Quarterly Activities Report

for the three months ended 30 September 2010

HIGHLIGHTS

Musgrave Project - Traka Managed

- Further tenement applications in the highly prospective West Musgrave Province give Traka a dominant presence in the region.
- Geochemical and geophysical surveys have been completed with new targets highlighted and drilling programs now being prepared for targets which have been already defined.

Musgrave Project Joint Venture with Anglo American

- RC drilling on three targets completed and results are awaited.
- One very strong Spectrem anomaly has been highlighted and a new Access Agreement in relation to this tenement is proceeding through permitting formalities.
- Geological, geophysical and geochemical surveys are currently being undertaken on the M4-1 Spectrem targets.

EXPLORATION

The Musgrave Project

The Company has expanded its presence in the Musgrave Province over the past few months with three new exploration licence applications made and two new Access Agreements entered into on ground covered by previous applications. Traka has now established itself as the largest West Musgrave landholder. (Figure1).

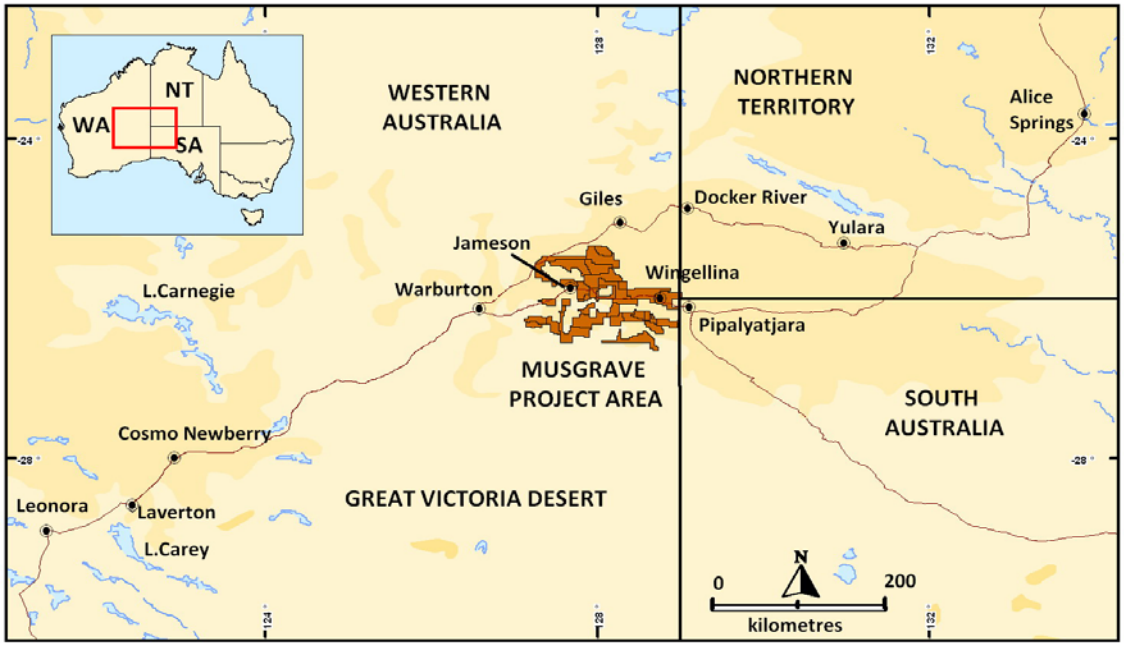

Figure 1 Musgrave Project location plan

The package of tenements controlled by Traka now extends to ten granted exploration licences, all of which are being actively explored and twenty two exploration licence applications covering a combined area of about 10,500 square kilometres. 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 under-explored areas in Australia which has only recently seen a resurgence of exploration activity. Some recent exciting exploration results are being generated in the Musgrave Province by Traka and its joint venture partner Anglo American (Australia) Pty Ltd ("Anglo American") as well as the few other active parties in the region. These positive exploration results auger well for Traka and demonstrates the overall potential. The pace of exploration in the region is unprecedented and copper, nickel, platinum and gold remain the main exploration focus.

Of the total thirty-two exploration licences granted and/or under application the Company's joint venture partner Anglo American is managing and working on eleven. Anglo American has been active all year and is preparing for next year's program. The progress of Anglo American's exploration activity is provided separately in this report from the work that is being conducted in the Company's own right.

The Musgrave Project - Traka managed

Exploration activity over four exploration tenements in the Jameson area has progressed well although delays were experienced as a result of wet weather (Figure 2). Regional auger and vacuum rig geochemical surveys as well as electromagnetic ("EM") surveys have been completed and a number of new targets are being followed up. A summary of the results follows:

Regional geochemical survey

Regional reconnaissance level auger and vacuum rig geochemical surveys have been completed systematically over most of the four Jameson exploration licences being worked this year (Figure 2). Portions of exploration licence EL69/2230 were excluded because of the presence of impenetrable near surface silcrete cap rock. Sampling was otherwise at 100 metre spacing on lines 800 metres apart. Approximately 7600 samples have been collected to date. Assay results are outstanding on many of these samples but new data is becoming regularly available and the back log should all be cleared over the next few months.

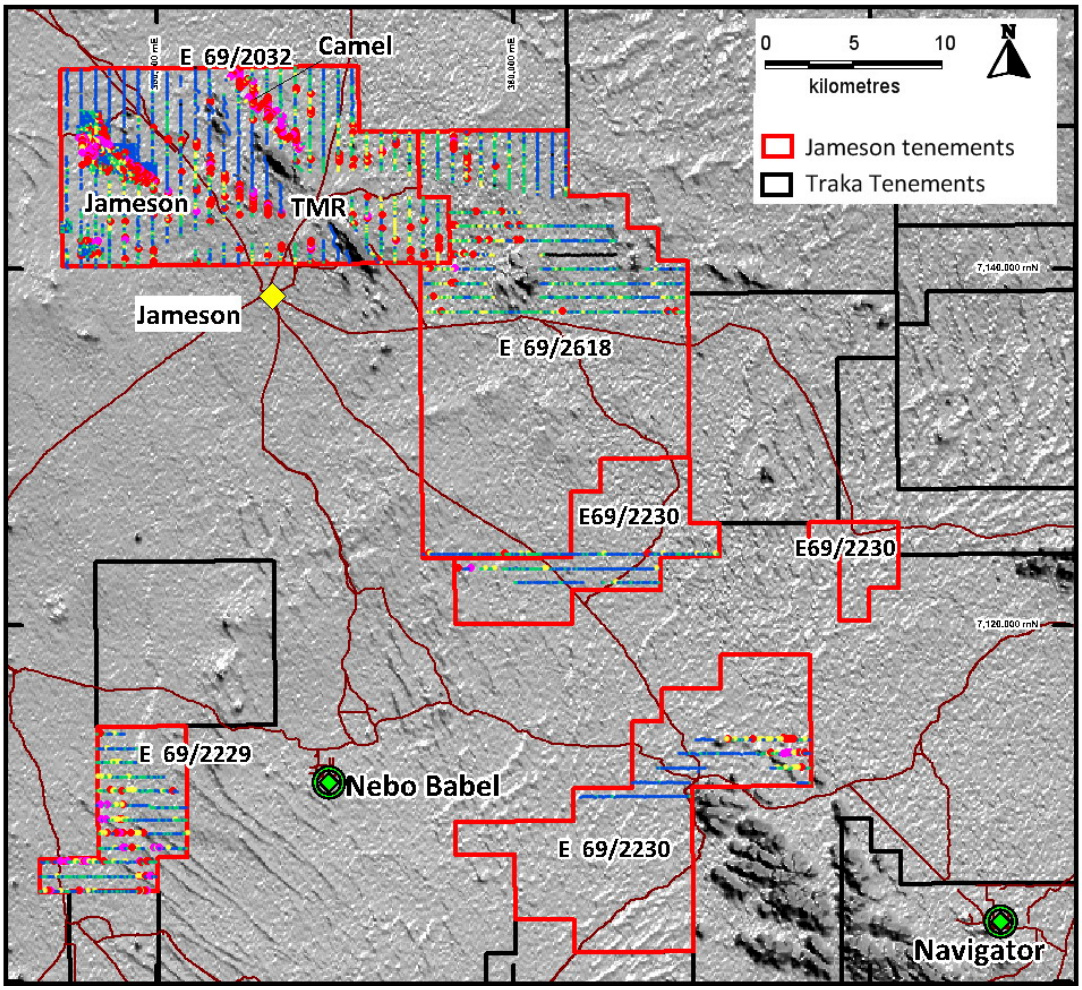

Figure 2 Geochemical sampling pattern showing copper (red and purple colours) anomalism over a digital elevation image

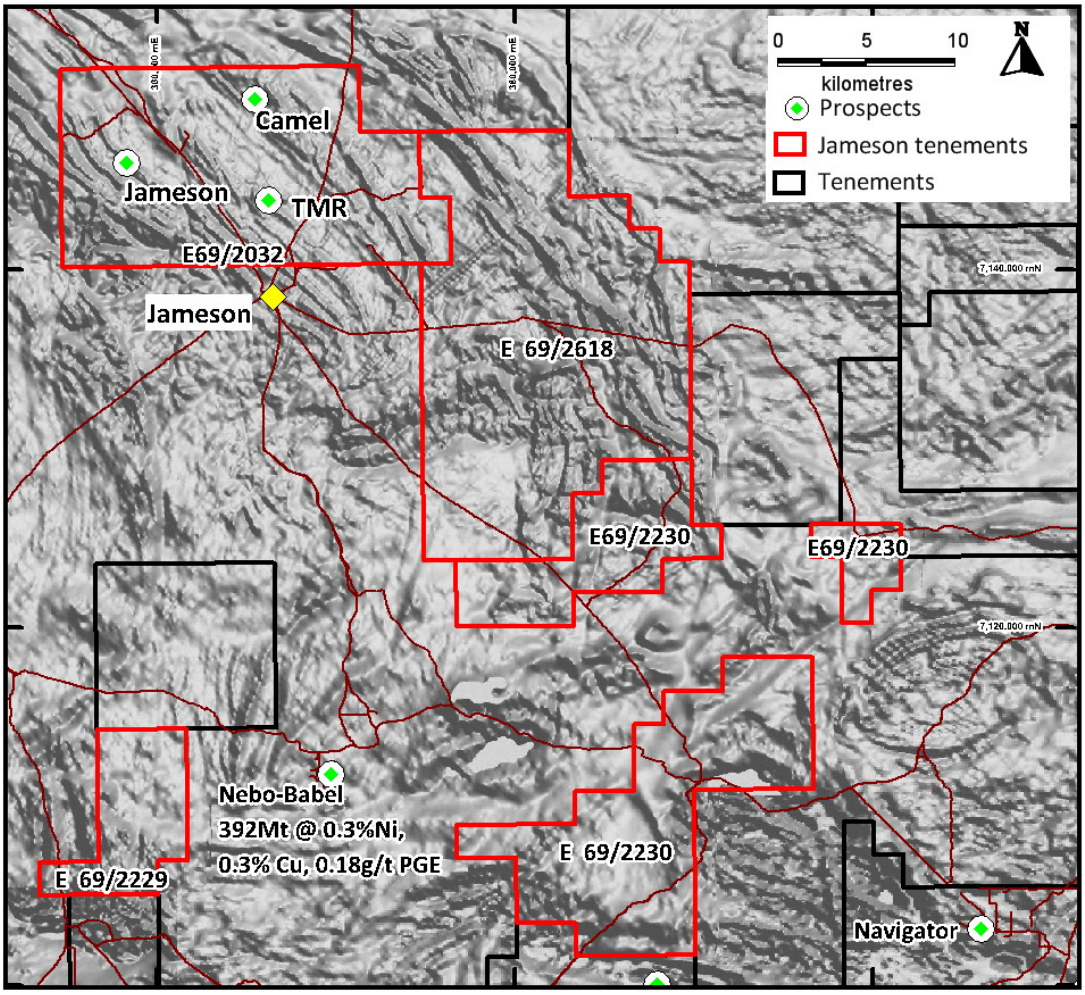

Figure 3 Traka managed tenements in the Jameson area shown over aeromagnetic image

The Jameson Prospect

A ground EM program was completed on the Jameson Prospect and two other smaller anomalies south of it (Figures 4 and 5). The EM survey defined discrete EM targets coincident with anomalous copper ("Cu"), nickel ("Ni"), platinum ("Pt") and gold ("Au") geochemical anomalism in each location.

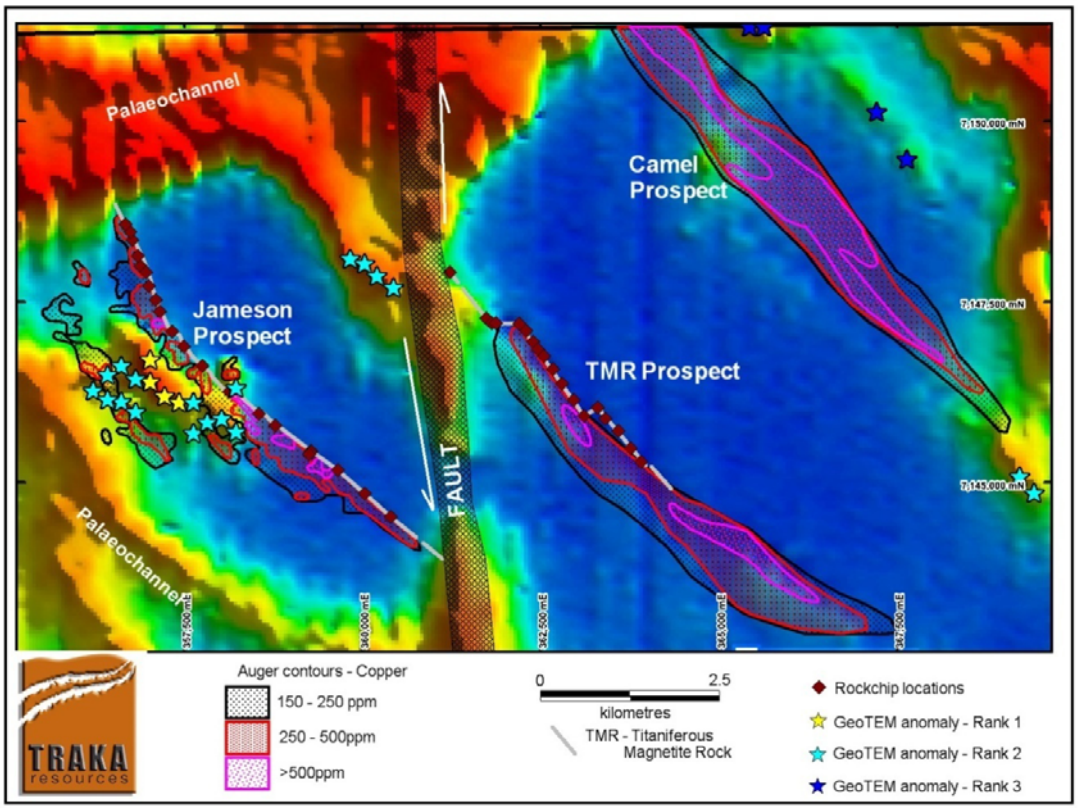

Figure 4 E69/2032 Target location plan showing geochemical targets over airborne EM image

An 800 metre long shallow south dipping conductive body conformable with layering and indicative of the presence of disseminated sulphides was defined by the EM survey. This outcome supports the observed on-ground geological setting and goes some way to explain the elevated geochemical results. Mineralisation appears to occur in a layered sequence of mafic and ultramafic rocks which form the hanging wall to a titaniferous magnetite rock unit ("TMR") which can be traced as outcrop for over 10 kilometres.

Compilation of all available data shows that the TMR is a single 1 to 3 metre thick unit but thickens to over 50 metres in isolated locations, possibly as a result of folding or structural repetition. Numerous rock-chip samples from our own work and other third parties (WA Geological Survey and old exploration work) confirm the TMR has titanium grades ranging between 22% and 24% TiO_2, vanadium grades between 0.85% and 1.18% V_2O_5, platinum, palladium ("Pd") and gold grades combined ranging between 1.00 and 2.00 grams per tonne ("g/t") plus very strongly anomalous levels of copper and nickel. An old reverse circulation ("RC") drill hole about 2 kilometres from the Jameson Prospect is reported to have intersected the TMR and returned an interval of 4 metres @ 18.12% TiO_2 , 0.85% V_2O_5 and 1.02 g/t Pt+Pd (no gold assayed), 0.13% Cu and 0.05% Ni.

The geochemical data indicates that the copper, nickel and platinum mineralisation extends into the immediate hanging wall sequence to the TMR along its entire length. Given the various data sources now available it would appear that disseminated sulphides account for the mineralisation being highlighted and that drilling to test the multi-element grade of this horizon is the next obvious step.

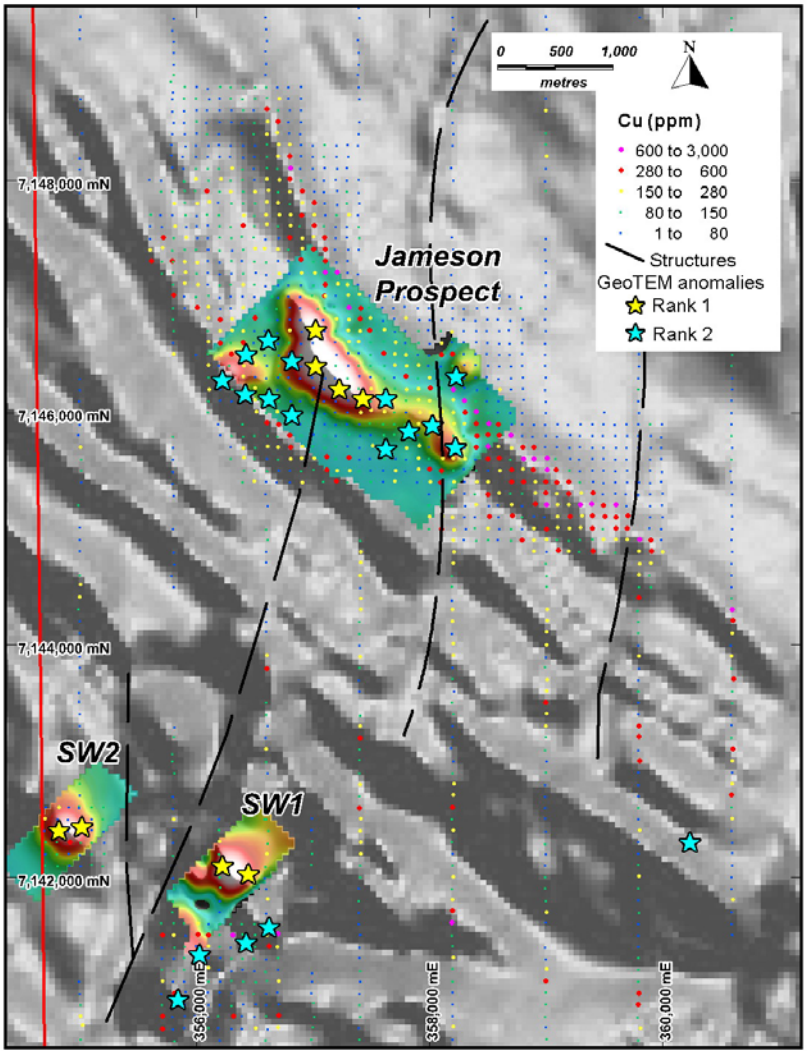

Figure 5 Coincident geochemical and ground and EM anomalies shown over aeromagnetics

In the course of undertaking the ground EM survey of the Jameson Prospect two smaller copper, nickel and platinum geochemical anomalies to the south (SW1 and SW2) were investigated (Figure 5). In both cases the EM appears to have detected discrete conformable south dipping zones of weakly conductive rock once again suggesting the presence of disseminated sulphides. These anomalies are relatively small but the presence of the same north trending structure which trends to the Jameson Prospect make them prospective drill targets.

The various formal permitting requirements (environmental, heritage etc) are currently being attended to in preparation for a drilling program on these targets next year.

The TMR Prospect

This prospect, being the fault offset extension of the Jameson Prospect, has the same geological setting and potential and is only different in that there are no obvious EM anomalies coincident with the anomalous copper, nickel and platinum soil geochemistry. No more detailed work has been completed on this 5 kilometre long prospect as the controls to mineralisation appear to be obvious - i.e. the association with the titaniferous magnetite layer and the immediate hanging

wall rock sequence - and the next step can logically be drilling without the need for more data to assist with drill hole positioning.

The Camel Prospect

Infill geochemical sampling and an orientation ground EM survey was completed on the Camel Prospect (Figure 6). No meaningful EM response was obtained from the EM but the 800 metre spaced geochemical infill lines clearly supported the original interpretation and data. The prospect is an 8 kilometre long target over about 1 kilometre width 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. There is no outcrop exposed in the Camel Prospect area but the aeromagnetic and geological data in the immediate vicinity is good and it seems clear that the underlying host rocks are mafic and/or ultramafic rocks that comprise part of the Giles Complex. The aeromagnetic data shows a good correlation of the anomalous geochemistry with a discrete portion of the Jameson Intrusive. This suggests either a structurally controlled zone, the presence of a late phase intrusive or a favourable host rock. As the margins of the geochemical anomaly are well defined no more surface detail is required and a program of drilling to test the bedrock source is now being planned.

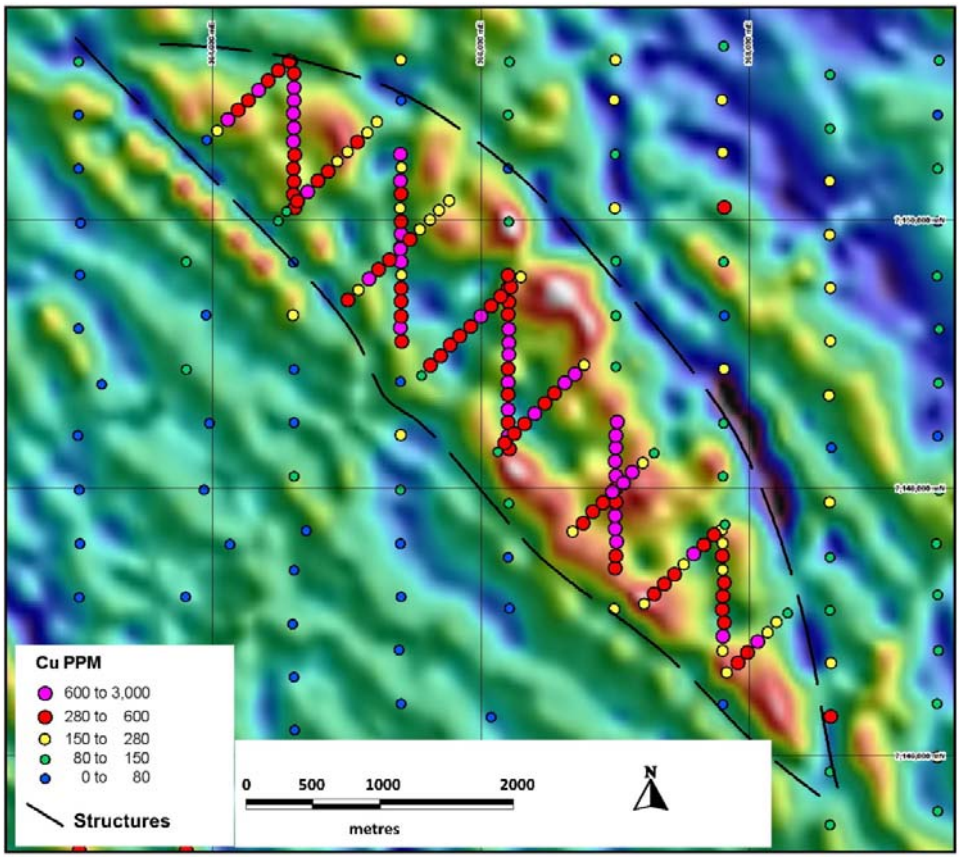

Figure 6 Camel Prospect showing copper anomalism over an aeromagnetic image

The Musgrave Project - Anglo American managed
(Anglo American earning up to 75%)

Anglo American (Australia) Pty Ltd ("Anglo American") has been busy on the Musgrave Project and has recently completed a drill program, undertaken more geological, geochemical and geophysical surveys and concluded interpretation of the very large Spectrem airborne EM survey.

The status of Anglo American's exploration follows:

RC Drilling

A Reverse Circulation ("RC") drilling program on three of the four targets originally planned was completed a few weeks ago. The completion of the drilling program was significantly delayed by wet weather. Given the late completion of the program most of the data compilation is still underway and a large amount of the assay data is still outstanding. The early impressions from logging indicate the following:

The Navigator Prospect: Nine widely spaced drill holes tested this 8 kilometre long soil geochemical and geophysical anomaly at selected areas of peak coincident anomalism. The initial indications are somewhat discouraging. Some zones of disseminated sulphide mineralisation were observed which may account for the surface geochemical copper, nickel and platinum anomalism but not the geophysical response. It is now considered possible that the geophysical response reflects higher levels of chromite and magnetite than expected.

The Oberon and Roquefort Prospects: The Oberon Prospect is a multi-element copper, nickel and platinum anomaly coincident with a Spectrem EM conductor. Nothing of note was observed in the drill chips and all assay data is awaited. Assay data for the Roquefort Prospect is awaited too but it's clear that the drill target was not reached. Regolith over 150 metres thick was encountered preventing any assessment of the bedrock host rock.

The fourth target scheduled for drilling (the Hope Prospect) was not undertaken because drill rig access through sand dunes could not be achieved.

Spectrem Survey

Anglo American has identified seven priority Spectrem EM targets from the 15,500 line kilometre survey completed on the joint venture tenements (Figure 7). Of the seven, the M5-1 target is the strongest by an order of magnitude. The M5-1 target is interpreted to be a relatively shallow (<100 metres), one kilometre long, south dipping conductor which gives a signal consistent with the presence of a massive sulphide conductor. Follow-up investigation of this target is a major priority and all formalities are currently being addressed to allow access to this tenement. An Access Agreement was successfully negotiated a few weeks ago and plans are underway for completion of heritage surveys and other formalities to allow access early in next year's field season. The target zone appears to be under shallow sand dune and regolith cover and as a consequence ground EM and geochemical surveys are anticipated to comprise the first follow up programs.

The next best Spectrem EM targets are two anomalies called M4-1 in the near vicinity of each at Latitude Hill. They each strikes over 2000 metres and appear to be associated with large magnetic bodies. The dip and nature of these anomalies cannot be reliably interpreted but their response is consistent with that of a strongly disseminated sulphide zone or perhaps a

magnetite-ilmenite zone. Follow up work comprising ground EM and geochemistry is currently underway on these targets following recent grant of the tenement and completion of heritage surveys.

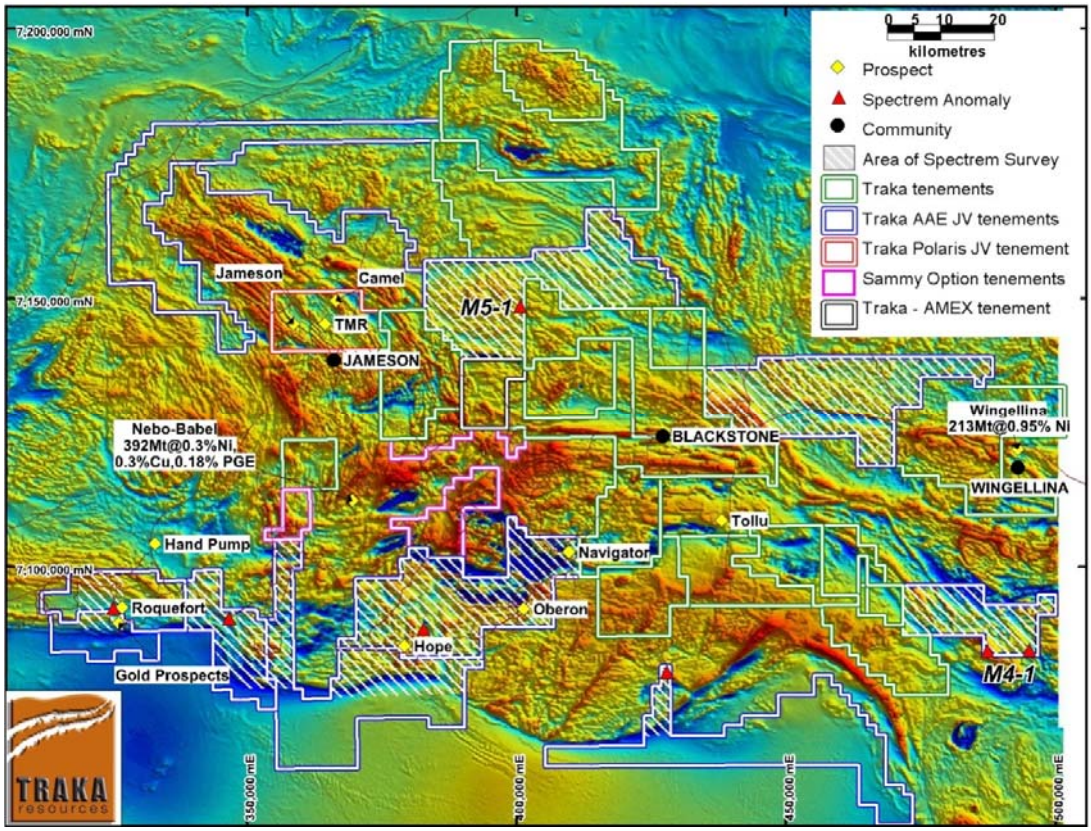

Figure 7 The Musgrave Project location plan showing the Spectrem targets over an aeromagnetic image

Numerous other low to medium order anomalies were detected by the Spectrem survey but the majority of these have been discounted as being associated with palaeochannel sediments and/or conductive shales. Spectrem targets that look promising are first confirmed using higher resolution and more powerful ground EM systems, geological investigations and geochemical sampling where appropriate. A number of Spectrem targets were evaluated in this manner during the quarter.

The Ravensthorpe Project

The Company's interest in the Ravensthorpe Project is diverse and covers a number of mineral commodities. This reflects the very substantial holding the Company has in the Ravensthorpe Greenstone Belt and the different number of geological environments. The initial focus was primarily nickel and gold but now also includes the base metals copper, lead and zinc and more recently lithium and tantalum (Figure 8). A summary of the project activity follows.

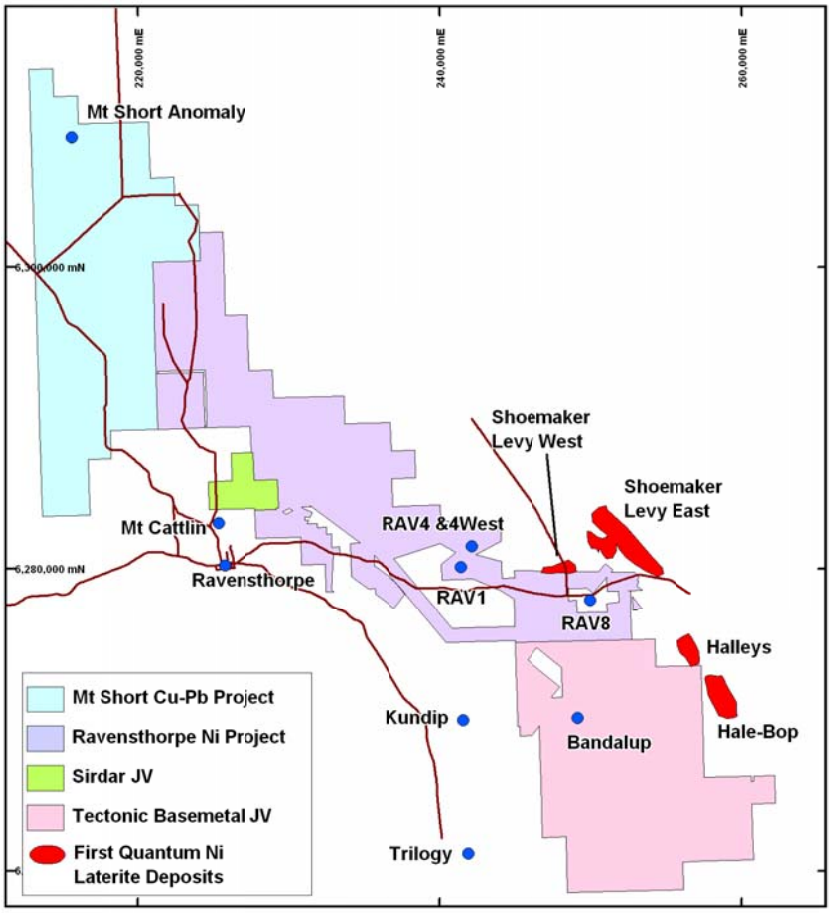

Figure 8 Location plan of the Ravensthorpe Project

The Ravensthorpe Nickel Project

No field work was undertaken during the quarter period but the successful grant of up to $150,000 of drilling cost assistance was obtained from the State Government Co-funded Exploration Drilling Incentive Program. A drill program on the RAV4 and RAV4 West Prospects and north of the RAV 8 Mine which is proposed for the coming summer season will test a number of specific features and interpretations proximal to the main known positions of sulphide nickel mineralisation at Ravensthorpe (Figure 9).

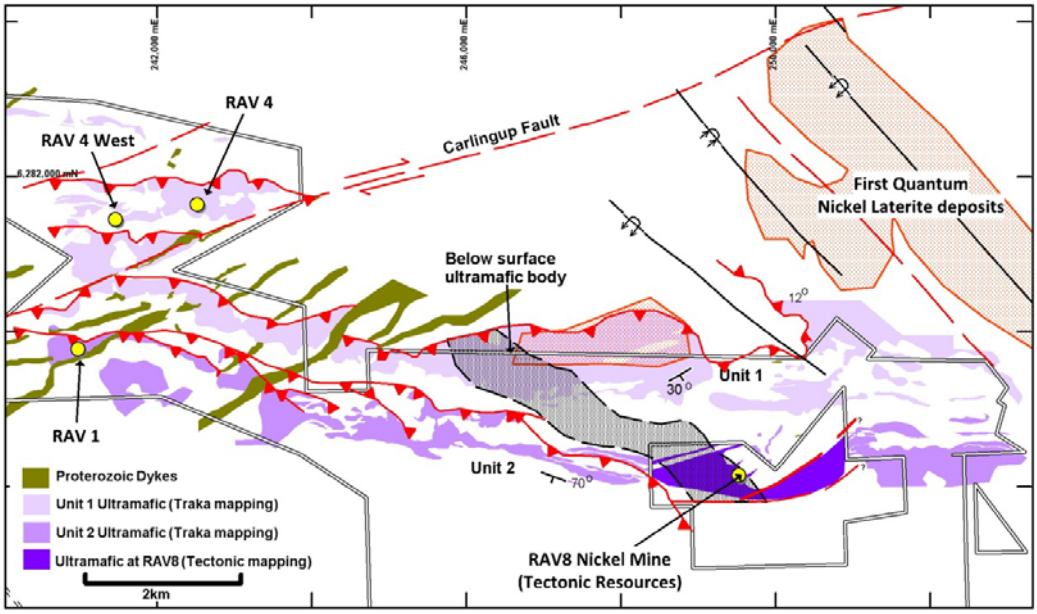

Figure 9 Location plan of the Ravensthorpe Nickel Project showing the prospect locations over a geological interpretation

Mt Short Base Metal Anomaly

Drilling and geophysical programs are scheduled for this anomaly over the coming summer months after crops are harvested (Figure 10)

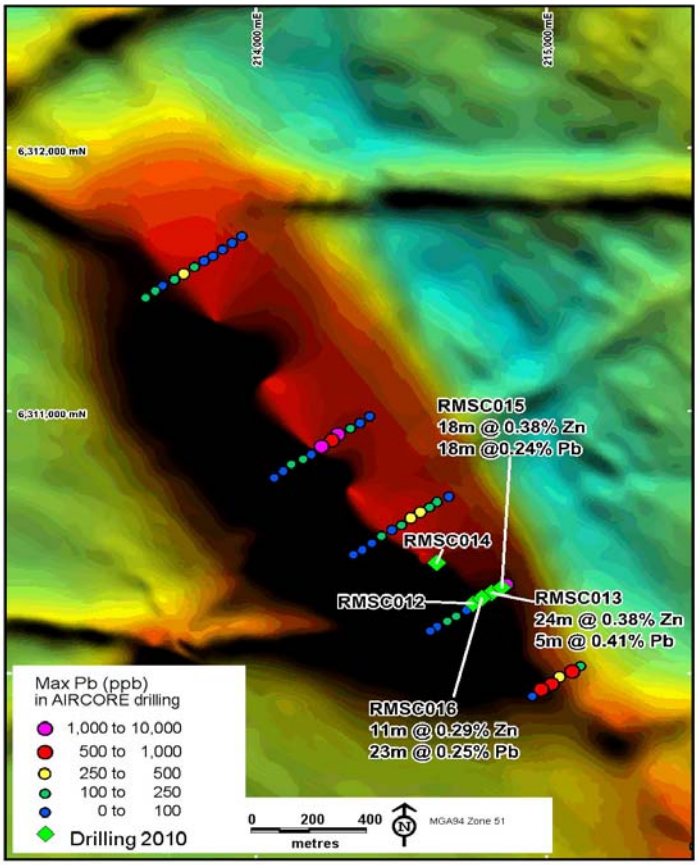

Figure 10 Mt Short Lead geochemical anomaly over an aeromagnetic image

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

15 October 2010

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.