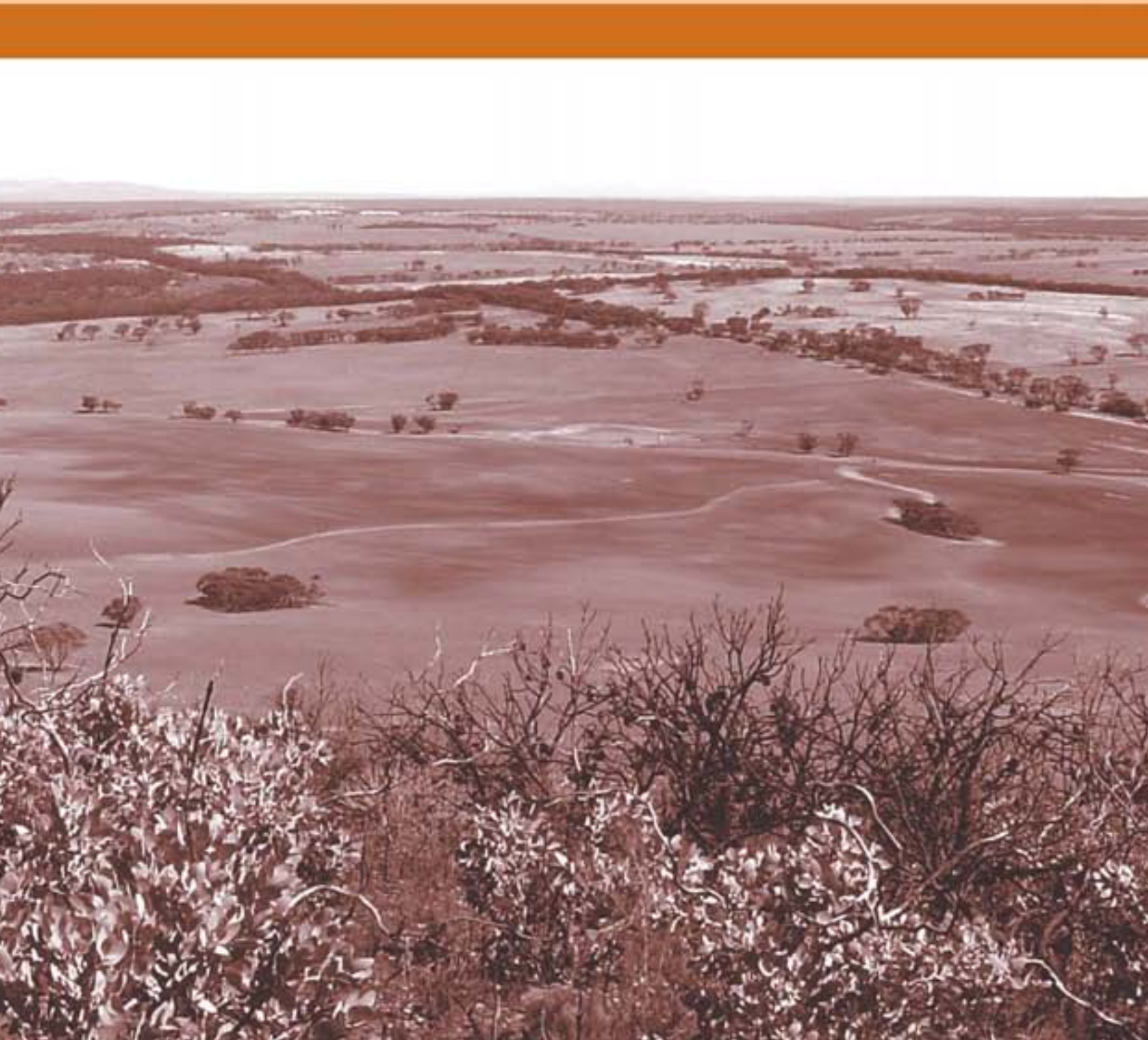




Annual Report 2005

Traka Resources Limited

ABN 63 103 323 173



Traka Resources Annual Report 2005

30 June 2005 ACN 103 323 173

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Corporate Directory

Directors

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

Company Secretary

Desmond John Kelly B Comm.CPA.MAICD.

Principal and Registered Office

Suite 2 Ground Floor
43 Ventnor Avenue
West Perth WA 6005

Auditors

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

Share Register

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

Stock Exchange Listing

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

Managing Director's Report



This report is Traka Resources Ltd ("Traka") second Annual Report and covers the first full year of activity.

Details of the Company's work programs are provided later in this report but first here are some informative

statistics covering the last 12 months :

- Total "in-ground" exploration expenditure was \$1,289,000 being 78% of total company expenditure of \$1,644,000.
- 10,014 meters of drilling were completed at a total cost of \$672,000.
- 7927 Geochemical samples were collected and assayed at a cost of \$166,000.
- 25 Geophysical surveys carried out at a cost of \$52,000.
- 615 Geologist man days involved at a cost of \$399,000.

The statistics demonstrate a busy year of activity but more importantly the work carried out and the results obtained provide good reason to remain very positive about the company's future prospects. This position has not been reached through one spectacular drill hole

intersection, although we always hope for this, but by confirming the very significant untested potential of the Company's tenements, in particular for nickel, iron ore and gold.

Traka's strategy of adopting a systematic exploration effort using a multi-disciplined approach (Geology, Geochemistry and Geophysics) is paying dividends. No such exploration effort had been carried out on our tenements since the 1970s. The compilation of a full set of data using modern exploration techniques has been a time consuming and expensive exercise but it is Traka's view that this is the only logical path to finding ore bodies with very subtle or no surface signatures.

As positive testament to this approach mineralisation is being found and targets are being identified over an expanding area previously considered barren. This encouragement and our dominant land position in the district provides us with every reason to escalate our exploration efforts.

Given our wish to concentrate Traka's exploration activity in the search for economic deposits of nickel, but having limited cash reserves, we chose earlier in the year to enter into an agreement which would lead to aggressive exploration of the Company's Iron Ore Project. Resource Mining Corporation ("RMI") will have to expend \$5 million to earn 51% equity in any deposits of iron ore which are discovered. RMI personnel are experienced explorers in their field and we will work in close cooperation with them to achieve the most effective progress.

The Ravensthorpe Nickel Project

The Ravensthorpe Nickel Project

Exploration for nickel sulphides at Ravensthorpe continued to be the company's primary focus. A number of drilling programs were completed but in the earlier part of the year the main effort went into detailed geological mapping and geochemical surveys. These surveys are ongoing but a large part of the project which we considered to have priority has now been covered.

The geological mapping program has proved invaluable. It has provided a geological framework for the project as a whole that has very significantly and positively altered previous perceptions. As a consequence, many targets, some which were drilled by earlier explorers, are being reinterpreted with very encouraging outcomes at times. At the same time new generations of targets have been created. Mapping has also highlighted a greater degree of prospectivity than previously appreciated extending over virtually the full 60 kilometer length of the Ravensthorpe Project. By January of this year 44 targets had been identified and ranked for follow-up work and even more targets have been highlighted since. In geologically prospective areas, where there was no previous geochemical data, we completed systematic geochemical surveys eventually covering more than 15 kilometers of strike.

The Jerdacuttup Area:

In the southern portion of the Ravensthorpe Nickel Project, in an area which we now refer to as the Jerdacuttup Area, we identified 26 targets (Figures 1a and 1b). We recently completed drilling on 5 of these targets.

The targets at Jerdacuttup lie on two ultramafic horizons extending for about 12 kilometers from the RAV 8 Mine area to the east through to the RAV 4 West prospect to the west. The nickel mineralisation at the RAV 8 Mine is interpreted by Traka to be associated with the northern ultramafic horizon, which is a very gently undulating south dipping body that links with the mineralisation at RAV 4 West. Previous geological interpretations had linked the RAV 8 Mine with the southern ultramafic horizon which for the most part is thinner and has a steeper southerly dip. The two horizons come very close together at RAV 8 and this may explain the apparent misinterpretation.

Although the southern ultramafic horizon has identified nickel targets and mineralisation on it, nearly all of the northern ultramafic horizon, hosting the highest grade nickel yet discovered at Ravensthorpe, namely at RAV 8 and RAV 4 West, has never been effectively explored. Exploration of this horizon is now of course a high priority. The following examples serve to illustrate the prospectivity of the northern ultramafic horizon.

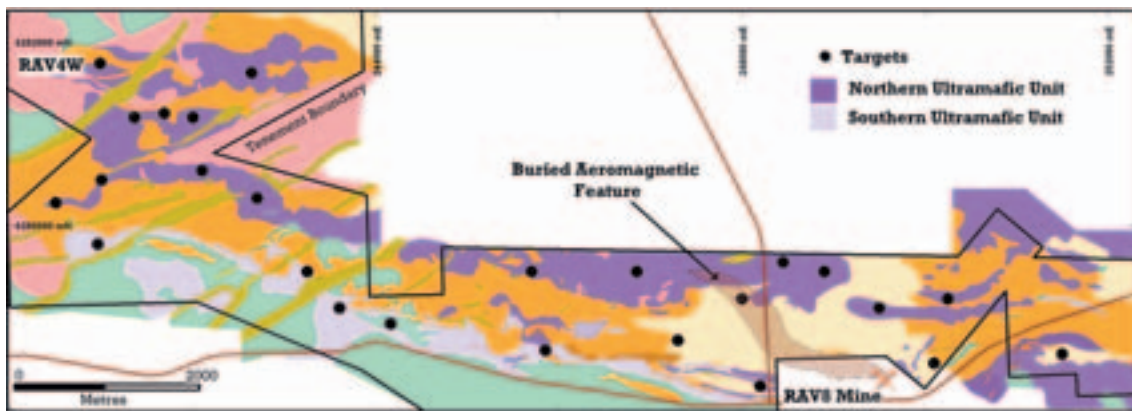


Figure 1a. Jerdacuttup Geology and Targets

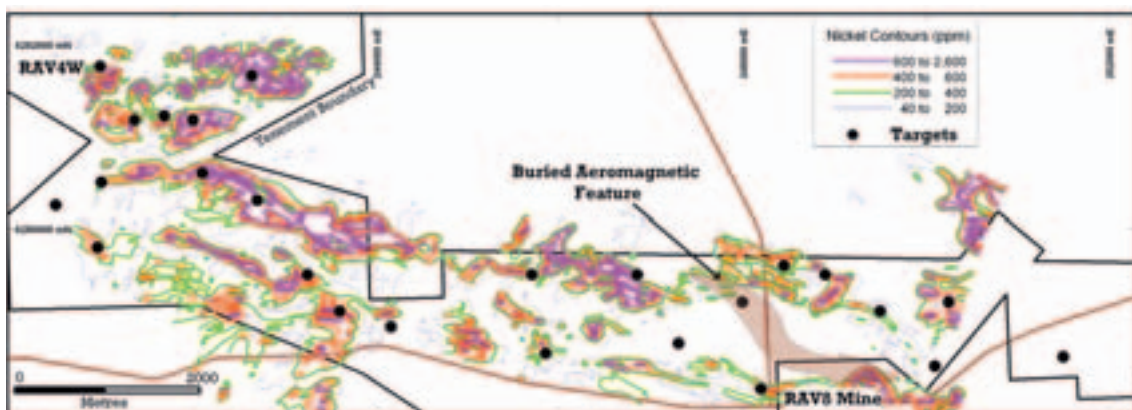


Figure 1b. Jerdacuttup Nickel Soil Geochemical Contours

The Ravensthorpe Nickel Project

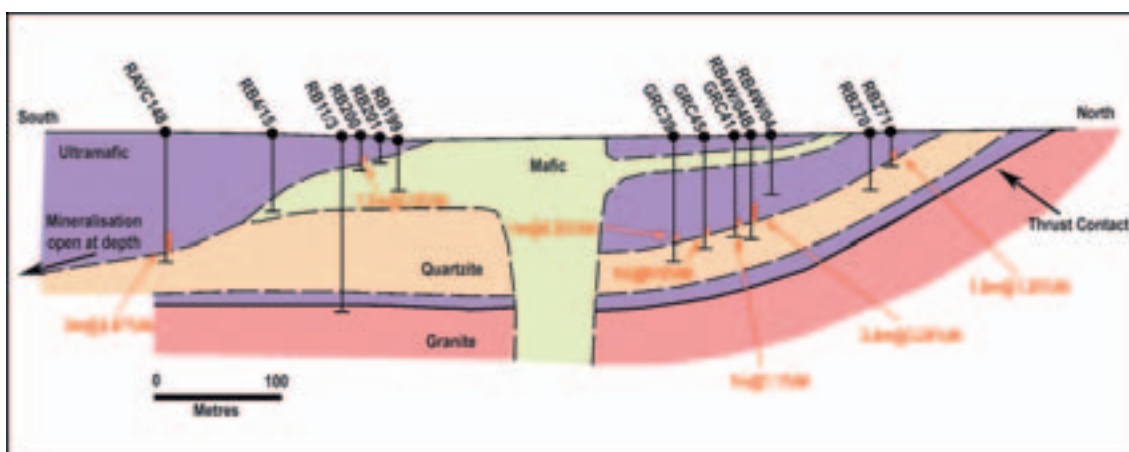


Figure 2 RAV4 West Schematic Cross Section 201160E

It is a common occurrence for nickel sulphide mineralization to repeat as a number of discrete shoots along a favoured horizon. The nickel mineralisation at the RAV 8 Mine does this and Shoot 4 of the RAV 8 orebody actually extends in an easterly direction within about 150 meters of the western boundary of that part of Traka's tenements which lies to the east of RAV 8.

Such mineralised horizons extend over many kilometers in some places and are therefore always a prime focus for ongoing exploration. In our case we confirmed by drilling near the RAV 8 orebody and then by extrapolation from mapping, that the favoured horizon extends for 2.5 kilometers to the far eastern boundary of our ground holding. As added encouragement we also located in this zone some gossans with strongly anomalous rock-chip samples e.g. 0.90% Nickel, 1719 parts per million Copper.

Another implication of the new geological interpretation is that the shallow undulating dips of the northern ultramafic horizon combined with the effects of folding, faulting, shears and thrusts suggest that the stratigraphy at Jerdacuttup may be repeated upon itself a number of times. This is not an uncommon trait in greenstone terrains and is proving true of the Ravensthorpe region. The favoured basal contact zone may, due to the gentle dips, not only be repeated but exist at relatively shallow depths from surface. A few months ago this interpretation was tested by drilling a vertical hole through the geological sequence north-west of RAV 8. The hole was collared in sedimentary rocks over an aeromagnetic feature which trends in a north-westerly direction from the RAV 8 mine. As we had hoped and consistent with our interpretation the hole passed through the sedimentary rocks early in the drilling and began intersecting a number of ultramafic units which are identical in nature to that hosting the RAV 8 mine orebody.

A further example of the encouragement gained from the new geological interpretation is evident by the results obtained from drilling at the RAV 4 West prospect (Figure 2). A drilling program on this target successfully demonstrated down-dip continuity of mineralisation on a very shallow south dipping zone extending below a gossan. Nickel mineralisation has been known at this location for over 30 years but the apparent lack of continuity previously encountered discouraged follow-up work.

The future program for the Jerdacuttup area is relatively clear. We now have targets on two ultramafic horizons rather than the one. There is a necessity to undertake further geochemical and geophysical surveys which would allow us to re-assess our ranking of the targets ahead of further drilling programs. This work will be progressed as rapidly as possible and the results will be eagerly awaited.

The Carlingup Area:

The central part of the Ravensthorpe Nickel Project is referred to as the Carlingup Area (Figure 3). During the year we completed geological mapping of this area. Based on the discovery of a number of gossans while mapping and in view of the generally favourable geological setting we undertook a systematic soil geochemical survey over about 10 kilometers of strike length. We generated 7 exploration targets from this work. To date we have only drilled two of these and completed limited follow-up reconnaissance work on the others.

The geological setting in this part of the project differs from that of Jerdacuttup. The favoured ultramafic rocks occur as discontinuous lenses within a series of thin lava flows and the whole sequence dips at an average of about 70° to the south west. The two targets drilled we called B1 and Serendipity.

The Ravensthorpe Nickel Project

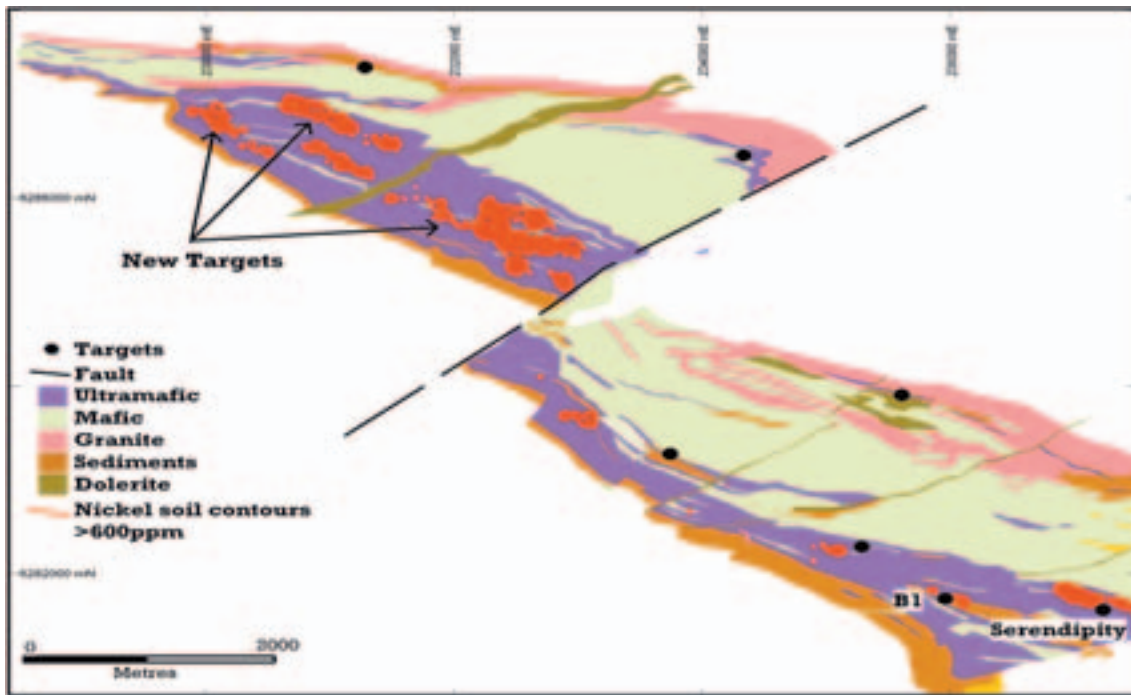


Figure 3. Carlingup Geology & Nickel Soil contours

At B1 we completed one drill hole to test an off-hole geophysical anomaly highlighted last year. The anomaly was located in a 30 meter thick ultramafic zone with disseminated and stringer sulphides present. Unfortunately our drill hole appears to have missed the geophysical anomaly which was the indicator of the target and it remains untested being located to the right of the hole.

At Serendipity we drilled a hole below one of the newly discovered gossans which coincided with a soil geochemical anomaly. The nickel values in the soil anomaly peaked at about 2500 parts per million nickel (about 10 times above background value). The soil samples were also anomalous in the path finder elements copper, chromium, cobalt and gold. The drill hole did not intersect any sulphides (to account for the anomalous gossan and soil samples), but a Downhole Electromagnetic survey ("DHEM") detected several off-hole conductors. The presence of these conductors suggests we may also have missed the source of mineralisation and as consequence further drilling of the target is required

The Mt Short Area:

The northern part of the Ravensthorpe Nickel Project is called the Mt Short Area. Exploration work on this area has been undertaken in the same manner as at Carlingup. Geological mapping and soil geochemical surveys on about half of the total area have been completed (Figures 4a and 4b). The geological setting of the Mt Short area is different again to that of the Jerdacuttup and Carlingup areas. The Mt Short area is

characterized by the presence of a number of discrete ultramafic lava flows within a mixed sequence of sedimentary and mafic volcanic rocks. A different model, but once again viewed as being a very favourable setting for nickel mineralisation. This view is readily supported by the fact that our soil geochemical surveys have highlighted a number of anomalies associated with the favoured ultramafic sequence.

We recently drill tested the Mt Short Gossan anomaly, being one the higher priority targets located to date, but unfortunately difficult drilling conditions prevented us from reaching our targets and drawing meaningful conclusions. We also completed a very wide spaced reconnaissance RAB drilling survey near the northern margins of the Mt Short area. This area is blanketed by regolith cover and as a consequence geological mapping and surface geochemical surveys were of little value. To our surprise we located a strong lead anomaly on the contact zone of felsic rocks with granites and mafic rocks. Lead values peaked at 0.51% Pb and elevated levels of copper was highlighted and associated with the anomaly. Follow up of this anomaly is now on our growing list of work programs to be completed.

The path forward at Mt Short is clear and, consistent with our project wide strategy, we will continue to carefully rank and follow up targets in a systematic manner.

There is no doubt that our work programs to date have raised the tenor of our total ground holding and continuing exploration with an aggressive program is readily justified.

Other Projects

The Ravensthorpe Iron Ore Project:

During the course of our nickel exploration programs at Ravensthorpe it became apparent that there is untested iron ore potential on some of the Ravensthorpe tenements. This potential had been first recognized in the late 1960's but had otherwise never been followed-up until rejuvenated by a prospecting syndicate (Avalon Resources Pty Ltd). Traka in cooperation with the prospectors undertook reconnaissance surveys which confirmed the old information and the general prospectivity of the area for iron ore. A number of locations were rock-chip sampled and some very encouraging iron ore grades ranging between 58% and 64% iron in lateritised rock were located. Upon receipt of this information and in consideration of the ongoing work and expense required to test the iron ore potential it was decided to farm out the iron ore rights to a third party with the resources and particular expertise in iron ore exploration and mining.

In May 2005 Traka entered into an Option Agreement with Resource Mining Corporation Limited ("RMI") on the Ravensthorpe Iron Ore Project. Under the terms of the agreement RMI paid Traka \$200,000 cash and has committed to spend not less than \$500,000 on exploration within the first 12 months. At the point at which RMI has expended \$500,000, that company can elect to exercise an option by virtue of which it may spend \$5,000,000 over 5 years to earn 51% equity.

RMI has commenced data collation and geological mapping and is now in the process of selecting drill targets.

The Ravensthorpe Gold Project:

In view of the exploration effort completed on the Company's other projects no further work was undertaken on the Ravensthorpe Gold Project in this reporting period. A considerable exploration effort completed last year demonstrated potential in a number of locations for narrow high grade gold and copper mineralisation around the historic Western Group of mines. Additional work on this project will be undertaken as soon as the resources are available to do so.

The Capricorn Project:

Following the completion of two drill programs in which only low grade nickel mineralisation was intersected we withdrew from this joint venture. Our exploration program at Capricorn was a technical success. We demonstrated the presence of nickel sulphide mineralisation in a new geological setting and highlighted the scope for more finds. However, in the absence of getting very strong encouragement early in the program we decided that on balance there was a better chance of success on our Ravensthorpe tenements.

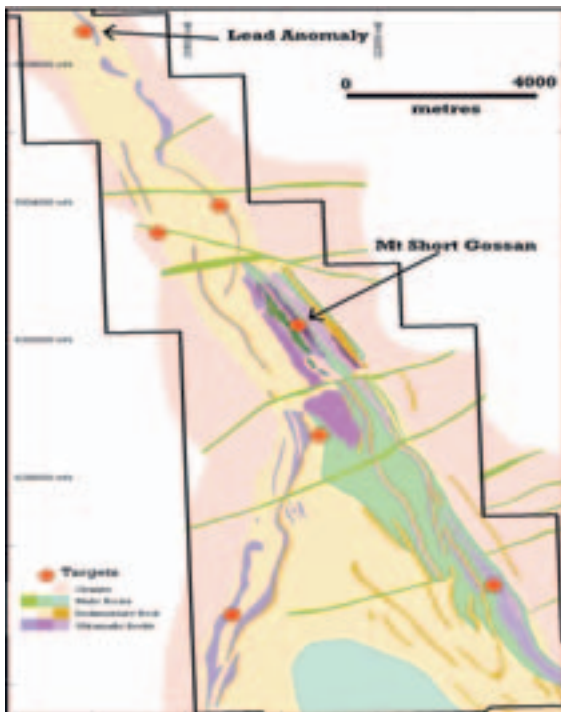


Figure 4a Mt Short Geology and Targets

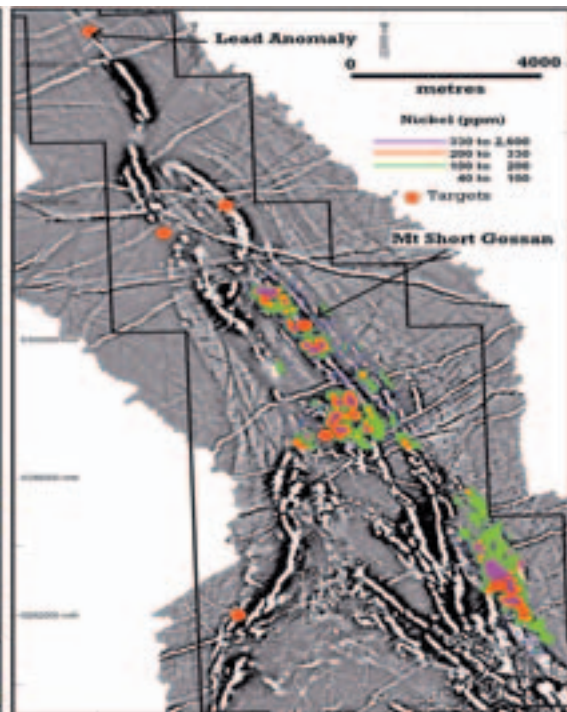


Figure 4b Mt Short Nickel Soil anomalies over an aeromagnetic image.

Schedule of Tenements

Tenement Type	Tenement Number	Project	Registered Holders Interest	Traka % Interest
E	74/0073	Ravensthorpe	Billiton Nickel (Ravensthorpe) Pty Ltd (75%) J W Ellis, S L Lippie, L G B Wadley (25%)	100%
E	74/0144	Ravensthorpe	Traka Resources Limited	100%
E	74/0152	Ravensthorpe	Traka Resources Limited	100%
E	74/0176	Ravensthorpe	Traka Resources Limited	100%
E	74/0209	Ravensthorpe	Traka Resources Limited	100%
E	74/0219	Ravensthorpe	Traka Resources Limited	100%
E	74/0272	Ravensthorpe	Traka Resources Limited	100%
E	74/0291	Ravensthorpe	Vistarise Limited	100%
M	74/0082	Ravensthorpe	Traka Resources Limited	100%
M	74/0083	Ravensthorpe	Traka Resources Limited	100%
M	74/0084	Ravensthorpe	Traka Resources Limited	100%
M	74/0085	Ravensthorpe	Traka Resources Limited	100%
M	74/0105	Ravensthorpe	Billiton Nickel (Ravensthorpe) Pty Ltd (75%) J W Ellis, S L Lippie, L G B Wadley (25%)	100%
P	74/0206	Ravensthorpe	K H Piper	Earning up to 90%
P	74/0211	Ravensthorpe	J H Kelly	Earning up to 90%
P	74/0212	Ravensthorpe	J H Kelly	Earning up to 90%
P	74/0218	Ravensthorpe	K H Piper	Earning up to 90%
P	74/0252	Ravensthorpe	Traka Resources Limited	100%

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

Financial Report

For the year ended June 30, 2005

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Corporate Governance Statement

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

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

Management and Oversight

Objectives of the Board

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

Board Responsibility

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

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

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

Materiality

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

- (a) Materiality – Quantitative
All Statements of Financial Position and Statements of Financial Performance items are material.
- (b) Materiality – Qualitative
 - (i) any matters which impact on the reputation of Traka and/or its Board;
 - (ii) any activities of the Company, its joint venturers, employees or contractors which may involve a breach of legislation or are in the Board's view outside the ordinary course of its business;
 - (iii) any matter which might negatively affect Traka's rights to its assets; and

Corporate Governance Statement

(iv) any activity of the Company its joint venturers, employees or contractors which has the capacity to involve a contingent liability that would in the Board's view have a potential material effect on the Company's statement of financial position or a similar effect on one or more statement of financial performance items.

(c) **Material Contracts**

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

Board of Directors

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

Independent Directors

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

The Chairman

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

The Managing Director

The Managing Director runs the Company on a day-to-day basis pursuant to authority delegated by the Board and is responsible for the implementation of Board and corporate policy and planning in accordance with approved programmes and budgets. The Managing Director reports to the Board regularly and is under an obligation to make sure that all reports which he presents give a true and fair view of Traka's exploration and other activities and its then current financial status.

Nomination for board positions

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

Independent professional advice

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

Ethical and Responsible Decision Making

Code of Conduct

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

Policy on share trading

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

Corporate Governance Statement

Integrity in Financial Reporting

Financial Reports

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

Audit Committee

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

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

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

Timely and Balanced Disclosure

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

Communication with and participation of Shareholders

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

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

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

Risk Management

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

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

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

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

Performance Evaluation of the Board, Individual Executive and Non-Executive Directors

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

Remuneration of Directors and Executives

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

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

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

Corporate Governance Statement

Corporate code of conduct and objectives

Traka is committed to:

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

Corporate Responsibility

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

Employment

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

Third Parties

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

Conflict of Interest

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

Breach of Corporate Governance

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

Review of Rules of Corporate Governance

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

Directors' Report

Your Directors present their report on Traka Resources Ltd ("Traka" or the "Company") for the year ended 30 June 2005.

Directors

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

Neil Tomkinson

Patrick Andrew Verbeek

George Juris Petersons

Joshua Norman Pitt

Principal Activities

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

Operating Results

The operating loss of the Company for the year after income tax of \$nil was \$1,348,347. (2004:\$1,414,207)

Dividends

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

Matters subsequent to the end of the financial year and likely developments

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

Review of Operations

Corporate

The Company entered into an option to purchase an exploration licence from Vistarise Limited. The licence abuts the western boundary of the Ravensthorpe Gold Project. The terms of the option include a \$2,000 option fee, maintenance of the tenement in good standing and a buy-out price, anytime within four years at the Company's election, of either \$100,000 cash or \$50,000 cash and \$80,000 in issued capital of Traka Resources Limited.

The Company entered into an option agreement over The Gap Prospect. Terms of the agreement include a \$3,000 option fee for an exclusive 12 month option period, maintenance of the tenements in good standing and the ability to extend the option period for an additional 2 years by a further payment of \$10,000. The Company can exercise the option at any time by a payment of \$60,000 to acquire 90% of the prospect and an undertaking to free carry the 10% retained equity of the vendors through to completion of a bankable feasibility study.

The Company entered into an option with Resource Mining Corporation ("RMI") whereby RMI can earn an interest in the iron ore rights on the Company's Ravensthorpe Iron Ore Project. Under the terms of the agreement RMI committed to pay the Company \$200,000 cash and to expend not less than \$500,000 on exploration within 12 months of the date of the agreement. Upon meeting these conditions RMI can elect to exercise the option and enter into a joint venture on the following terms:

- RMI can earn 51% equity by the expenditure of \$5 million (inclusive of the committed \$500,000) over a five year period.
- Upon RMI earning its 51% equity the Company can elect to contribute to expenditure, to dilute or elect to reduce to a free carried 30% interest through to a decision to mine.
- Upon RMI earning a 70% interest the Company can elect to convert its equity into a 2% gross overriding royalty.

Exploration

The Company withdrew from the Capricorn Joint Venture after a drilling program indicated that the opportunity to discover an economic orebody early in the exploration phase had diminished.

Exploration continued on the Ravensthorpe Nickel Project.

Directors' Report

Significant changes in the state of affairs

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

Financial Position

At the end of the financial year the Company had net cash balances of \$1,417,846 (2004: \$2,564,043) and net assets of \$1,198,839 (2004: \$2,547,186).

Total liabilities amounted to \$287,989 (2004: \$88,634) and were limited to trade and other creditors and employee entitlements.

Information on Directors

Directors

Chairman - Neil Tomkinson LLB (Hons)

Mr Tomkinson has extensive experience over the last 25 years in the administration of and investment in exploration and mining companies. Prior to its merger with LionOre Mining International Limited he was the non-executive chairman of Dalrymple Resources NL (resigned October 2003) and is the non-executive chairman of Hampton Hill Mining NL (appointed January 1997). Mr Tomkinson is also an investor in private mineral exploration and in resources in general in Australia.

Managing Director - Patrick Verbeek BSc. AusIMM

Patrick Verbeek is a geologist with over 25 years experience in the resource industry in Australia and internationally. Mr Verbeek's experience is wide ranging and is spread equally between mineral exploration and mining, company management and corporate activity. Mr Verbeek has held a number of senior management positions in exploration and mining operations both in open-pit and underground gold and base metal operations as well as executive directorships in private and public resource companies. Mr Verbeek is a founding Director of Traka.

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

Non Executive Director - George Petersons

Mr Petersons is an experienced prospector with a long history of identifying and acquiring prospective exploration and ground packages. He is a founding director of Traka. He has established himself as a consultant to the industry with local and offshore mining interests in precious metals, gemstones and base metals.

During the last three years Mr Petersons held a directorship in Niquet Limited, an ASX listed company.

Non Executive Director - Joshua Pitt BSc, MAusIMM

Mr Pitt is a geologist with substantial exploration experience who has for more than 30 years been a director of exploration and mining companies in Australia. Prior to its merger with LionOre Mining International Limited he was a director of Dalrymple Resources NL (resigned October 2003). More recently he was a non-executive director of LionOre Mining International Limited (appointed November 2003, resigned May 2005) and is currently a non-executive director of Hampton Hill Mining NL (appointed January 1997) and of Red Metal Limited (appointed July 2003). Mr. Pitt is involved in substantial private mineral exploration and also in resource investments.

Management

Company Secretary - Desmond John Kelly BComm, CPA, MAICD

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

Directors' Report

Directors' Interest in Shares and Options

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

	Ordinary Shares		Ordinary over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
N Tomkinson	-	2,280,000	-	-
P A Verbeek	-	1,850,000	-	2,000,000
G J Petersons	1,750,000	-	-	-
J N Pitt	-	2,150,000	-	-

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 held while a Director	Number of meetings attended
N Tomkinson	5	5
P A Verbeek	5	5
G J Petersons	5	5
J N Pitt	5	5

Total Number of Meetings Held in the Year was 5.

Shares Under Option

The number of options on issue is:

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

Insurance of Officers

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

Remuneration Report

Shareholders have approved Directors Fees to a maximum of \$100,000 per annum.

Directors may be paid consulting fees at commercial rates calculated according to the amount of time spent on Company business. All directors may receive consulting fees on an hourly basis which are paid from time to time for specialist services beyond normal duties.

Both executives and non-executives are entitled to take part in the Traka Resources Limited Employee Share Option Plan. No director is paid any amounts dependent on the performance of the Company.

Details of the nature and amount of each element of the emoluments of each Director of Traka Resources Limited and each of the officers of the Company who received the highest emoluments are set out in the following tables.

Directors' Report

Name	Director's Fees \$	Superannuation \$	Total \$
Non-Executive Directors of Traka Resources Limited			
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

Name	Consulting Fees \$	Total \$
Executive Directors of Traka Resources Limited		
P A Verbeek	165,000	165,000
Other Executives of Traka Resources Limited		
D J Kelly – Company Secretarial Services	33,000	33,000

Other Executives are officers who are involved in, concerned in, or who take part in, the management of the affairs of the Company. Further details on the remuneration of and transactions with the directors and executives of the Company are contained in Note 16 of the Financial Statements.

Proceedings on behalf of company

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

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

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.

Non-Audit Services

During the year the Company paid the following amounts for non-audit services.

Fees paid to Horwath Audit (WA) Pty Ltd	
- other services	\$4,770

Auditor

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 39.

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



Patrick Verbeek
Managing Director

Dated the 29th day of September 2005

Statements of Financial Performance

For the year ended June 30, 2005

	Notes	2005 \$	2004 \$
Revenue from ordinary activities	2	310,567	86,669
Exploration and evaluation expenditure	9	(1,289,065)	(14,395)
Depreciation		(355,453)	(1,248,754)
Administration expenses		(5,202)	(246,920)
Loss from ordinary activities before income tax expense		(1,348,347)	(1,414,207)
Income tax expense	3	-	-
Loss from ordinary activities after income tax		(1,348,347)	(1,414,207)
Net loss attributable to members of Traka Resources Ltd		(1,348,347)	(1,414,207)
Basic earnings/(loss) per share (cents)	21	(4.25)	(6.11)

Statements of Financial Position

As at June 30, 2005

	Notes	2005 \$	2004 \$
Current Assets			
Cash assets	5	1,417,846	2,564,043
Receivables	6	33,023	31,571
Prepayments	7	2,056	-
Total current assets		1,452,925	2,595,614
Non-current assets			
Property, plant and equipment	8	33,903	40,206
Total non-current assets		33,903	40,206
Total assets		1,486,828	2,635,820
Current liabilities			
Payables	10	279,549	86,576
Provisions	11	8,440	2,058
Total current liabilities		287,989	88,634
Total liabilities		287,989	88,634
Net assets		1,198,839	2,547,186
Equity			
Contributed equity	12	4,136,762	4,136,762
Accumulated losses	13	(2,937,923)	(1,589,576)
Total equity		1,198,839	2,547,186

Statements of Cash Flows

For the year ended June 30, 2005

	Notes	2005 \$	2004 \$
Cash flows from operating activities			
Interest received		109,539	86,620
Payments to suppliers and employees (incl GST)		(328,805)	(303,041)
Payments for exploration activities (incl GST)		(1,107,540)	(1,179,542)
Other – proceeds from sale of mineral rights option		200,000	-
Other – security deposits paid		(11,299)	-
Net cash outflow from operating activities	4	(1,138,105)	(1,395,963)
Cash flows from investing activities			
Payments for plant & equipment		(8,092)	(40,887)
Net cash outflow from investing activities		(8,092)	(40,887)
Cash flows from financing activities			
Proceeds from issue of shares		-	4,360,000
Share issue transaction costs		-	(423,648)
Net cash inflow from financing activities		-	3,936,352
Net (decrease)/increase in cash held		(1,146,197)	2,499,502
Cash at the beginning of the financial year		2,564,043	64,541
Cash at the end of the financial year	5	1,417,846	2,564,043

Notes to the Financial Statements

For the year ended June 30, 2005

NOTE 1. STATEMENT OF ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with current Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial report is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating profit/(loss) before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit/(loss) before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of the realisation of the benefit.

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 tax legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Exploration, Evaluation and Development Expenditure

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.

Projects will be advanced to development status and classified as mining properties when it is expected that future expenditure can be recouped through sale or successful development and exploitation of the area of interest. Such expenditure will then be carried forward up to commencement of production at which time it will be amortised over the life of the economically recoverable reserves.

All projects are subject to detailed review on an annual basis and accumulated costs written off to the extent that they will not be recoverable in the future.

Rehabilitation costs relating to mining activities will be provided for from commencement of production on a unit-of-production basis. Estimates of future costs will be reassessed at least annually and any changes in estimated costs of rehabilitation will be dealt with progressively over the remaining life of the mining operation to which they apply.

(c) Recoverable amount of non-current assets

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

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

Notes to the Financial Statements

For the year ended June 30, 2005

NOTE 1. STATEMENT OF ACCOUNTING POLICIES (continued)

(d) Cash

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

(e) Borrowings

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

(f) Acquisition of assets

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

(g) Trade debtors

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

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

(h) Depreciation of plant and equipment

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

Furniture and office equipment: 10% - 20%

(i) Trade creditors

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

(j) Employee benefits

Wages and salaries and annual leave

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

(k) Earnings per share

Basic Earnings Per Share

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

Diluted Earnings Per Share

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

Notes to the Financial Statements

For the year ended June 30, 2005

	2005 \$	2004 \$
NOTE 2. REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities		
Sale of option	200,000	-
Revenue from outside operating activities		
Interest received – other corporations	109,539	86,620
Sundry income	1,028	49
Revenue from ordinary activities	310,567	86,669

NOTE 3. INCOME TAX

The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating loss. The differences are recorded as follows:

Loss from operating activities	(1,348,347)	(1,414,207)
Prima facie income tax benefit on operating loss before income tax at 30%	(404,504)	(424,262)
Add tax effect of:		
- non-deductible items	26	-
- tax losses and timing differences not brought to account	404,478	424,262
Income tax expense	-	-

The directors estimate that the potential future income tax benefit in respect of tax losses not brought to account is \$879,741 (30 June 2004: \$476,873).

The benefit will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by the relevant tax legislation;
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

The franking account balance as at 30 June 2005 is \$Nil. (30 June 2004: \$Nil)

Notes to the Financial Statements

For the year ended June 30, 2005

2005
\$

2004
\$

NOTE 4. STATEMENTS OF CASH FLOWS

Reconciliation of operating loss after income tax to net cash used in operating activities:

Operating loss after income tax	(1,348,347)	(1,414,207)
Depreciation	14,395	5,202
(Increase)/decrease in receivables	(1,452)	(19,836)
(Increase)/decrease in prepayments	(2,056)	-
Increase/(decrease) in payables	192,973	32,878
Increase/(decrease) in provisions	6,382	-
Net cash outflow from operating activities	(1,138,105)	(1,395,963)

NOTE 5. CURRENT ASSETS – CASH ASSETS

Cash at bank and on hand	417,846	64,043
Deposits at call	1,000,000	2,500,000
	1,417,846	2,564,043

NOTE 6. CURRENT ASSETS – RECEIVABLES

Trade debtors	185	30,056
Other debtors	21,539	1,515
Deposits	11,299	-
	33,023	31,571

NOTE 7. PREPAYMENTS

Prepayments of operating costs	2,056	-
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Notes to the Financial Statements

For the year ended June 30, 2005

	2005 \$	2004 \$
NOTE 8. PROPERTY, PLANT & EQUIPMENT		
Plant & equipment at cost	53,501	45,408
Accumulated depreciation	(19,598)	(5,202)
	33,903	40,206

Reconciliations

**Total
\$**

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

Office Equipment

Carrying amount at 1 July 2004	40,206
Additions	8,092
Depreciation expense	(14,395)
Carrying amount at 30 June 2005	33,903

NOTE 9. EXPLORATION AND EVALUATION COSTS CARRIED FORWARD

Balance at the beginning of the year	-	-
Exploration and evaluation costs incurred during the year	1,289,065	1,248,754
Exploration and evaluation costs expensed during the year	(1,289,065)	(1,248,754)
Balance at 30 June 2005	-	-

NOTE 10. CURRENT LIABILITIES - PAYABLES

Trade creditors	250,579	40,512
Other creditors	184	6
Accrued expenses	28,786	46,058
	279,549	86,576

Notes to the Financial Statements

For the year ended June 30, 2005

	2005 \$	2004 \$
NOTE 11. PROVISIONS		
Employee entitlements	8,440	2,058

The Company had one employee at the end of the financial year (2004: 0)

NOTE 12. CONTRIBUTED EQUITY

Share capital

Fully paid ordinary shares – 31,700,000 (2004: 31,700,000)	4,136,762	4,136,762
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Movements in ordinary share capital:

Date	Details	Number of Shares	Issue Price \$	\$
01/07/03	Balance	8,100,000		200,410
04/09/03	Share Issue	750,000	0.10	75,000
10/10/03	Share Issue	2,850,000	0.10	285,000
17/11/03	Share Issue	20,000,000	0.20	4,000,000
	Less: Transaction costs arising on share issues			(423,648)
30/06/04	Balance	31,700,000		4,136,762
30/06/05	Balance	31,700,000		4,136,762

Notes to the Financial Statements

For the year ended June 30, 2005

NOTE 12. CONTRIBUTED EQUITY (continued)

(c) Share Options

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

(d) Movements in the number of options

Date	Details	No. of Options	Exercise Price
01/07/03	Balance	-	
10/10/03	Options issued	2,000,000	35 cents
30/06/04	Balance	2,000,000	
05/02/05	Options issued	50,000	20 cents
30/06/05	Balance	2,050,000	

(e) Ordinary shares

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

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

2005	2004
\$	\$

NOTE 13. ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	(1,589,576)	(175,369)
Net loss	(1,348,347)	(1,414,207)
Accumulated losses at the end of the financial year	(2,937,923)	(1,589,576)

Notes to the Financial Statements

For the year ended June 30, 2005

NOTE 14. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

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

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

2005	Fixed interest maturing in					Total \$
	Floating interest rate \$	1 year or less	over 1 year less than 5	more than 5 years \$	Non- Interest Bearing	
Financial Assets						
Cash (note 5)	417,646	1,000,000	-	-	200	1,417,846
Receivables (note 6)	-	-	-	-	33,023	33,023
	417,646	1,000,000	-	-	33,223	1,450,869
Weighted average interest rate	4.45%	5.50%	-	-	-	
Financial Liabilities						
Payables (note 10)	-	-	-	-	279,549	279,549
	-	-	-	-	279,549	279,549
Weighted average interest rate	-	-	-	-	-	
Net financial assets (liabilities)	417,646	1,000,000	-	-	(246,326)	1,171,320

2004	Fixed interest maturing in					Total \$
	Floating interest rate \$	1 year or less	over 1 year less than 5	more than 5 years \$	Non- Interest Bearing	
Financial Assets						
Cash	56,324	2,500,000	-	-	7,719	2,564,043
Receivables	-	-	-	-	31,571	31,571
	56,324	2,500,000	-	-	39,290	2,595,614
Weighted average interest rate	4.45%	5.36%	-	-	-	
Financial Liabilities						
Payables	-	-	-	-	86,576	86,576
	-	-	-	-	86,576	86,576
Weighted average interest rate	-	-	-	-	-	
Net financial assets (liabilities)	56,324	2,500,000	-	-	(47,286)	2,509,038

Notes to the Financial Statements

For the year ended June 30, 2005

NOTE 14. FINANCIAL INSTRUMENTS (continued)

(b) Financial assets

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

(c) Financial liabilities

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

(d) Credit risk exposures

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

(e) Net fair value of Financial Assets and Liabilities

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

NOTE 15. RELATED PARTY TRANSACTIONS

Directors of Traka Resources Limited during the financial year were:

Neil Tomkinson

Patrick Andrew Verbeek

George Juris Petersons

Joshua Norman Pitt

Disclosures relating to directors and specified executives are set out in Note 16.

Related party transactions during the financial year were:

During the year the Company was party to the Capricorn Joint Venture Project with Hampton Hill Mining NL ("Hampton") and Metallica Pty Ltd ("Metallica"). Each of Mr Tomkinson and Mr Pitt are directors and substantial shareholders of Hampton and are also directors of Metallica. In addition, Mr Pitt and his associates control Metallica. The Company withdrew from the Capricorn Joint Venture after a drilling program indicated that the opportunity to discover an economic orebody early in the exploration phase had diminished.

NOTE 16. DIRECTOR AND EXECUTIVE DISCLOSURES

Directors

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

Non-executive Chairman

Neil Tomkinson

Managing Director

Patrick Verbeek

Non-executive Directors

George Petersons

Joshua Pitt

Notes to the Financial Statements

For the year ended June 30, 2005

NOTE 16. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Executive (other than directors) with the greatest authority for strategic direction and management

The following person was the only other executive of the Company ("specified executive") during the financial year:

Company Secretary

Desmond Kelly

Remuneration of Directors and Executives

Principles used to determine the nature and amount of remuneration

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

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

- Focuses on sustained growth in share price, as well as focusing the executive on key non-financial drivers of value, 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.

Non-executive Directors

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

Executives

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

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

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

Benefits

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

Notes to the Financial Statements

For the year ended June 30, 2005

NOTE 16. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Details of Remuneration

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

Directors of Traka Resources Limited

2005

Name	Director's Fees \$	Superannuation \$	Consulting Fees \$	Total \$
Non-executive Directors of Traka Resources Limited				
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 of Traka Resources Limited				
P A Verbeek	-	-	165,000	165,000
Total	60,000	5,400	165,000	230,400

Remuneration of the directors of Traka Resources Limited for the year ended 30 June 2004 is set out below:

2005

Name	Director's Fees \$	Superannuation \$	Consulting Fees \$	Value of Options \$	Total
Non-executive Directors of Traka Resources Limited					
N Tomkinson	12,192	1,097	-	-	13,289
J N Pitt	12,192	1,097	-	-	13,289
G J Petersons	18,899	1,701	-	-	20,600
Managing Director of Traka Resources Limited					
P A Verbeek	-	-	147,097	10,000	157,097
Total	43,283	3,895	147,097	10,000	204,275

Notes to the Financial Statements

For the year ended June 30, 2005

NOTE 16. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Specified Executive of the Company

2005

Name	Consulting Fees \$	Total \$
D J Kelly – Company Secretary	33,000	33,000

2004

Name	Consulting Fees \$	Total \$
D J Kelly – Company Secretary	20,000	20,000

Employment Agreements

Managing Director

The Company entered into a consultancy agreement with Malahang Pty Ltd on 14 October 2003 (“Consultancy Agreement”). In accordance with the terms of the Consultancy Agreement Malahang has agreed to provide the services of its employee, Patrick Verbeek to undertake all functions, duties, roles and authorities which the Company would require of a person engaged as Managing Director of the Company on a full time basis. The Consultancy Agreement commenced on the 20 November 2003 and continues for a period of 2 years. Either the Company or the Consultant may elect to extend the term for a further period of 2 years on terms to be agreed.

Company Secretary

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

Share Holdings

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

Directors of Traka Resources Limited

Name	Opening balance	Acquired during year	Diposed during year	Cosing Balance
N Tomkinson	2,240,000	40,000	-	2,280,000
P Verbeek	1,850,000	-	-	1,850,000
J Pitt	2,150,000	-	-	2,150,000
G Petersons	1,750,000	-	-	1,750,000

Notes to the Financial Statements

For the year ended June 30, 2005

NOTE 16. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Specified Executive of Traka Resources Limited

Name	Opening balance	Acquired during year	Diposed during year	Cosing Balance
D J Kelly	700,000	-	-	700,000

Option Holdings

The numbers of options to acquire ordinary shares in the Company held during the financial year by each director and the specified executive of Traka Resources Limited, including those held by their personally related entities, are set out below:

Directors of Traka Resources Limited

Name	Opening balance	Acquired during year	Diposed during year	Cosing Balance
N Tomkinson	-	-	-	-
P Verbeek	2,000,000	-	-	2,000,000
J Pitt	-	-	-	-
G Petersons	-	-	-	-

Specified Executive of Traka Resources Limited

D J Kelly	-	-	-	-
			2005	2004
			\$	\$

NOTE 17. AUDITOR'S REMUNERATION

Audit Services

Fees paid to Horwath Audit (WA) Pty Ltd

Amounts received, or due and receivable by the auditors for:

- Auditing the financial reports of the company	9,875	6,500
- Other services	4,770	4,000
	14,645	10,500

Other Assurance Services

Fees paid to Horwath Securities (WA) Pty Ltd

- Independent Valuation Report	-	1,500
- Independent Accountants' Report	-	5,000
	-	6,500
Total remuneration	14,645	17,000

Notes to the Financial Statements

For the year ended June 30, 2005

NOTE 18. EVENTS OCCURRING AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may affect the operations of the entity, the results of those operations, or the state of affairs of the entity in financial years subsequent to the financial year ended 30 June 2005.

NOTE 19. SEGMENT INFORMATION

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

	2005	2004
	\$	\$

NOTE 20. COMMITMENTS FOR EXPENDITURE

Lease Commitments

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

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

Representing:

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

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

Not later than one year	611,618	836,110
Later than one year but not later than five years	1,315,050	3,344,440
Later than five years	-	-
	1,926,668	4,180,550

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

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

Notes to the Financial Statements

For the year ended June 30, 2005

	2005 \$	2004 \$
NOTE 21. EARNINGS PER SHARE		
Basic and diluted loss per share (cents per share)	(4.25)	(6.11)
Weighted average number of ordinary shares used as a denominator in calculating basic and diluted earnings per share	31,700,000	23,290,685
The loss used in the calculation of basic and diluted earnings per share is the loss from ordinary activities before income tax as shown on the Statements of Financial Performance	(1,348,347)	(1,414,207)

NOTE 22. EMPLOYEE BENEFITS

Employee Benefits and Related On-cost Liabilities

Provision for employee benefits – current (Note 11)	8,440	2,058
Average number of employees during the financial year	1	1

Traka Resources Limited Share Option Plan

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

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

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

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

No employee options were exercised during the year.

Notes to the Financial Statements

For the year ended June 30, 2005

NOTE 23. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) has adopted IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued AASB equivalents to IFRS, and will issue Urgent Issues Group abstracts corresponding to International Financial Reporting interpretations adopted by the International Accounting Standards Board (IASB).

The adoption of Australian equivalents to IFRS will first be reflected in the Company's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with the Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made retrospectively against opened retained earnings as at 1 July 2004.

The Company is currently assessing the significance of these changes and preparing for their implementation.

Set out below are key areas that have been identified to date where accounting policies under IFRS impacts on the Company's financial reporting:

(a) Financial instruments

Under AASB 139 "Financial Instruments: Recognition and Measurement" financial instruments will be required to be classified into five categories and to be measured based on the nature of the classification. The five categories and basis of measurement are:

- Financial asset or financial liability measured at fair value through the Statement of Financial Performance
- Held to maturity investments measured at amortised cost, subject to impairment
- Loans and receivables measured at amortised cost, subject to impairment
- Available for sale assets measured at fair value with changes in fair value measured directly in equity
- Financial liability measured at amortised cost

This will result in a change to the current accounting policy that does not classify financial instruments.

The impact of this change is expected to be nil.

(b) Exploration and evaluation costs

AASB 6 "Exploration for and Evaluation of Mineral Resources" continues to allow companies to apply "area of interest" to account for their exploration and evaluation expenditures. However, as the Company currently expenses all exploration costs, the directors have determined that the impact of the adoption of IFRS is expected to be nil.

(c) Income Tax

Under AASB 112 "Income Taxes", deferred tax balances are determined using the "balance sheet method" which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statement of Financial Position and their associated tax bases.

This will result in a change to the current accounting policy under which deferred tax balances are determined using the income statement method.

On adoption by the Company, the change is not expected to result in the recognition of any material additional deferred tax assets and liabilities, or any corresponding impact on retained earnings.

The impact of this change is expected to be nil.

Notes to the Financial Statements

For the year ended June 30, 2005

NOTE 23. INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(d) Impairment

Under AASB 136 "Impairment of Assets", recoverable amount is defined as the higher of an asset's (or a cash generating unit's) fair value less cost to sell and its value in use. Value in use is the present value of estimated future cash flows expected to arise from an asset or cash generating unit. The discount rate used must be an asset specific risk adjusted rate. Recoverable amount is to be determined whenever there is any indication that an asset may be impaired.

This will result in a change to the current accounting policy, under which the estimated future cash flows used to determine recoverable amounts of non-current assets on an annual basis are not discounted to their present values.

The impact of this change is expected to be nil.

(e) Share based payments

Under AASB 2 "Share Based Payments", the Company will be required to determine the fair value of options issued to employees as remuneration and recognise them in the Statement of Financial Performance.

This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share based payments issued after 7 November 2002, which have not vested as at 1 January 2005.

To the extent that any of the remuneration options on issue have not vested by 1 January 2005, they will need to be recognised and measured in accordance with AASB 2.

This will result in a change to the current accounting policy, under which no expense is recognised for equity based compensation.

The most significant impact will be the recognition of an expense of \$4,500 to adjust the profit for the period ended 30 June 2005, with a corresponding adjustment to reduce contributed equity by the same amount.

Directors' Declaration

The directors of Traka Resources Limited declare that:

1. in the directors' opinion, the financial statements and notes for the financial year ended 30 June 2005 are in accordance with the Corporations Act 2001, including:
 - (a) section 296 (compliance with Accounting Standards); and
 - (b) section 297 (true and fair view); and
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; and
3. the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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



Patrick Verbeek
Managing Director

Dated the 29th day of September 2005

Horwath Audit (WA) Pty Ltd

ABN 79 112 284 787

Chartered Accountants

A member of Horwath International

128 Hay Street Subiaco WA 6008

PO Box 700 West Perth WA 6872

Email horwath@perth.horwath.com.au

Telephone (08) 9380 8400

Facsimile (08) 9380 8499

29 September 2005

The Board of Directors
Traka Resources Ltd
Level 1
43 Ventnor Avenue
WEST PERTH WA 6005

AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with our audit of the financial report of Traka Resources Ltd for the year ended 30 June 2005 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this audit;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this audit.

Yours faithfully
HORWATH
Audit (WA) Pty Ltd

Horwath.
Glyn O'Brien

GLYN O'BRIEN
Director

Directors: Glyn O'Brien CA Anthony Bevan CA

Horwath Audit (WA) Pty Ltd conducts its practice independently of all other firms of chartered accountants who are members of Horwath International in Australia

**Independent audit report to members of
Traka Resources Limited****Scope***The financial report and directors' responsibility*

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Traka Resources Limited (the company), for the year ended 30 June 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Directors: Glyn O'Brien CA Anthony Bevan CA

Horwath Audit (WA) Pty Ltd conducts its practice independently of all other forms of chartered accountants who are members of Horwath International in Australia

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Traka Resources Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Dated the 29th day of September 2005.

HORWATH
Audit (WA) Pty Ltd

Horwath.
Glyn O'Brien

GLYN O'BRIEN
Director

ASX Additional Information

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

Shareholdings

Substantial shareholders

The following substantial shareholders have lodged notices with the Company as at 29 September 2005.

Holders	Ordinary shares
Crescent Nominees Limited	2,553,262
Warramboe Holdings Pty Ltd	2,250,000
Wythenshawe Pty Ltd	2,250,000
Malahang Pty Ltd	1,750,000
George Juris Petersons	1,750,000

Class of shares and voting rights

At 29 September 2005 there were 344 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in clause 10.20 of the Company's constitution, are:

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

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

At 29 September 2005, there were options over 2,050,000 unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares when the options have been exercised.

On-market buy-back

There is no current on-market buy-back.

Distribution of shareholders (as at 29 September 2005)

Category	Number of holders	
	Ordinary shares	Options
1 – 1,000	0	0
1,001 – 5,000	14	0
5,001 – 10,000	39	0
10,001 – 100,000	257	1
100,001 +	34	1
	344	2

Unmarketable parcels

There were 2 holders holding less than a marketable parcel of ordinary shares.

ASX Additional Information

Unquoted securities

There are the following unquoted securities on issue:

6,875,100 ordinary fully paid shares

2,050,000 options

Restricted securities

The following securities are restricted securities as at 29 September 2005:

	Ordinary shares	Date of release
Restriction period applied by ASX	6,875,100	20 November 2005
	Options	Date of release
Restriction period applied by ASX	2,000,000	20 November 2005

Twenty largest security holders (as at 29 September 2005)

Holder name	Ordinary shares		Options	
	Number	%	Number	%
Crescent Nominees Limited	2,789,262	8.80		
Warrambo Holdings Pty Ltd	2,265,000	7.15		
Wythenshawe Pty Ltd	2,150,000	6.78		
Ariki Investments Pty Ltd	1,760,000	5.55		
Malahang Pty Ltd	1,750,000	5.52	2,000,000	97.56
George Juris Petersons	1,750,000	5.52		
Desmond John Kelly <DJ Kelly Family Account>	700,000	2.21		
Yandal Investments Pty Ltd	650,000	2.05		
Leecorp Pty Ltd	595,000	1.88		
Second Naremi Pty Ltd	450,000	1.42		
Julian Francis Gordon Phillips <JFG Phillips Family Account>	300,000	0.95		
ANZ Nominees Limited <Cash Income Account>	289,000	0.91		
Annsborough Pty Ltd <No 2 Account>	218,000	0.69		
Narngulu Investments Pty Ltd <The Clayton Cream Account>	200,000	0.63		
Nattim Pty Ltd <Nattim Investment Account>	200,000	0.63		
Kim Robinson	200,000	0.63		
Terrence Peter Williamson & Jonine Maree Jancey <The Wiljan Super Fund Account>	200,000	0.63		
Gerald Francis Pauley & Michael James Pauley <Pauley Super Fund Account>	181,500	0.57		
Julian Francis Gordon Phillips	180,000	0.57		
Bedar Holdings Pty Ltd <Andrew Pierce Super Account>	150,000	0.47		
Total	16,977,762	53.56	2,000,000	97.56

Other information

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

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