Quarterly Activities Report

for the three months ended 31 December 2010

HIGHLIGHTS

Musgrave Project - Traka Managed

- Good exploration results from the 2010 programs have highlighted a number of drill ready targets. Follow-up exploration activity will recommence in March.

Musgrave Project - Anglo American Managed

- A strong deep seated electromagnetic conductor of over 3 kilometres length extending from 100 metres below surface to over 1 kilometre depth has been highlighted at the Latitude Hill Prospect (M4-1).
- Ground based exploration surveys are expected in March to better define the very strong M5-1 Spectrem electromagnetic target.
- Drilling programs are being scheduled for June 2011 to test a number of targets including Latitude Hill and M5-1 conductors.

The Ravensthorpe Project

- A diamond drilling program on the RAV 8 and RAV 4 areas will commence this week.
- A number of strong electromagnetic targets have been highlighted at the Mt Short Base Metal Anomaly.

EXPLORATION

The Musgrave Project

Very encouraging exploration results have been obtained from a number of targets from both within the Traka's managed portfolio of tenements and our joint venture interests managed by Anglo American (Australia) Pty Ltd ("AAE"). The result from Traka's and AAE's work is separately presented below.

The Company is the dominant tenement holder in the West Musgrave region and further extended its holding during the quarter (Figure 1). The portfolio of 36 exploration licences, some granted and others in application have a total area of 10,500 square kilometres. Eleven of these tenements covering 5,100 square kilometres form our joint venture interests managed by AAE (Figure 2).

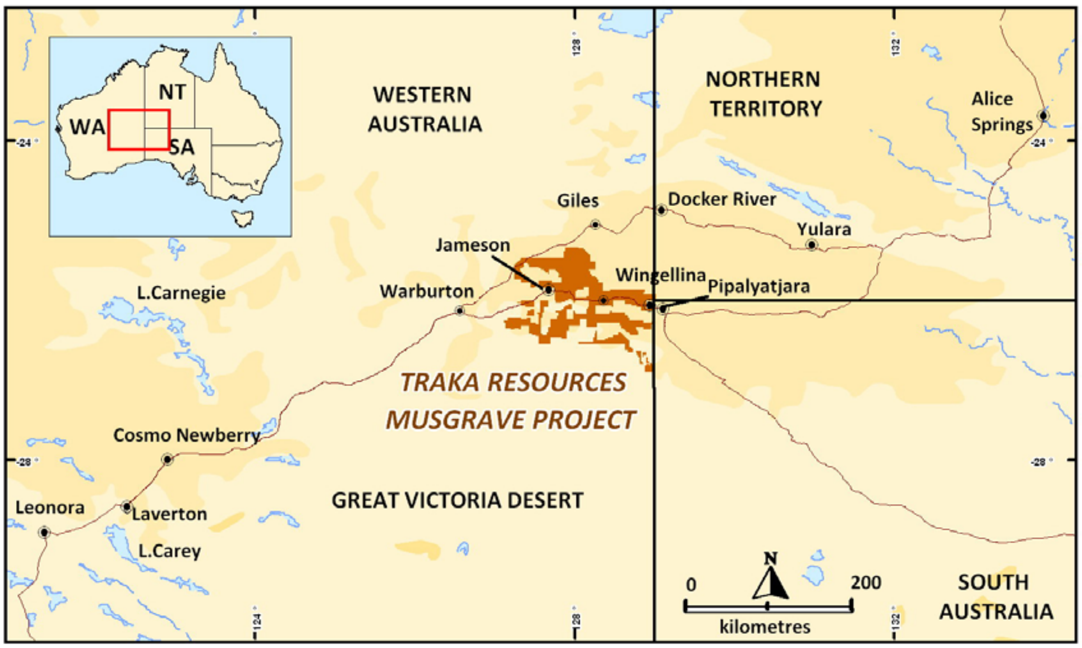

Figure 1. Musgrave Project location plan

The holding extends for several hundred kilometres between Warburton and the Western Australian State border. Traka's extensive interests provide an excellent opportunity to participate in one of the most prospective and under-explored areas in Australia which has only recently seen a resurgence of exploration activity.

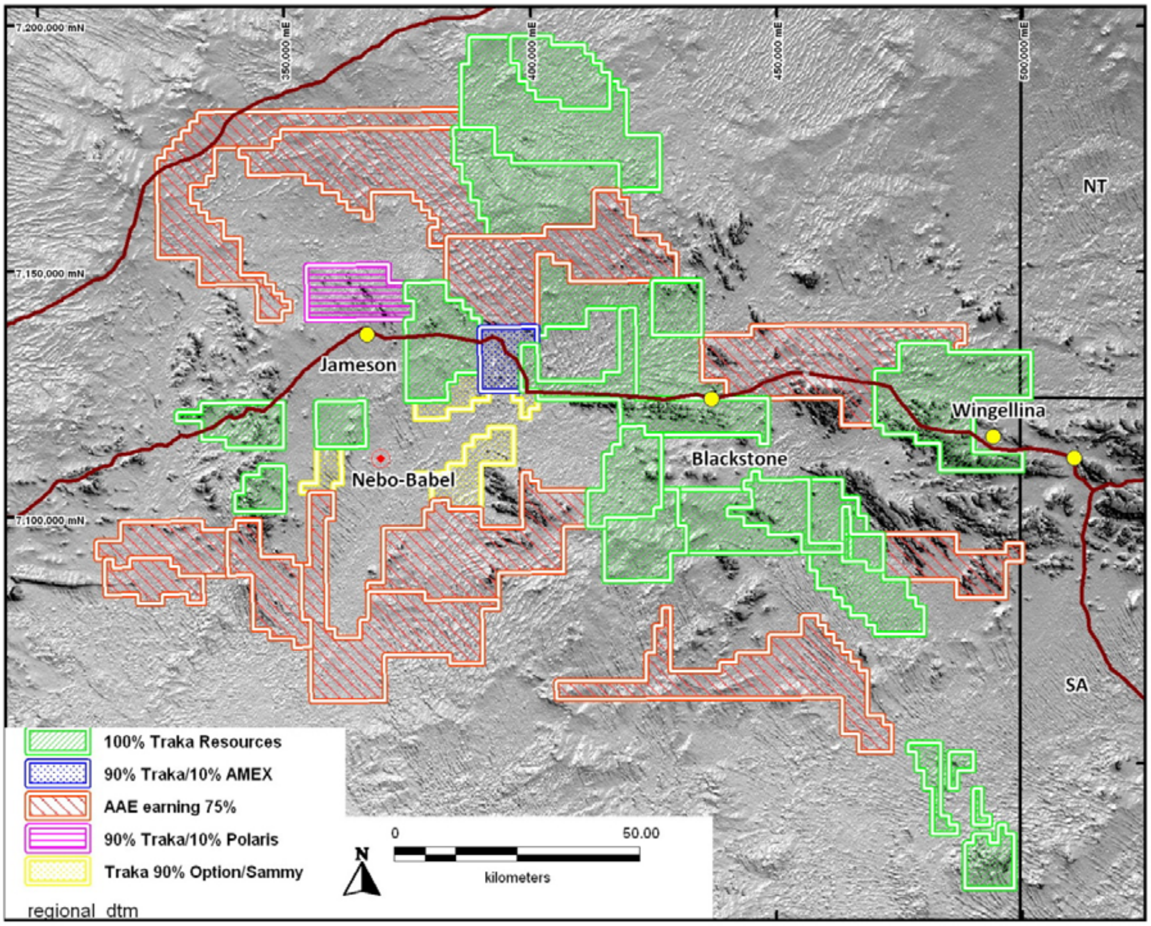

Figure 2. Musgrave Project Location and Equity Interests

The Musgrave Project - Traka managed

Geochemical, geophysical and geological surveys completed during the 2010 field season have highlighted the following targets in the Jameson area group of tenements (Figure 3).

1. ***The Jameson, SW1 and SW2 Prospects***. Multi-element base and precious metal geochemical anomalies have been outlined which are coincident with electromagnetic ("EM") targets associated with the Jameson Range layered intrusive. The Jameson Prospect is positioned immediately alongside a titaniferous magnetite rock horizon which is strongly mineralised with the precious metals gold ("Au"), platinum ("Pt") and palladium ("Pd").

2. ***The TMR and Yungalga Prospects***. These prospects both relate to mineralisation within or peripheral to titaniferous magnetite rock ("TMR") horizons hosted within mafic gabbroic rocks of the Jameson Range intrusive. The TMR is comprised almost entirely of titaniferous magnetite with a composition that is between 60% and 80% iron (mostly as magnetite), titanium dioxide ("TiO_2") between 18% and 24% and vanadium pentoxide ("V_2O_5") between 0.85% and 1.2 %. The combined precious metal content within the TMR i.e. gold plus platinum plus palladium is strongly elevated. The iron, titanium, vanadium and precious metal grades are high for this style of host rock and offer the opportunity to produce a number of premium products if suitable separation of

the commodities can be achieved. A program of metallurgical test work is currently being considered as the next step to this evaluation process.

Anomalous levels of copper, nickel, gold and platinum hosted by the mafic gabbroic rocks have been identified peripheral to the TMR. Follow up investigation of this feature will be undertaken in the coming field season.

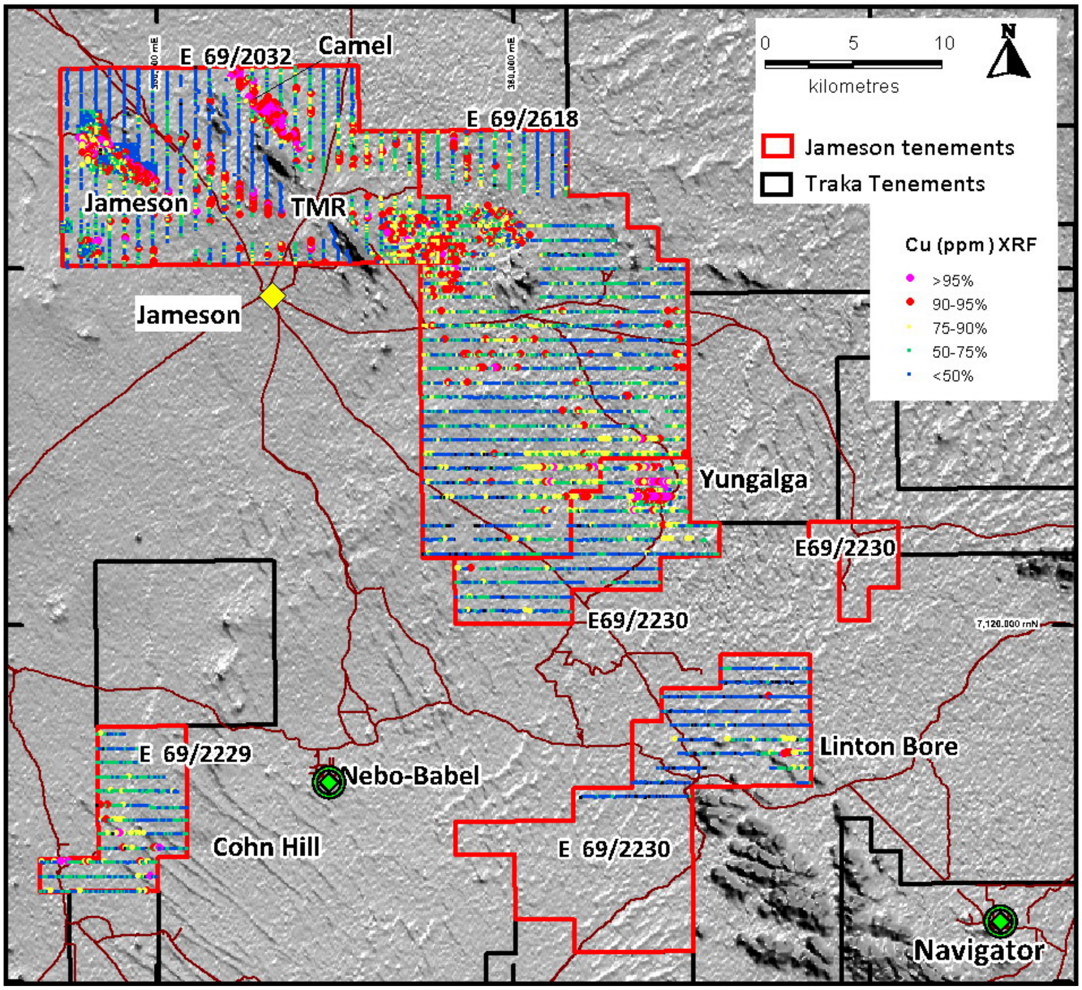

Figure 3. Musgrave Project location showing sample pattern and copper results

3. ***The Camel Prospect***. This 8 kilometre long target with strongly anomalous copper, nickel, platinum, palladium and gold grades, with peak values being 0.2% Cu, 0.013% Ni, 17ppb Pt, 83ppb Pd and 119ppb Au, is being prepared for drilling. The anomalous geochemistry at Camel correlates with a discrete portion of the Jameson Range intrusive which may suggest the presence of a favourable mineralized structurally controlled zone or a late phase intrusive.

4. ***The Cohn Hill Prospect***. This new prospect is defined by several zones of coincident copper, nickel and platinum soil geochemical anomalism that overly linear aeromagnetic features. Data compilation of this target is still underway but there is already sufficient encouragement received to schedule follow up programs in this area. Infill geochemical sampling and/or an electromagnetics ("EM") program are currently

being planned. BHP Billiton are drilling EM targets in close vicinity to the eastern tenement boundary of our exploration licence E69/2229 and our tenement E69/2237 to the immediate south which is joint ventured to AAE. Anomalous mineralisation in this proximal position west of the very large Babel Nebo resource is geologically significant and will be thoroughly evaluated.

5. ***The Linton Bore Prospect***. Three lines of geochemical sampling spaced at 800 metres have located anomalous copper, nickel and platinum mineralisation at this location. This prospect is located at a prospective area of intersecting structures between different intrusive phases of the favoured Giles Complex rocks. Data compilation is underway but it is expected that geological and geochemical surveys will follow to further investigate this target.

6. ***Geochemical Anomalies***. A number of other geochemical targets have been highlighted by the regional sampling program completed last year. These are currently being evaluated.

The Musgrave Project - Anglo American (Australia) Pty Ltd managed
(AAE earning up to 75%)

AAE maintained a busy exploration program during the quarter and completed geochemical, geological and geophysical programs. A number of exciting advances have been made on previously identified targets in addition to the discovery of new prospects (Figure 4). AAE will recommence field operations in March and are planning to start drilling in June with an exploration program commensurate with that undertaken in 2010.

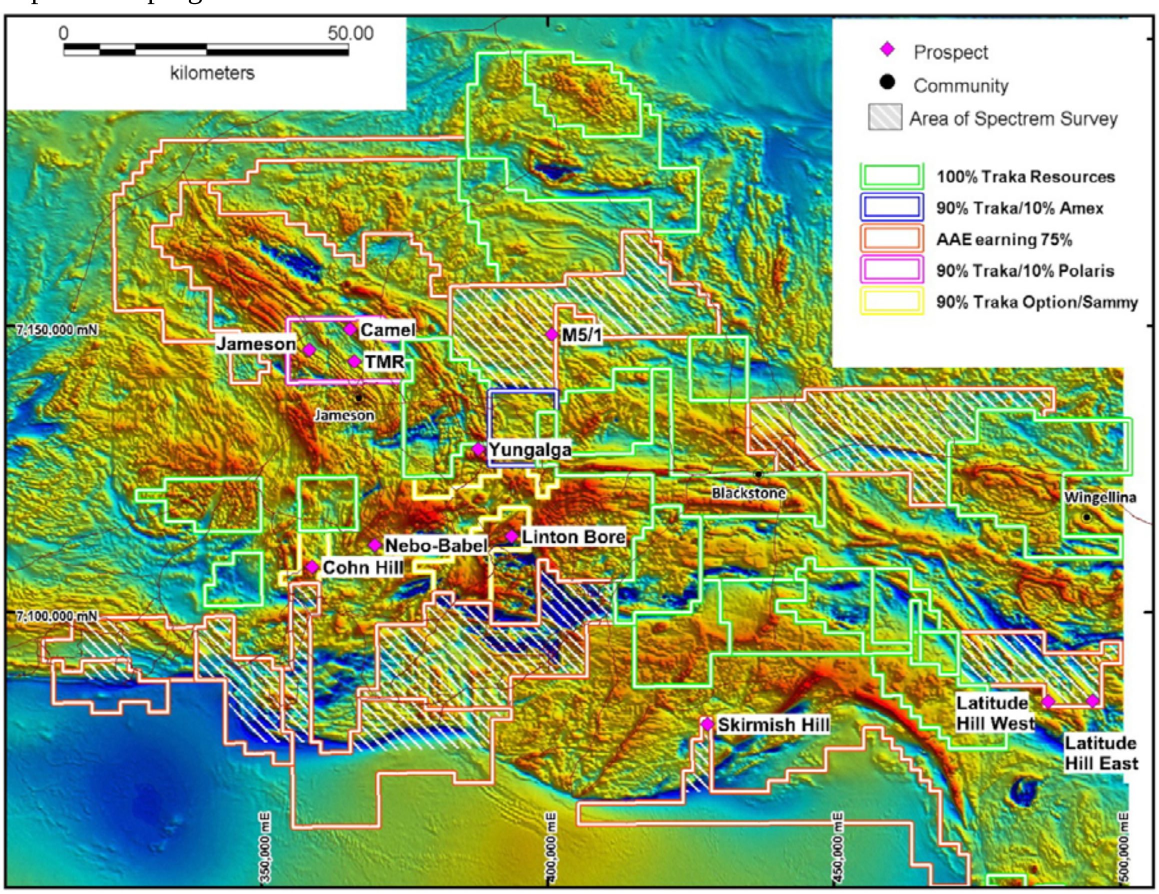

Figure 4. Aeromagnetic Image showing the tenement holding and prospect locations.

1. ***Latitude Hill West***. A Spectrem airborne EM target previously referred to as M4-1 (East and West) was followed up with a geochemical sampling program and ground EM using AAE's proprietary low-temperature SQUID system. A strong 3 kilometre long bedrock conductor coincident with a magnetic anomaly was highlighted on the west target (Figure 5). The conductor has a signal characteristic of a sulphide source and starts at about 100 metres depth and extends to over 1000 metres depth in places dipping at about 30° in a north-west direction. The conductor appears to occur on the contact between felsic gneiss rocks on the footwall and a layered mafic-ultramafic layered intrusive on the hanging wall (Figure 6).

   Geochemical sampling over this prospect highlighted a 5 sample point nickel anomaly parallel and slightly west of the underlying EM target. The nickel ("Ni") anomaly ranges from 940ppm Ni in the north to 70ppm Ni and coincides with anomalous Pt (three sample points up to 20ppb Pt) and Copper (one sample point to 141ppm Cu). A shallow paleochannel interpreted from the Spectrem data to the west of this geochemical anomalism may be masking a higher order geochemical anomaly related to potential sulphide mineralization at depth.

   AAE will undertake further geological surveys, geochemical sampling and ground geophysics on Latitude Hill to help refine the positions for the drill program now being planned to test this very prospective target.

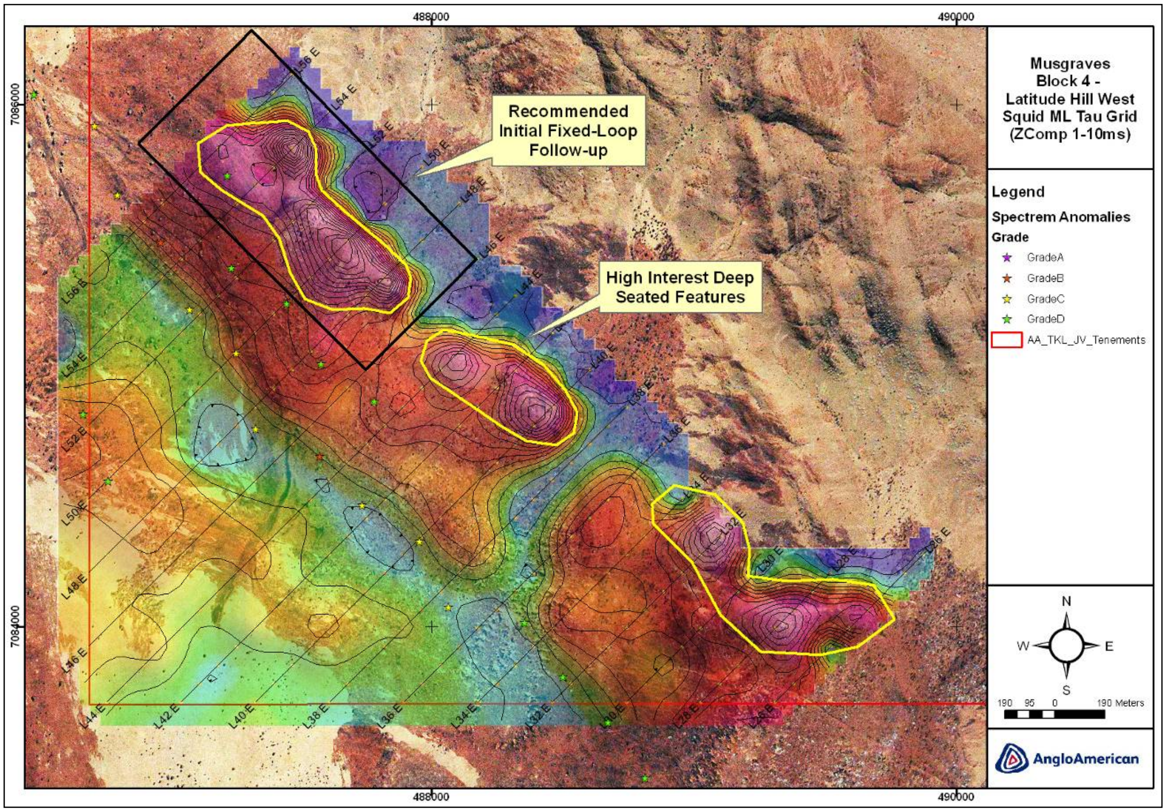

Figure 5. Orthophoto showing the Latitude Hill SQUID EM anomaly

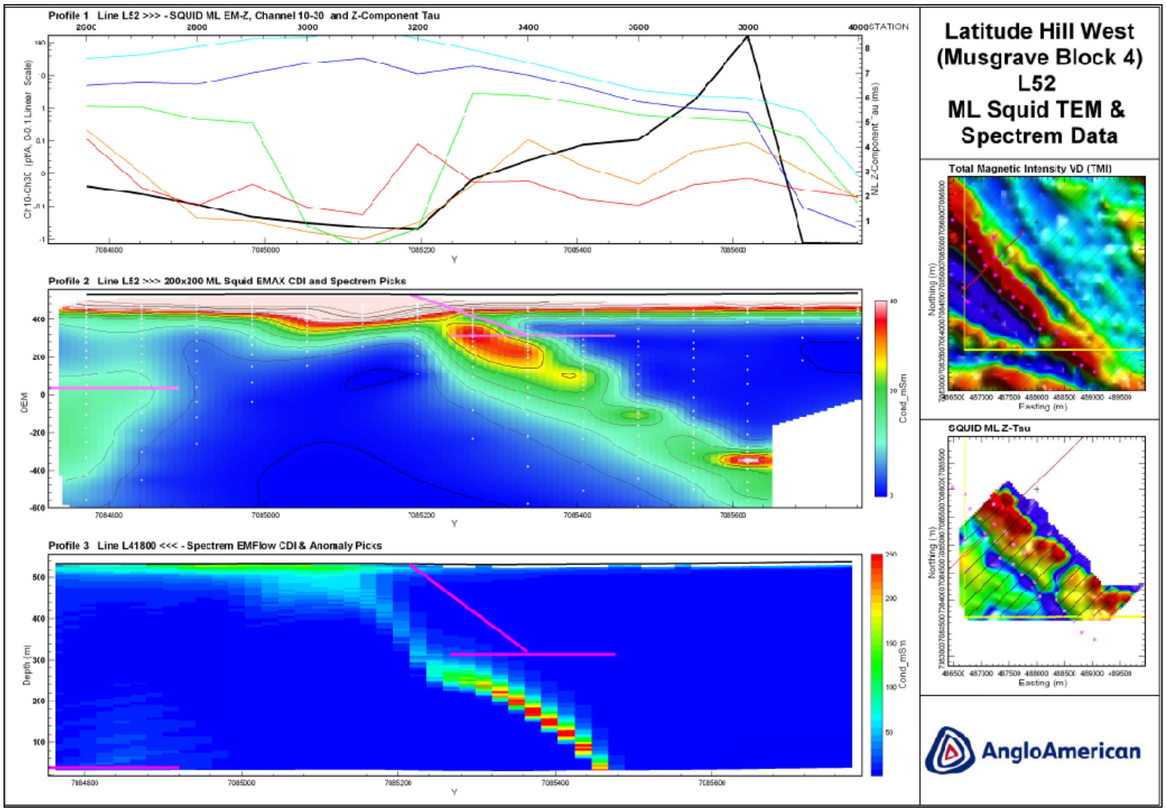

Figure 6. EM images showing west dipping Latitude West conductor

2. ***The Skirmish Hill Prospect***. Geochemical sampling on exploration licence E69/2583 has highlighted coincident nickel, copper, platinum and palladium anomalism on the eastern tenement boundary. Maximum copper values of 771ppm Cu, nickel of 720ppm Ni and platinum values of 18.8ppb Pt were returned over this prospect (Figure 7). Petrography on rock samples collected in the vicinity of this anomaly show that this magnetic feature is a cumulate textured gabbro comprising part of the Giles Complex mafic intrusive complex. A low-order Spectrem EM anomaly is also noted to occur east of this prospect and as consequence a SQUID EM survey is being planned to evaluate this whole area.

3. ***The M5-1 Prospect***. Access to this prospect has progressed well (Figure 4) and AAE expect to commence field work in March. This 1 kilometre long anomaly is the strongest of the 7 Spectrem targets originally highlighted. A ground based SQUID EM survey plus geological and geochemical surveys, similar to what were completed at Latitude Hill, will be undertaken as priority so that this prospect can also be included in the June drilling program.

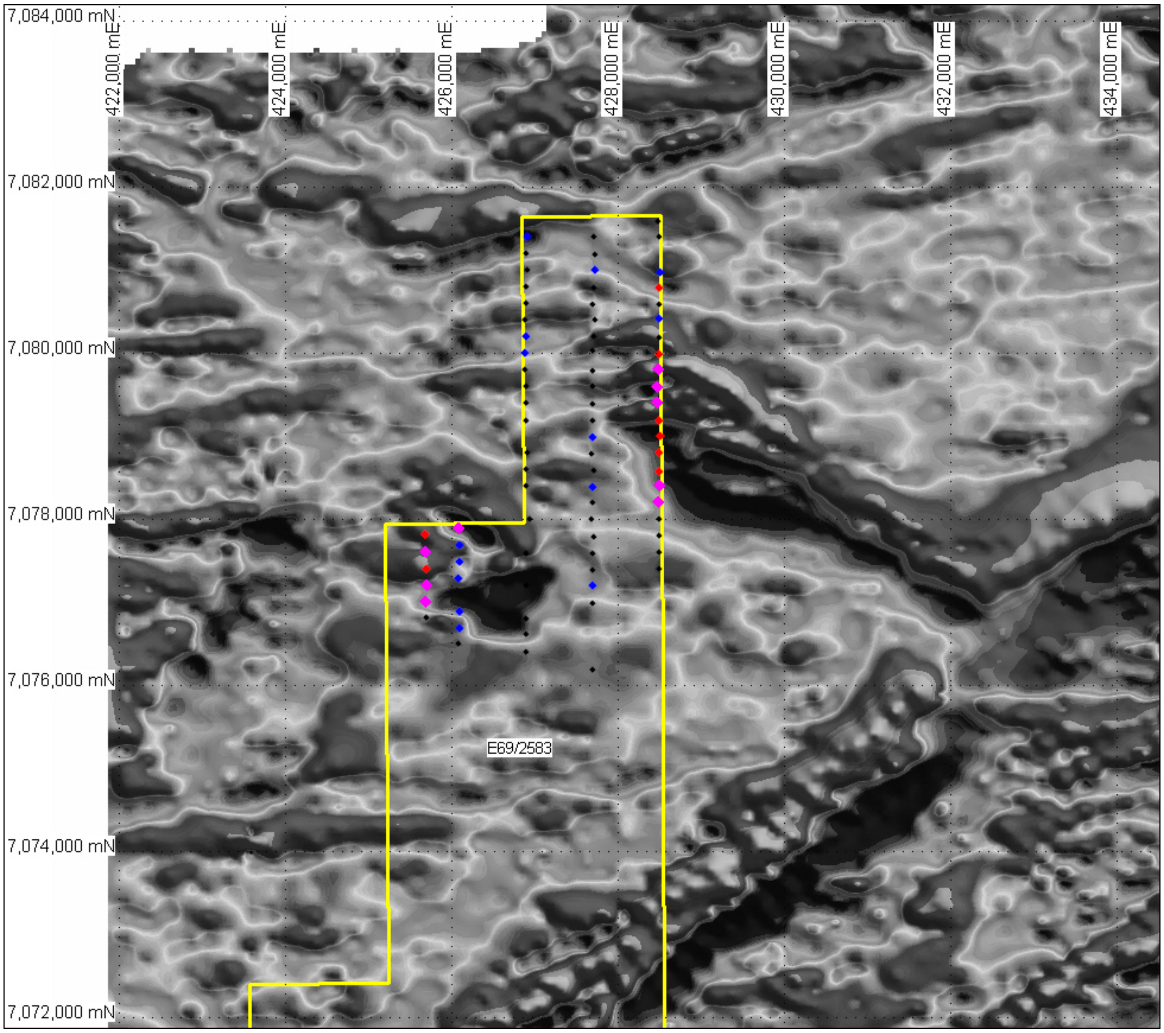

Figure 7. Aeromagnetic image showing location of coincident geochemical anomaly the eastern tenement boundary.

<u>The Ravensthorpe Project</u>

The Ravensthorpe Nickel Project

A diamond drilling program of the RAV 8 and RAV 4 target areas will commence in the next few days. This program, partly funded by the $150,000 State Government Co-funded Exploration Drilling Incentive Program will test a number of specific features and interpretations proximal to the main known positions of sulphide nickel mineralisation (Figures 8 and 9).

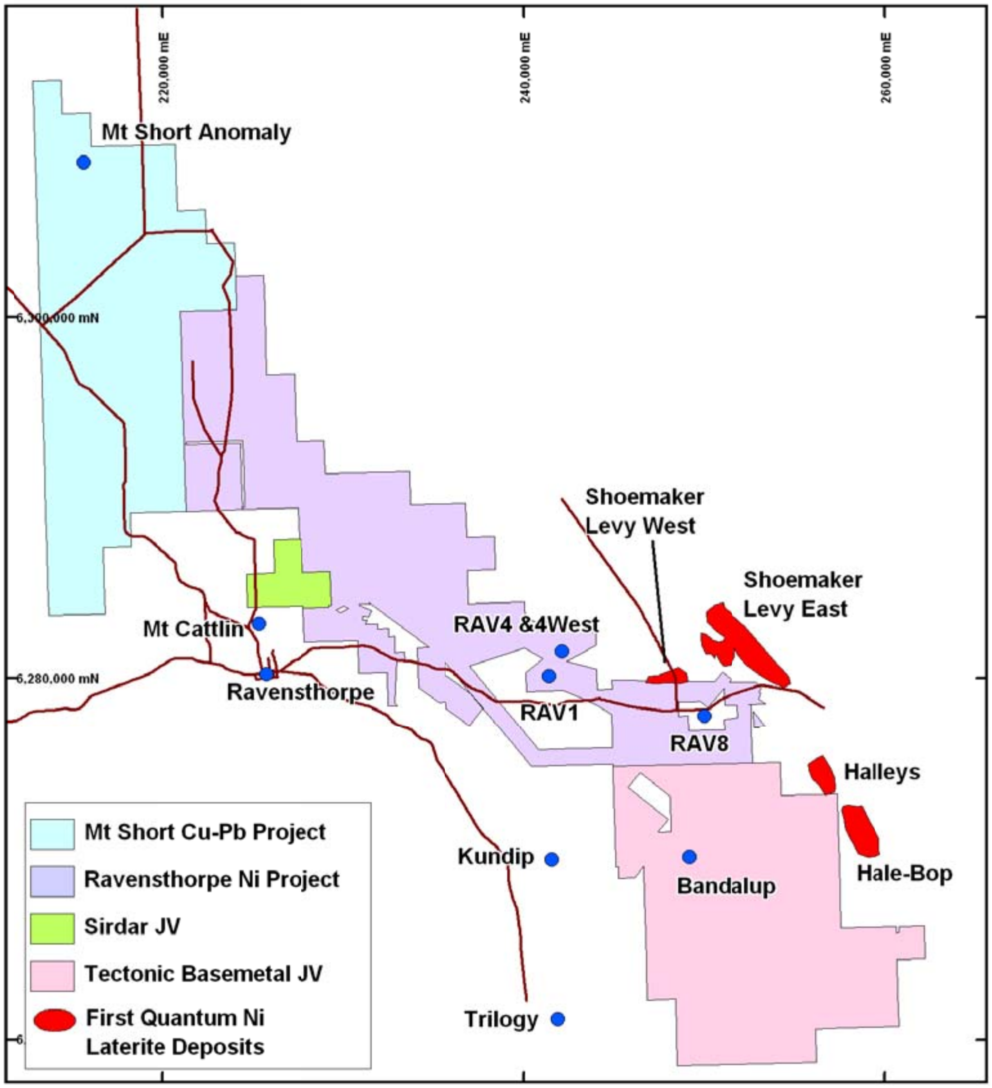

Figure 8. Location plan of the Ravensthorpe Project

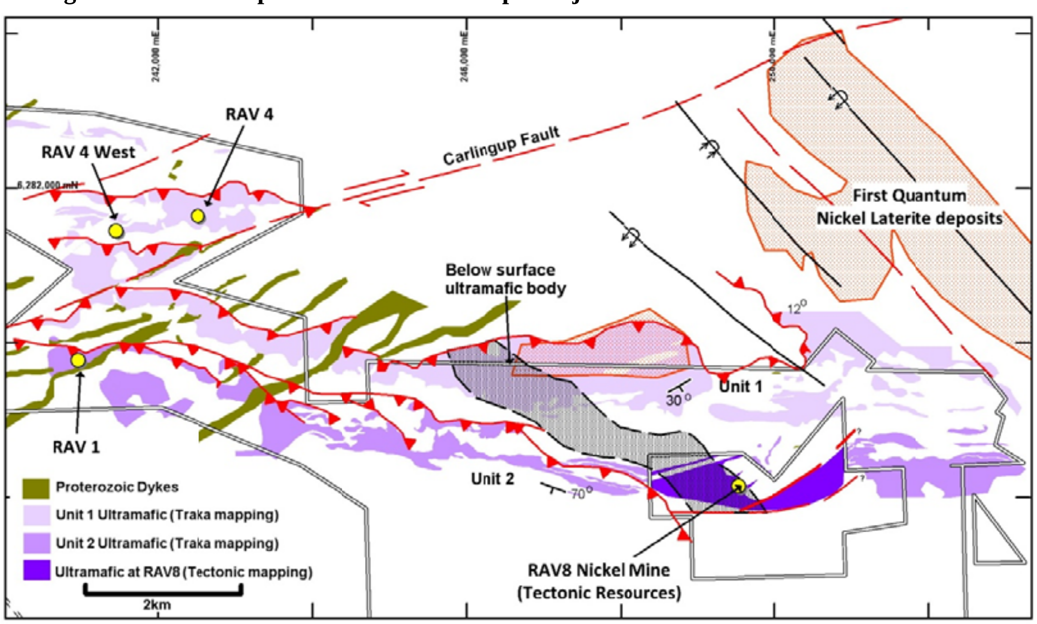

Figure 9. Ravensthorpe Nickel Project showing the prospect locations over a geological interpretation

Mt Short Base Metal Anomaly

A ground EM survey on the Mt Short Base Metals Anomaly has detected a number of strong conductors. The survey, which is still underway, is testing an 8 kilometre long stratigraphic trend previously shown to have anomalous levels of lead, zinc and copper mineralisation in sub surface air-core samples (Figure 10). Three discrete conductors are highlighted to date which may be reflecting concentration of sulphide mineralisation along the favoured stratigraphic horizon. Higher resolution surveys and extensions of the original EM survey are underway to allow accurate modelling for follow-up drilling programs. The EM survey is expected to be completed in the next 10 day period.

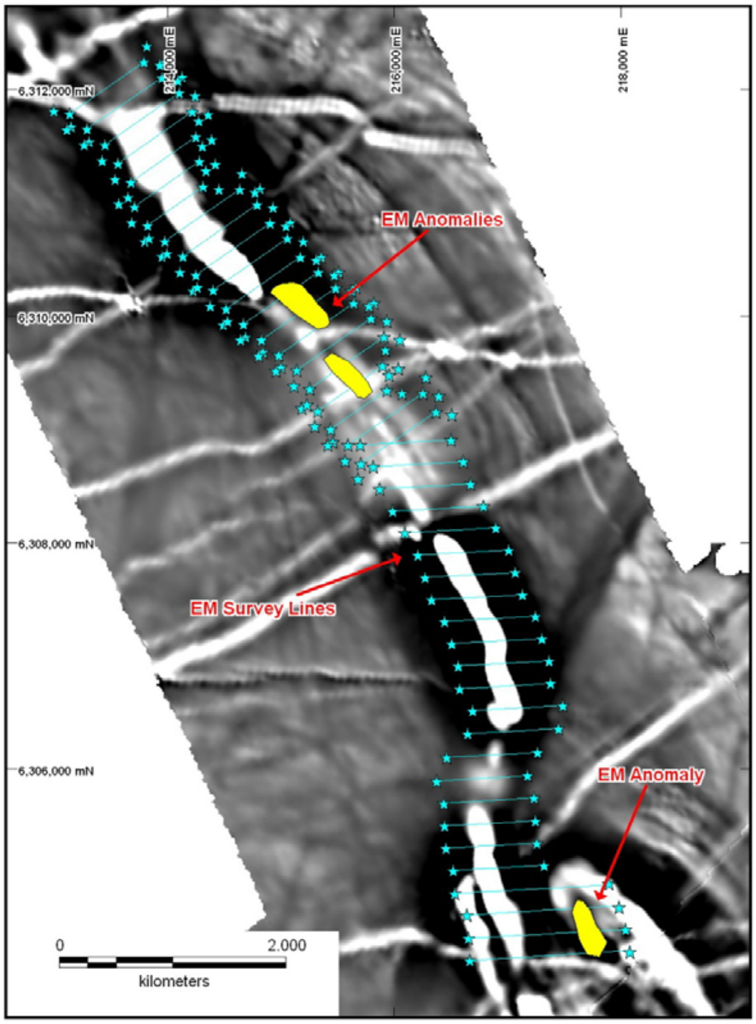

Figure 10. Mt Short Lead EM anomaly positions over an aeromagnetic image showing a linear stratigraphic horizon

The Sirdar Joint Venture with Galaxy Resources Ltd
(Traka Free Carried 20%)

No updated information is available for this joint venture.

Joint Venture with Tectonic Resources NL
(Tectonic earning 70%)

No updated information is available for this joint venture.

The Lort River Project

No further work has been completed on this project over the quarter.

Mr Patrick Verbeek
Managing Director

31 January 2011

JORC Compliance Statement
The information in this report that relates to exploration results is based on information compiled by Mr P A Verbeek, the Managing Director of Traka Resources Limited. Mr Verbeek is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Verbeek consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

TRAKA RESOURCES LIMITED

ABN: 63 103 323 173

Quarter ended ("current quarter"): 31-Dec-10

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter $A'000	Year to date (.6 months) $A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	**(286)**	**(753)**
	(b) development		
	(c) production		
	(d) administration	**(212)**	**(364)**
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	**14**	**42**
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)	**39**	**78**
	Net Operating Cash Flows	**(445)**	**(997)**
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	**(7)**	**(8)**
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	**(7)**	**(8)**
1.13	Total operating and investing cash flows (carried forward)	**(452)**	**(1,005)**

1.13	Total operating and investing cash flows (brought forward)	**(452)**	**(1,005)**
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	**406**	**406**
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	**406**	**406**
	Net increase (decrease) in cash held	**(46)**	**(599)**
1.20	Cash at beginning of quarter/year to date	**1,063**	**1,616**
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	**1,017**	**1,017**

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	**76**
1.24	Aggregate amount of loans to the parties included in item 1.10	**-**

1.25 Explanation necessary for an understanding of the transactions

1.14 Share placement and exercise of options

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	**150**
4.2	Development	**-**
4.3	Production	**-**
4.4	Administration	**110**
	Total	**260**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	**417**	**163**
5.2	Deposits at call	**-**	
5.3	Bank overdraft	**-**	
5.4	Term Deposit	**600**	**900**
5.5	Other (detail)	**-**	
	Total: cash at end of quarter (item 1.22)	**1,017**	**1,063**

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	**E69/2411** **E69/2448** **E69/2583**	**Tenement granted** **Tenement granted** **Tenement granted**	**0%** **0%** **0%**	**100%** **100%** **100%**
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	**61,014,147**	**61,014,147**		**Fully Paid**
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	**2,100,000**	**2,100,000**	**20 cents**	**20 cents**
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	 **1,000,000** **1,000,000** **150,000** **2,750,000**		*Exercise price* **10 cents** **20 cents** **25 cents** **20 cents**	*Expiry date* **10 December 2011** **28 December 2011** **6 April 2012** **17 November 2013**
7.8	Issued during quarter	**2,750,000**		**21.25 cents**	**17 November 2013**
7.9	Exercised during quarter	**1,000,000**		**20 cents**	
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: Peter Ruttledge Date: 31 January 2011
Company secretary

Print name: Peter Ruttledge

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* applies to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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