	1,000,000	10 cents
30 June 09	Balance	**3,150,000**	

(e) Ordinary shares

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

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

NOTE 14 EQUITY – RESERVES

	2010 **$**	2009 $
Share based payments reserve	**245,580**	245,580

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 30 JUNE 2010

NOTE 15 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

Short term employee benefits	**300,000**	300,000
Post employment benefits	**5,400**	5,400
Share based payments	**-**	32,900
	305,400	338,300

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

(b) Equity instruments relating to key management personnel

Shareholdings

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

Name	Balance 1 July 2009	Received as remuneration	Options exercised	Net changes other	Balance 30 June 2010
2010					
Directors					
N Tomkinson	3,813,647	-	-	1,906,823	5,720,470
P A Verbeek	1,916,666	-	-	583,333	2,499,999
J N Pitt	4,729,632	-	-	2,370,368	7,100,000
G J Petersons	1,750,000	-	-	(250,000)	1,500,000
2009					
Directors					
N Tomkinson	3,813,647	-	-	-	3,813,647
P A Verbeek	1,916,666	-	-	-	1,916,666
J N Pitt	4,729,632	-	-	-	4,729,632
G J Petersons	1,750,000	-	-	-	1,750,000

The relevant interest of Mr Tomkinson and Mr Pitt in the shares of the Company is their combined holding of 12,820,470 shares (2009: 8,543,279 shares)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 15 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

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

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

Option holdings

Name	Balance at the beginning of the year	Granted during year as compensation	Expired/ Exercised During year	Balance at the end of the year	Vested and exercisable at the end of the year
2010					
Directors					
N Tomkinson	-	-	-	-	-
P A Verbeek	3,000,000	-	-	3,000,000	3,000,000
J N Pitt	-	-	-	-	-
G J Petersons	-	-	-	-	-
2009					
Directors					
N Tomkinson	-	-	-	-	-
P A Verbeek	4,000,000	1,000,000	(2,000,000)	3,000,000	3,000,000
J N Pitt	-	-	-	-	-
G J Petersons	-	-	-	-	-

(c) Loans to key management personnel

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

(d) Other transactions with key management personnel

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 16 REMUNERATION OF AUDITORS

	2010 $	2009 $
Audit services		
Fees paid to BDO Audit (WA) Pty Ltd		
Amounts paid or payable to the auditor for:		
- Auditing the financial reports of the company	**21,426**	20,787
Total remuneration	**21,426**	20,787

NOTE 17 CONTINGENCIES

There are no contingent liabilities for termination benefits under service agreements with directors or executives at 30 June 2010.

The Directors are not aware of any other contingent liabilities at 30 June 2010.

NOTE 18 COMMITMENTS

Lease commitments

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

	2010 $	2009 $
Not later than one year	**100,000**	54,054
Later than one year but not later than five years	**91,667**	-
Later than five years	**-**	-
	191,667	54,054
Representing:		
Minimum lease payments in relation to non-cancellable operating leases	**191,667**	54,054

Exploration tenements

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

	2010 **$**	2009 $
Minimum estimated expenditure requirements	1,128,734	847,948

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

NOTE 18 COMMITMENTS (continued)

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:	**2010** **$**	2009 $
Not later than one year	**240,000**	73,333
Later than one year but not later than five years	**80,000**	-
Later than five years	**-**	-
	320,000	73,333

NOTE 19 RELATED PARTY TRANSACTIONS

Directors

Directors of Traka Resources Limited during the financial year were:
Neil Tomkinson
Patrick Verbeek
George Petersons
Joshua Pitt

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

Other related party transactions

The Company has an agreement with Red Hill Iron Ltd ("Red Hill"), a company of which Mr Pitt and Mr Tomkinson are directors, whereby Red Hill pays rent for use of office space, geological and administrative services to Traka on normal commercial terms and conditions. Amounts received from Red Hill totalled $92,175 (2009: $64,422)

On 3 November 2009, two companies associated with two of the Company's directors made binding offers to provide a short term unsecured loan facility of $500,000 to the Company for a period of six months from the first drawdown. The interest on the loan is 5% per annum. The Company made three draw-downs totalling $250,000 between January to April 2010. The full amount of the loan draw-down plus interest ($2,271) was repaid on the 7 May 2010.

The Company paid Tim Verbeek, son of the Company's Managing Director, $810 (2009 $Nil)for his services as a field assistant.

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

NOTE 20 INTERESTS IN JOINT VENTURES

The Company has interests in the following mineral exploration joint ventures as at 30 June 2010

Name of project	Interest	Activities	Other Parties
Musgrave Project	100%	Gold and base metal exploration	Anglo American (Australia) Pty Ltd (Anglo earning up to 75%)
Musgrave Project	90%	Gold and base metal exploration	Polaris Metals NL (Polaris free carried 10%)
Musgrave Project	0%	Gold and base metal exploration	Sammy Resources (Traka earning up to 90%)
Ravensthorpe Project	20%	Gold and base metal exploration	Galaxy Resources (Traka 20% free carried to production)
Ravensthorpe Project	30%	Gold and base metal exploration	Tectonic Resources NL (Tectonic earning up to 70%)

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

NOTE 21 EVENTS OCCURRING AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 30 June 2010.

NOTE 22 CASH FLOW INFORMATION

	2010 **$**	2009 $
Reconciliation of operating loss after income tax to net cash used in operating activities:		
Operating loss after income tax	**(995,578)**	(770,542)
Depreciation	**22,116**	43,609
Non-cash employee benefit expense	**-**	32,900
Gain on disposal of assets	**-**	(9,590)
(Increase)/decrease in receivables	**(9,865)**	(11,431)
(Decrease)/increase in payables and provisions	**95,441**	(11,429)
Net cash outflow from operating activities	**(887,886)**	(726,483)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 23 LOSS PER SHARE	**2010**	2009
	Cents	Cents
Basic and diluted loss per share	**(2.12)**	(1.72)
Reconciliation of loss	**$**	$
The loss used in calculating the basic and diluted loss per share is equal to the loss attributable to ordinary equity holders of the Company in the Statement of Comprehensive Income	**(995,578)**	(770,542)
	No of Shares	No of Shares
Weighted average number of ordinary shares used as a denominator in calculating basic and diluted loss per share	46,917,523	44,782,202

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

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

NOTE 24 SHARE BASED PAYMENTS

Traka Resources Limited Employee Share Option Plan

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 24 SHARE BASED PAYMENTS (continued)

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

Grant date	Expiry date	Exercise price	Balance at start date	Granted during the year	Exercised/ expired/lapsed during the year	Balance at end of year
			Number	Number	Number	Number
2010						
10 Dec 2008	10 Dec 2011	$0.10	1,000,000	-	-	1,000,000
6 April 2007	6 April 2012	$0.25	50,000	-	-	50,000
28 Dec 2006	28 Dec 2011	$0.20	1,000,000	-	-	1,000,000
29 Nov 2005	29 Nov 2010	$0.20	1,000,000	-	-	1,000,000
			3,050,000	-	-	3,050,000
Weighted average exercise price			$0.17	-	-	$0.17
2009						
10 Dec 2008	10 Dec 2011	$0.10	-	1,000,000	-	1,000,000
6 Apr 2007	6 Apr 2012	$0.25	100,000	-	(50,000)	50,000
28 Dec 2006	28 Dec 2011	$0.20	1,000,000	-	-	1,000,000
29 Nov 2005	29 Nov 2010	$0.20	1,000,000	-	-	1,000,000
5 Feb 2005	31 Dec 2009	$0.20	50,000	-	(50,000)	-
10 Oct 2003	10 Oct 2008	$0.35	2,000,000	-	(2,000,000)	-
			4,150,000	1,000,000	(2,100,000)	3,050,000
Weighted average exercise price			$0.27	$0.10	$0.34	$0.17

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

There were no options granted during the year under the ESOP (2009: $32,900).

The assessed fair value at grant date of options granted during the year ended 30 June 2009 was $0.033 per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term if the option.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 24 SHARE BASED PAYMENTS (continued)

The model inputs for options granted during the year ended 30 June 2009 were:

Grant date	10 December 2008
Exercise by	10 December 2011
Exercise price per share	10 cents
Expected average life of the options	3 years
Underlying security spot price at time of grant	4.2 cents
Risk fee interest rate	3.6%
Expected volatility	150%

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

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

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

	2010	2009
	$	$
Options issued under employee option plan	-	32,900

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2010

The directors of the company declare that:

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

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

    (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company

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

3. The remuneration disclosures included the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2010, comply with section 300A of the *Corporations Act 2001*.

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

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

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

NEIL TOMKINSON
Chairman

Dated this 28th day of September 2010

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

28th September 2010

Traka Resources Limited
The Directors
Ground Floor
43 Ventnor Avenue
WEST PERTH WA 6005

Dear Sirs,

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

As lead auditor of Traka Resources Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Traka Resources Limited.

Peter Toll
Director

BDO

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Perth, Western Australia

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Australia

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

Report on the Financial Report

We have audited the accompanying financial report of Traka Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

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 Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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. In Note 1a, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 opinions.

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Traka Resources Limited is in accordance with the Corporations Act 2001, including:
   - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
   - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Traka Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Perth, Western Australia
Dated this 28th day of September 2010