



TRAKA RESOURCES LIMITED

ABN 63 103 323 173

Quarterly Activities Report for the three months ended 31 December 2011

HIGHLIGHTS

- An expanded joint venture with Anglo American in the Musgrave Project will accelerate and expand exploration activity.
- Diamond drilling has commenced on the Mt Short Project at Ravensthorpe.
- Access granted to the Caesar Hill Project where 10 priority EM targets have been identified
- Anglo American's Spectrem survey, after long initial delays, is underway.

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CORPORATE

Expanded Joint Venture with Anglo American (Australia) Pty Ltd (“AAE”) in the Musgrave Project.

The Company was pleased to announce on 9th December 2011 the expansion of the existing joint venture with AAE to include six additional tenements previously wholly owned by Traka reflecting an intention to accelerate and expand exploration activity.

AAE reimbursed Traka \$200,000 of exploration expenditure upon execution of the new agreement.

The key terms of the joint venture are:

1. AAE will commence with 51% equity in all Joint Venture Tenements including the additional tenements (E69/2608, 2804 2805 2817 2592 and 2610) and will have the right to increase its interest by 24% to 75% by the expenditure of an additional \$18 million over the next 6 years.
2. Should AAE complete the earning of a 75 % interest, it will free carry Traka’s 25% interest to the completion of a Bankable Feasibility Study.
3. AAE may at any stage waive its rights to earn the additional 24%. Should this election be made, the joint venture would revert to an AAE 51% / Traka 49% basis. If such waiver occurs within the first two years, AAE will cease to have any interest in the additional tenements, otherwise all the tenements will remain subject to the joint venture. If AAE makes the election to cease sole expenditure, the parties will fund their pro-rata share of the joint venture or dilute.

Dilution from the 51%/49% level would be based on standard dilution principles with AAE’s deemed expenditure being \$10 million and Traka’s \$9,607,843 Any joint venture party whose interest is diluted to 10% will automatically have its interest converted to a 1% Net Smelter Returns Royalty.

AAE’s activity within Traka’s Musgrave Project has made a very significant contribution to unlocking the exploration potential of the region. Traka is encouraged by the progress to date and looks forward to further significant results being generated.

EXPLORATION

The Musgrave Project

Traka has a dominant position in the West Musgrave's with interests in 37 exploration licences extending over 10,100 square kilometres (Figure 1). Exploration activity in the region is unprecedented and the Company's extensive tenement portfolio provides an excellent opportunity to participate in one of the most prospective and under-explored areas in Australia.

Traka's major joint venture interest is with AAE which, following the recent expansion of the joint venture described in the Corporate Section above, now involves 17 tenements covering 6,580 square kilometres. Traka owns a significant portfolio of other granted tenements and tenement applications and also manages four joint ventures with third parties.

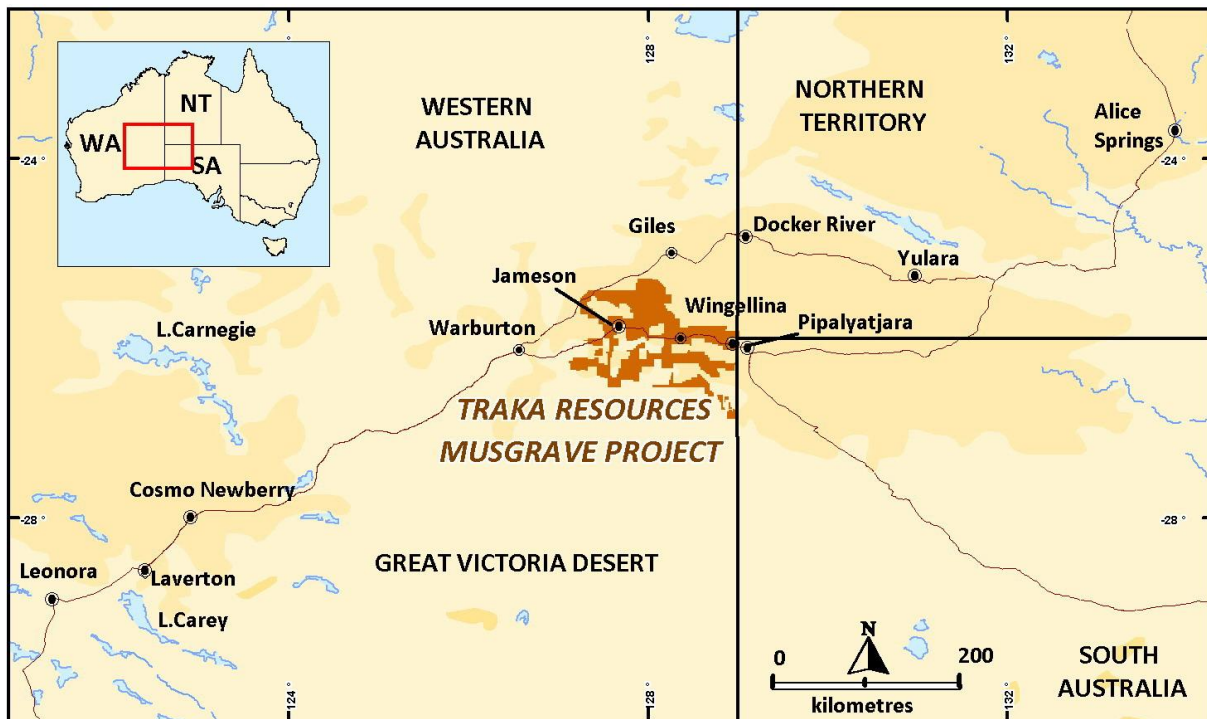


Figure 1. Musgrave Project location plan

The Musgrave Project - Traka managed

Exploration activity over last year's field season highlighted a number of drill targets to follow up with more drilling and new geophysical and geochemical anomalies to investigate. Plans are currently underway to recommence field work in March.

The Company is pleased to announce the grant of two equal amounts of \$150,000 under the EIS scheme to assist with co-funding of drilling projects in the Musgrave Project. One amount is to be utilized in drilling the TMR Project and the other the Caesar Hill Joint Venture Project. Both projects are discussed in this report.

A summary of the principal targets plus programing for this year's field program is provided in the following text:

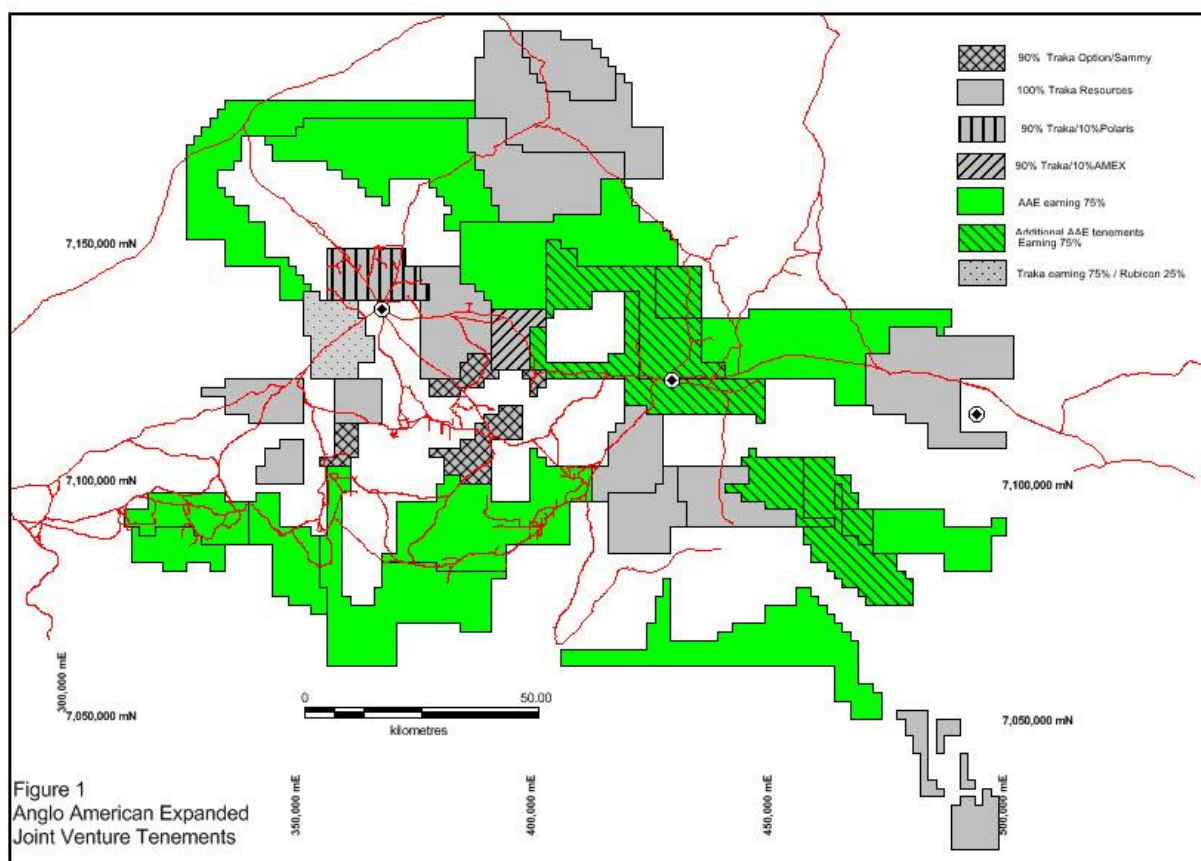


Figure 2. Musgrave Project Location and Joint Venture Interests

The Jameson, SW1 and SW2 Prospects

These prospects all relate to the numerous parallel magnetite-rich mafic rock horizons of the Jameson Intrusive which give the characteristic layered appearance evident in aeromagnetic images (Figure 3). Anomalous copper and nickel mineralisation is associated with the magnetite rich rock horizons and numerous geochemical copper and nickel targets have been detected throughout the intrusive. The same magnetite rich layers are also strongly anomalous in vanadium, titanium and PGE's (Platinum Group Elements – platinum, palladium and gold) and as a consequence a complex pattern of anomalous coincident multi-element geochemistry occurs (Figure 4). All the multi-element anomalies within the layered Jameson Intrusive will now be assessed in relation to their association with magnetite rich mafic horizons.

The Camel Prospect, albeit also within the layered Jameson Intrusive, remains the exception as there is no evidence in this area of any association with magnetite rich mafic rocks.

The Camel Prospect

Further drilling is planned on the 6 kilometre long Camel Prospect where a wide (≥ 300 metre) shallowly dipping zone of low grade but consistent disseminated chalcopyrite copper mineralisation (0.11 to 0.15% Copper) was intersected. Infill geochemical sampling and possibly Induced Polarization ("IP") geophysical surveys will be undertaken seeking to determine targets for higher grade mineralization (Figure 3). Large, low grade zones of disseminated mineralisation enveloping higher grade zones of massive sulphides are a characteristic style of mineralisation in the Musgrave region.

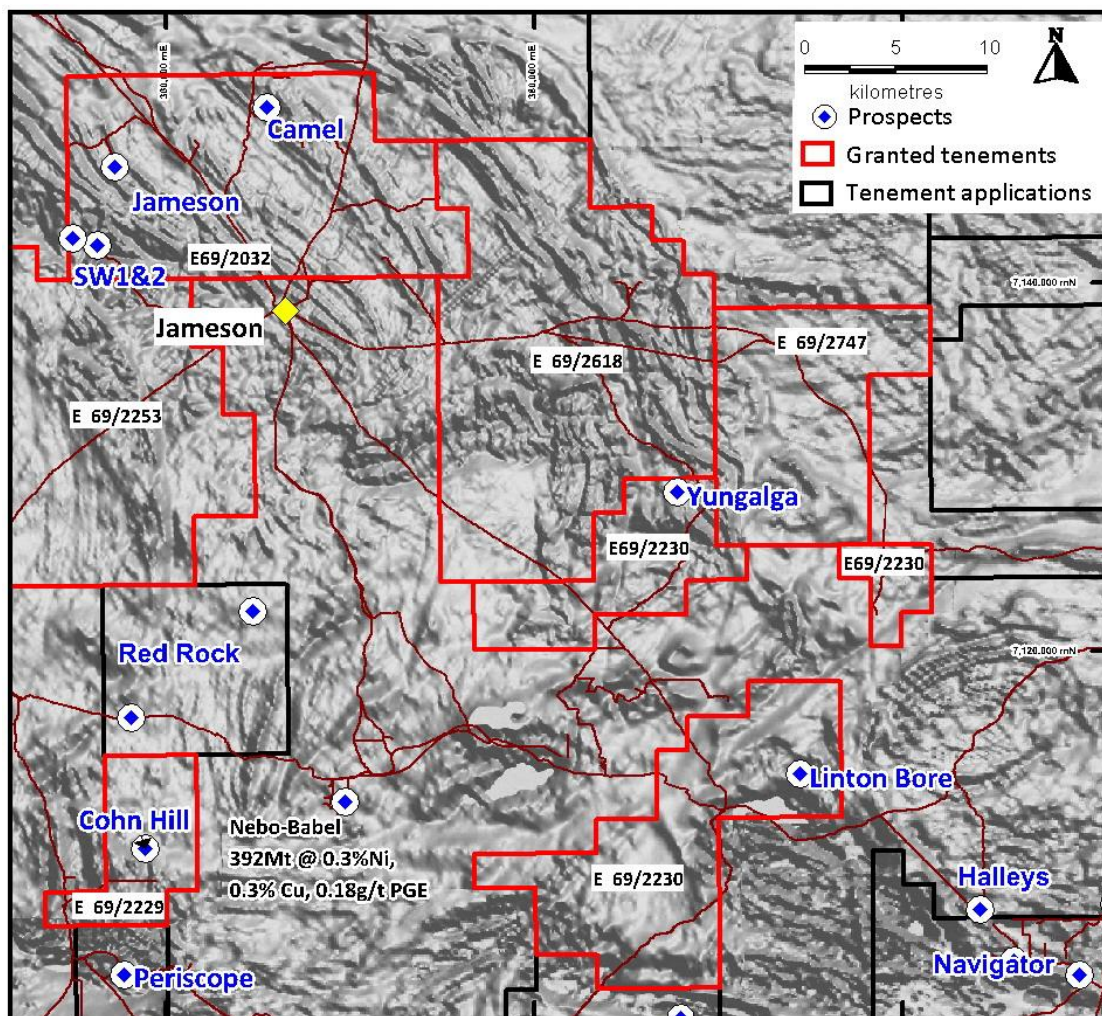


Figure 3. Location plan of the Jameson area showing Prospect Locations over an aeromagnetic image

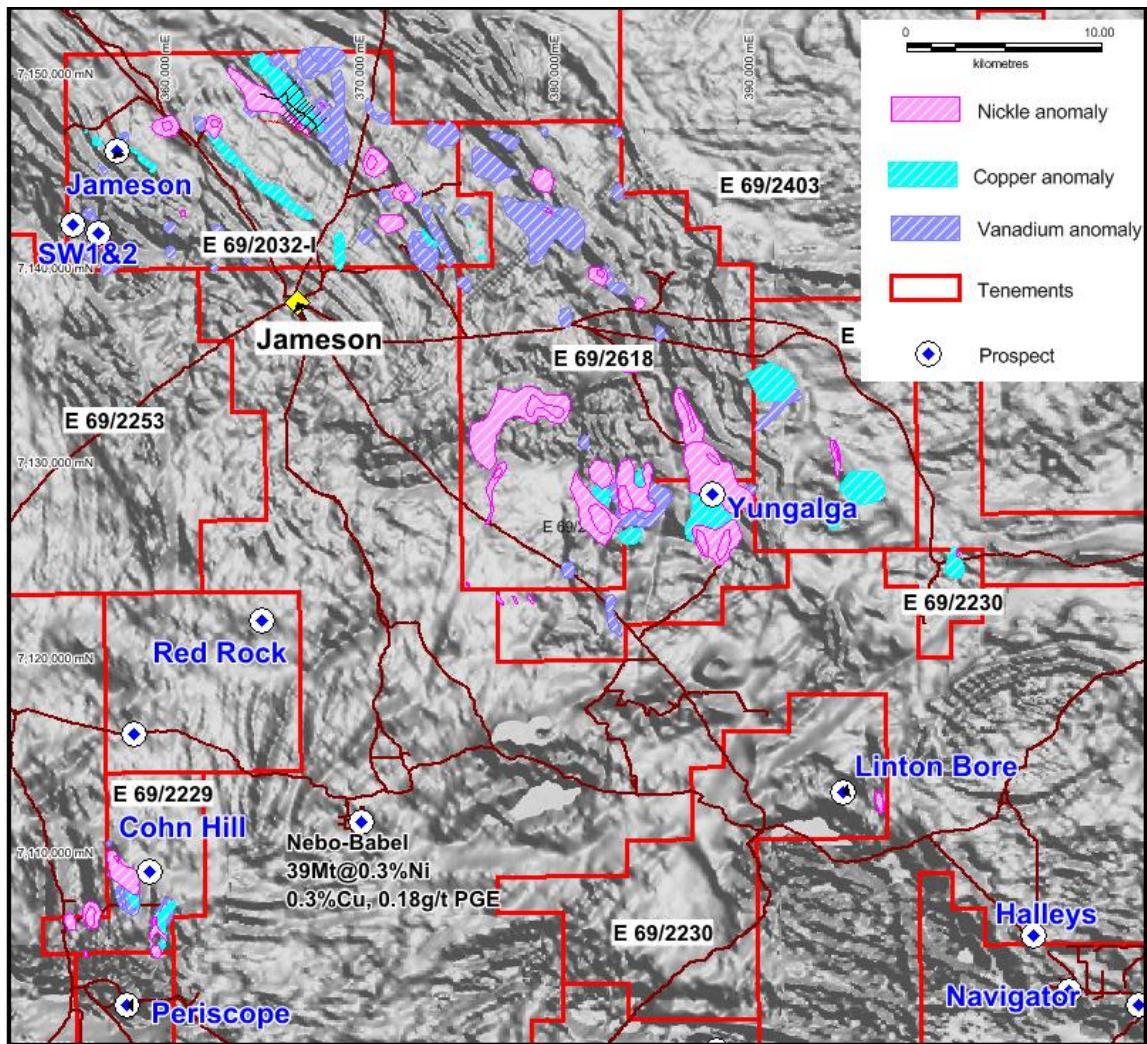


Figure 4. Location plan of the Jameson area showing geochemical anomalies over an aeromagnetic image

The TMR Prospect

Parallel horizons of often massive titaniferous magnetite rock within the Jameson Intrusive, referred to as TMR, are very strongly anomalous in titanium (“TiO₂”), vanadium (V₂O₅) and PGE (Figure 5). The presence of multiple TMR horizons and the significant strike lengths indicated from aeromagnetic imagery provide scope for a substantial resource.

The basal TMR horizon, which is massive in form is the richest and has an average grade suggested from rock-chip samples in the order of 46% Iron (“Fe”), 18% TiO₂, 0.67% V₂O₅ with PGE grades between 0.5g/t and 1.5g/t (grams per tonne). This unit is typically 1 to 3 metres wide but occasionally thickens to over 50 metres. Traka’s own drilling together with old WMC drilling in various locations suggests anticipated grades for the massive TMR zones of 32% Fe, 15.8% TiO₂ and 0.67 V₂O₅ as an exploration expectation. The other parallel TMR horizons are disseminated in form where grades appear to be lower. A few of Traka’s drill holes intersected these disseminated TMR horizons e.g. at the SW1 and SW2 Prospects; additionally a number of old WMC holes intersected the horizon. Examination of the results suggests a potential exploration target expectation of closer to 27% Fe and 9.5% TiO₂. Magnetic concentration of the disseminated horizons could be considered to produce higher grades but at this point of time the available metallurgical data is very limited. There is also no meaningful surface rock-chip data available for the disseminated form of TMR as these horizons rarely outcrop.

The possibility of large scale resources with multi-commodity potential (Titanium, Vanadium, PGE and Iron) plus the early encouragement of good grades justifies the continued evaluation of this prospect. Key metallurgical work and better definition geological mapping to more accurately delineate the various TMR horizons are now planned as the next step in the evaluation process.

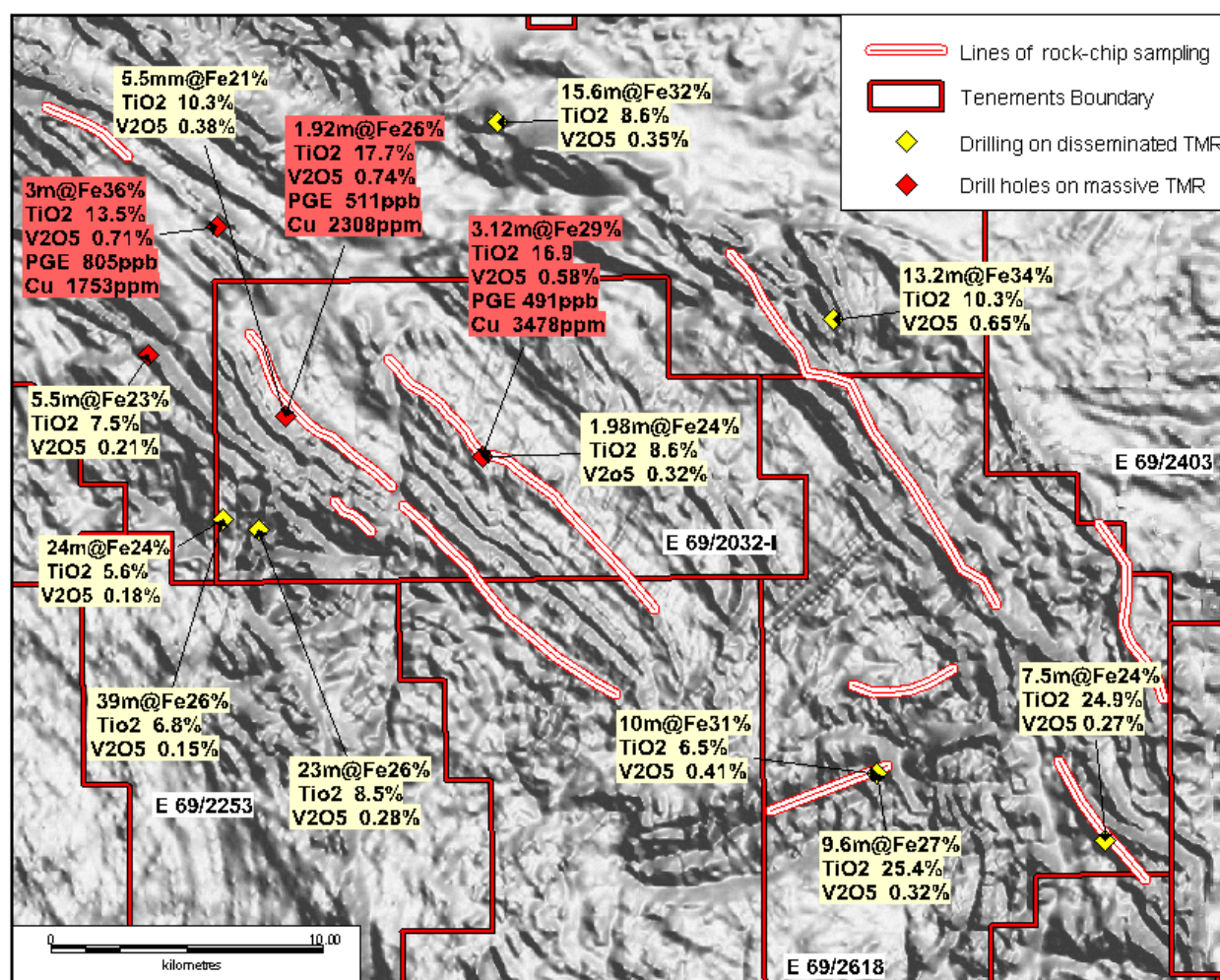


Figure 5. Location plan of the Jameson area showing lines of rock-chip sampling and drillhole locations with intersection grades.

The Caesar Hill Project

Heritage surveys and an Access Agreement have been successfully completed on the Caesar Hill Project. As a consequence exploration activity can be expected to commence at the beginning of the field season. The initial work on these targets will include higher power and better resolution ground electromagnetic surveys ("EM"), geochemical and geological surveys on the 10 priority VTEM targets (CHVA1 to CHVA10) previously defined by a helicopter born EM survey (Figure 6). This consolidated database will allow programing for drilling.

These targets indicate the presence of in-ground electrical conductors which may relate to the presence of sulphides rather than other spurious features like conductive palaeochannels. Smaller massive or stringer style sulphide bodies, which are capable of being detected by VTEM, may occur within much larger bodies of disseminated sulphides in the same manner as at Babel and Nebo.

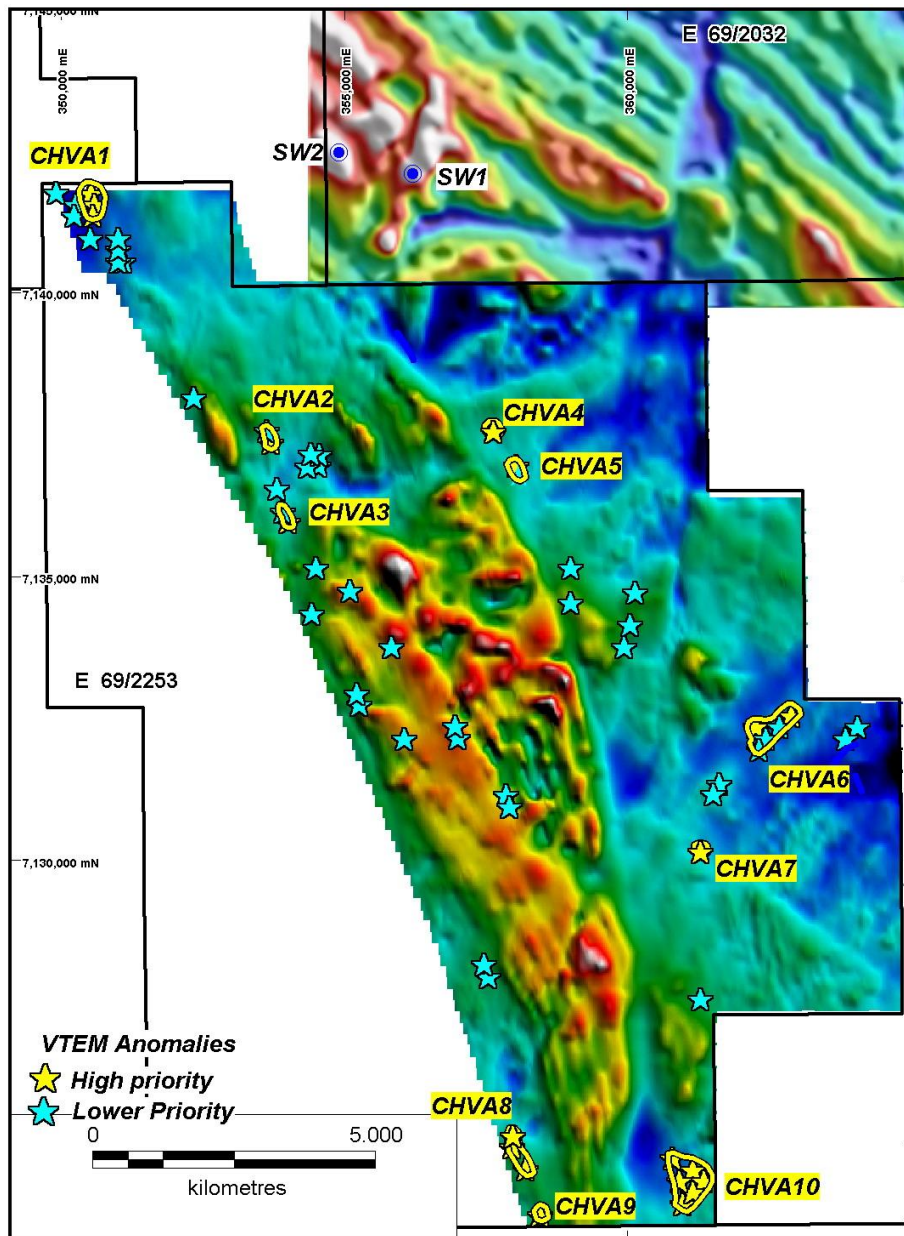


Figure 6. An aeromagnetic image of the Caesar Hill Project showing the position of VTEM targets.

A distinct aeromagnetic and gravity ridge strikes in a northerly direction and indicates that the bulk of the Caesar Hill Project overlies a different mafic/ultramafic intrusive body to the very large layered Jameson Intrusive to the north. This provides a good opportunity for massive and disseminated sulphide copper-nickel-PGE style mineralisation of the Babel Nebo style. Additionally some of the priority VTEM anomalies are on the eastern edge of the same gravity ridge as Babel Nebo is located (Figure 7). The gravity ridge suggests the presence of the favoured dense mafic/ultramafic host rocks for mineralisation. The possibility that there may be a link between Babel Nebo and the Caesar Hill Project, whether it is structural and/or intrusive related is considered to be very encouraging.

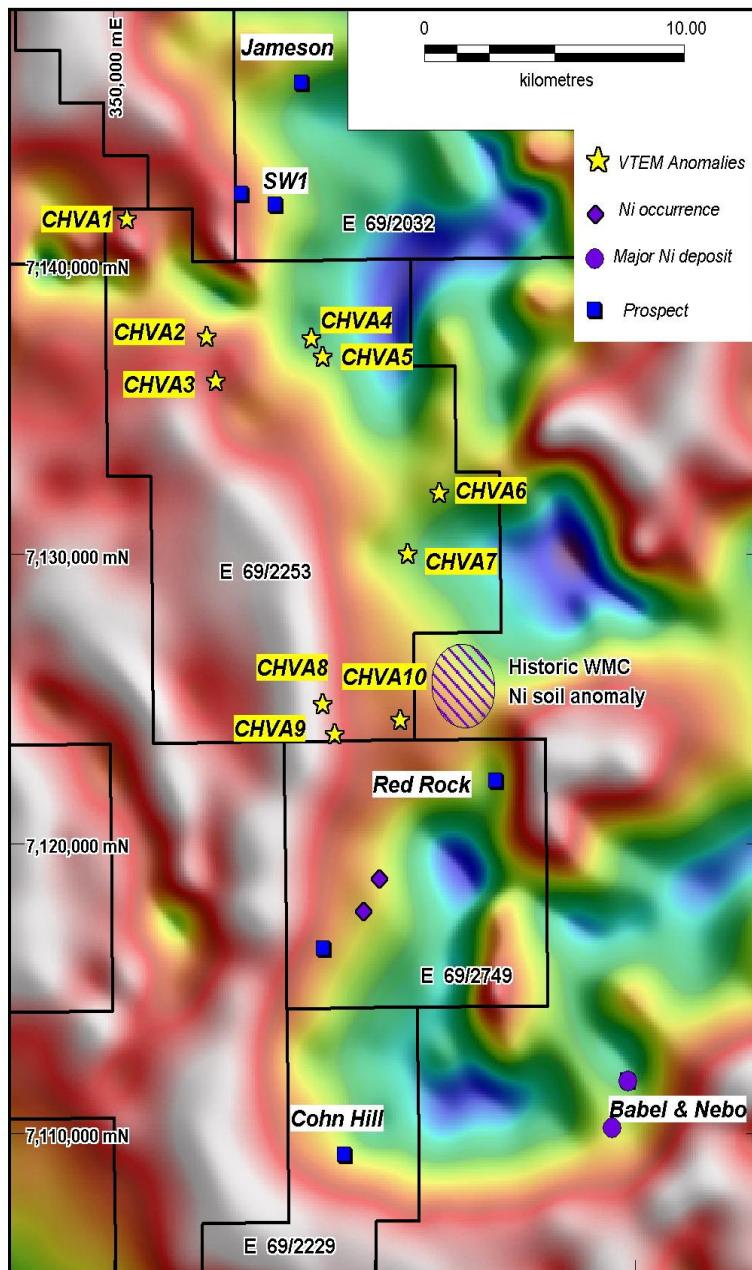


Figure 7. A gravity image showing the position of the Caesar Hill VTEM Anomalies and Babel Nebo (BHP Billiton project)

The EL/2230 area

Along with the other exploration programs already discussed, an accelerated program of work is now being planned for the two parts of exploration licence EL69/2230 in the Linton Bore area (Figure 4 and 8). Previous limited vacuum drilling geochemical sampling in these areas has highlighted geochemical targets over a gravity peak in the smaller eastern portion of the tenement and anomalism near Linton Bore itself. These targets will be followed up but exploration work will also now be expanded to test the southern margins of the north-east trending gravity ridge. BHP Billiton's very active exploration program continues to be focused along this feature, considered to be an important structural control and/or intrusive body influencing the location of sulphide mineralisation.

The presence of deep palaeochannels over part of the northeast trending structure precludes the use of shallow regolith sampling techniques like vacuum drilling and therefore geophysics and larger drill rigs are being considered.

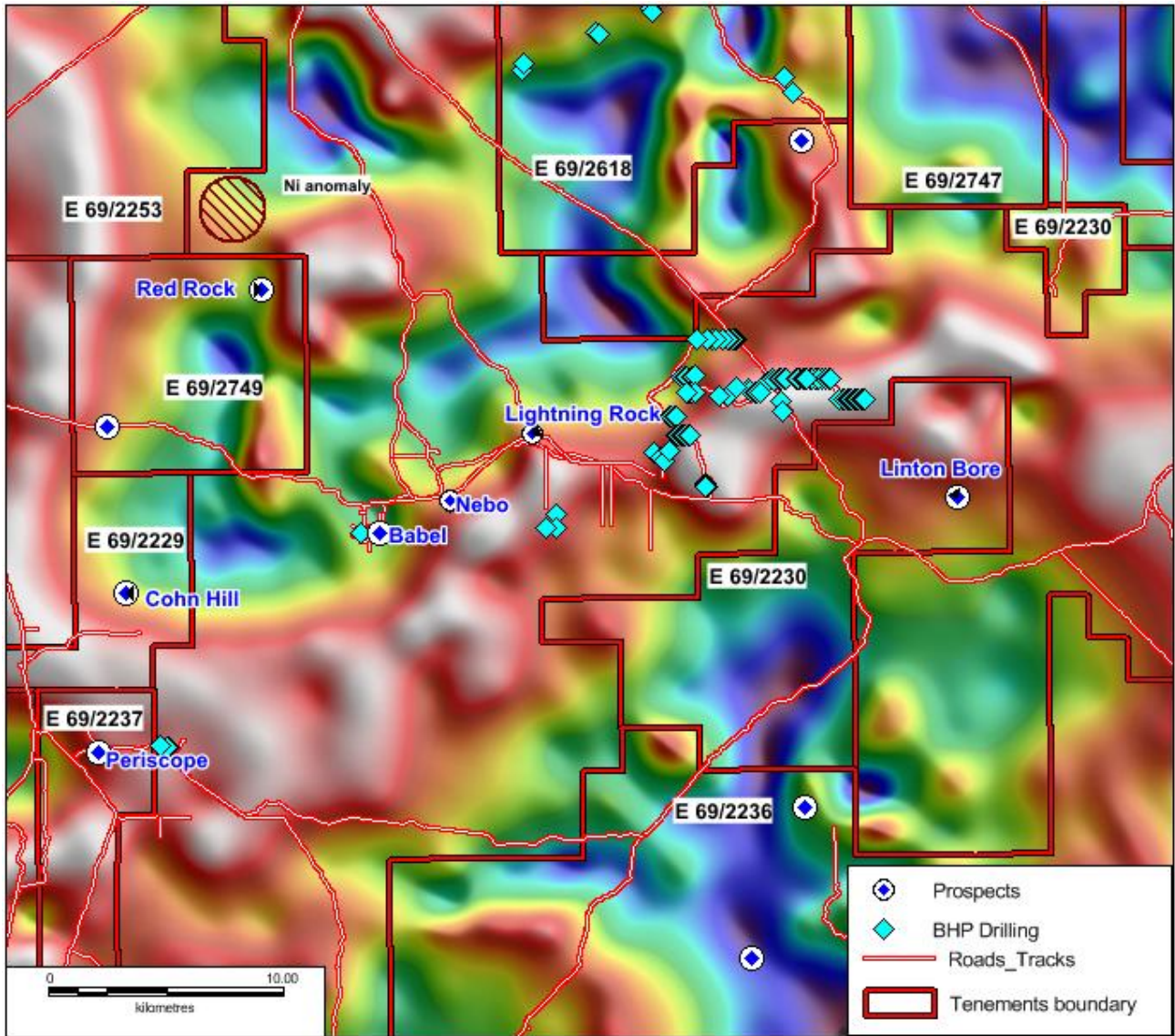


Figure 8. An image highlighting the position of the north east trending gravity ridge with respect to Babel Nebo and Traka's prospects and tenement holding

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

The results and status of exploration programs managed by AAE are presented below. Field based exploration programs were continued into early December by AAE despite ongoing logistic delays resulting from several periods of wet weather.

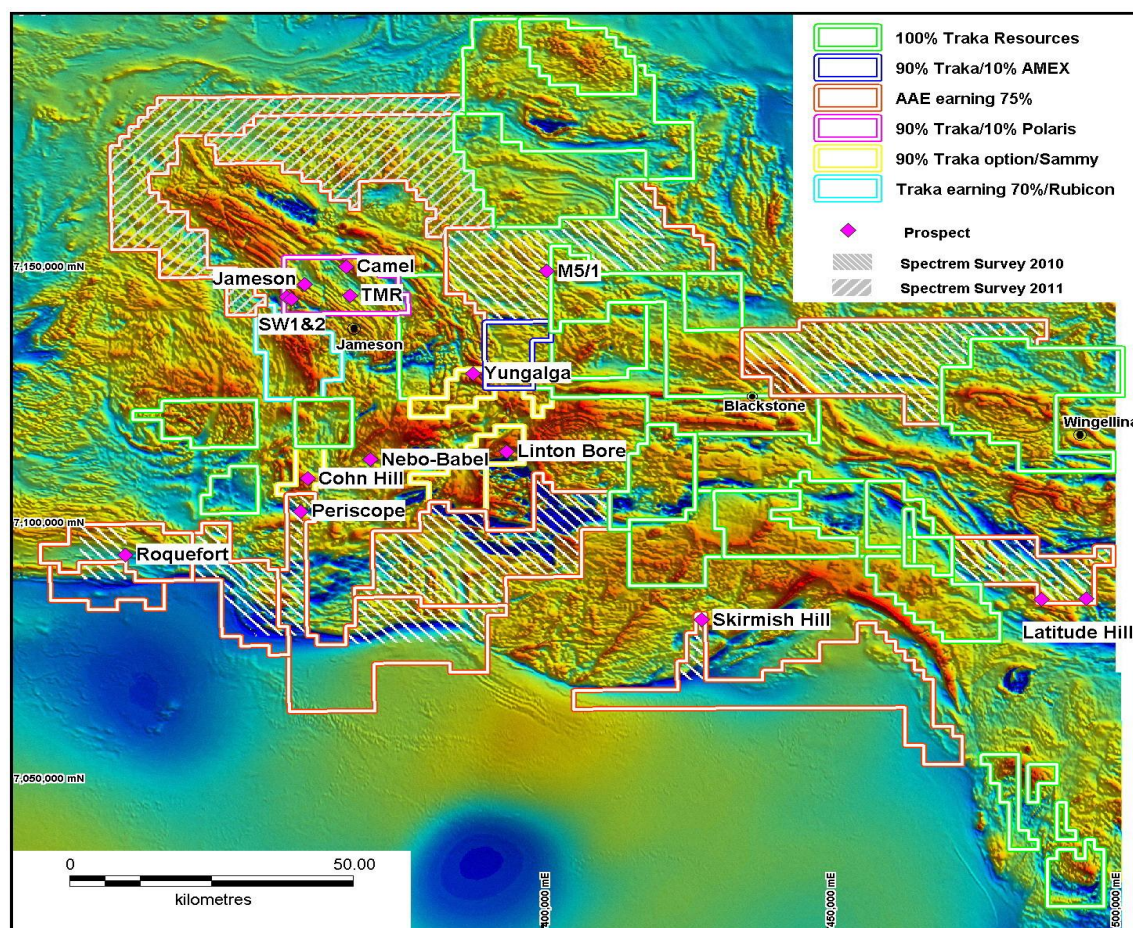


Figure 9. An aeromagnetic image of the Musgrave Project showing prospect locations.

Diamond Drilling

Drilling programs were undertaken on the M5-1 (“Morgan’s Range”), Latitude Hill and Roquefort Prospects (Figure 9). The program totalled 17 holes for 5,367 metres and is complete on the M5-1 and Roquefort Prospects, where no significant mineralisation was detected, but incomplete at Latitude Hill.

The Latitude Hill Prospect

Three diamond drill holes on one section (MDDH001 to MDDH003) were completed on Latitude Hill before work was halted by wet weather. Assay results are awaited for these holes but preliminary interpretations indicate that the first drillhole MDDH001 was the only one that intersected the modelled target zone. The model originally suggested the presence of a steep north-east dipping zone extending over 3 kilometres in length but it was found to be further west than expected and consequently only reached by the most westerly hole. Conflicting data and the presence of a paleochannel on surface has made the interpretation of airborne, surface and downhole EM data difficult to reconcile.

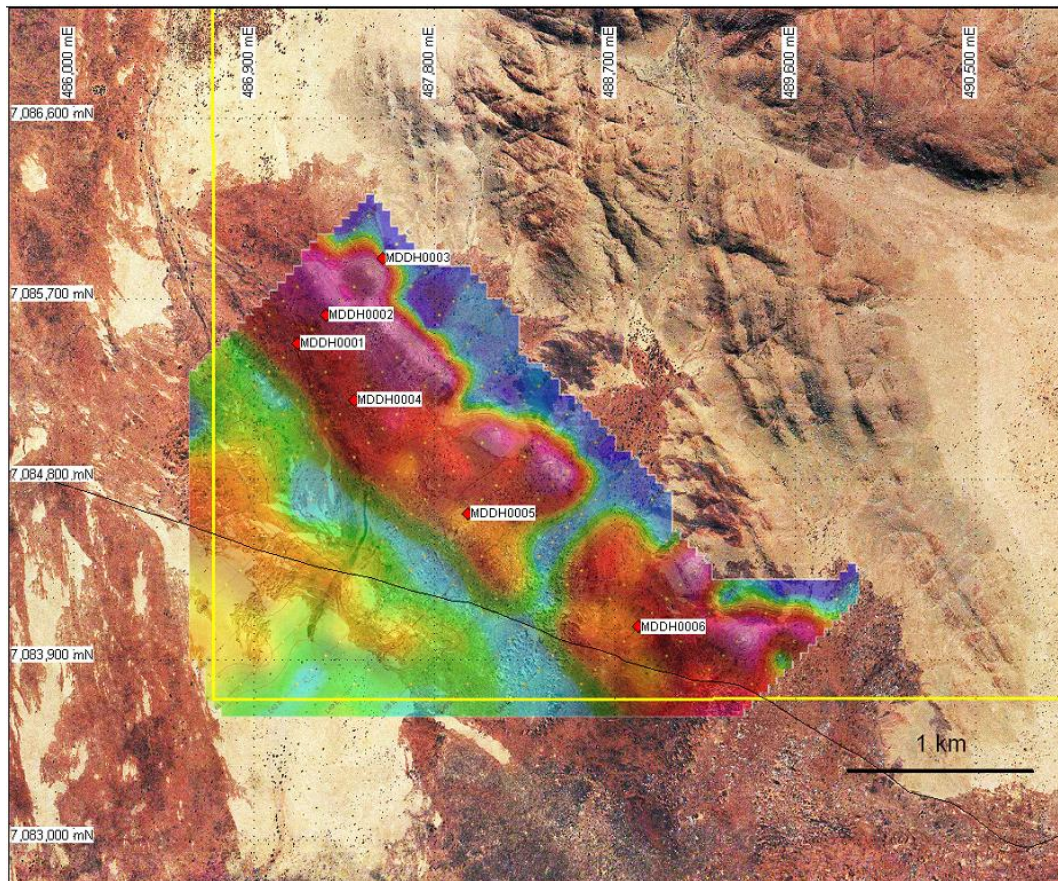


Figure 10. The Latitude Hill Prospect showing the planned drill hole positions over SQUID image and orthophoto.

The intersection of the Latitude Hill target by drillhole MDDH001 shows it relates to a 270 metre thick zone of magnetite rich mafic and ultramafic rocks. The magnetite content as logged geologically is estimated to range between 10% and 50% with associated patchy fine grained sulphides including chalcopyrite (copper sulphides) up to 0.5% combined. The origin and paragenesis of the magnetite rich intrusive is currently not understood but magmatic layering and abundant olivine minerals suggest an ultramafic iron rich host rock.

This setting in a general geological sense can be highly prospective for the target minerals being sought i.e. copper, nickel and PGE's. The assay results from Latitude Hill are awaited and further compilation of the geological and geophysical data is underway.

Spectrem Survey

The Spectrem Survey, originally planned for commencement in mid-2011, finally started in late December and is underway. All of the joint venture ground not already flown will be covered by this survey. The survey will provide one of the most comprehensive state of the art surveys in the region. Like the previous Spectrem survey undertaken, results from the airborne data should be expected to detect obvious massive sulphide style targets for immediate follow-up but otherwise provide a very sound data base for target generation and planning of other exploration programs (Figure 11).



Figure 11. The Spectrem Survey plane based in Uluru and currently flying over the Musgrave Project.

The Ravensthorpe Project

The Mount Short Prospect

A diamond drill program has just commenced to test 5 EM anomalies at Mt Short area. These anomalies lie on the margins of an 8 kilometre long linear aeromagnetic feature coincident with a geochemical anomalous zone of variable enriched base metal mineralisation (copper, lead zinc and nickel). A previous fairly limited Reverse Circulation (“RC”) drilling program north of the MS-5 target established the presence of a 50 metre thick supergene enriched zone above strongly anomalous lead and copper sulphide zones within sheared sedimentary and volcanic rocks. (Figure12). A subsequent ground EM survey to the RC drilling highlighted 5 other locations along strike to the south (MS1 to MS5) with better indications for the presence of massive sulphides. These locations are the targets for the current diamond drill program.

Drilling has been scheduled to coincide with completion of the harvest and ahead of seeding as these targets are entirely within privately held farming properties.

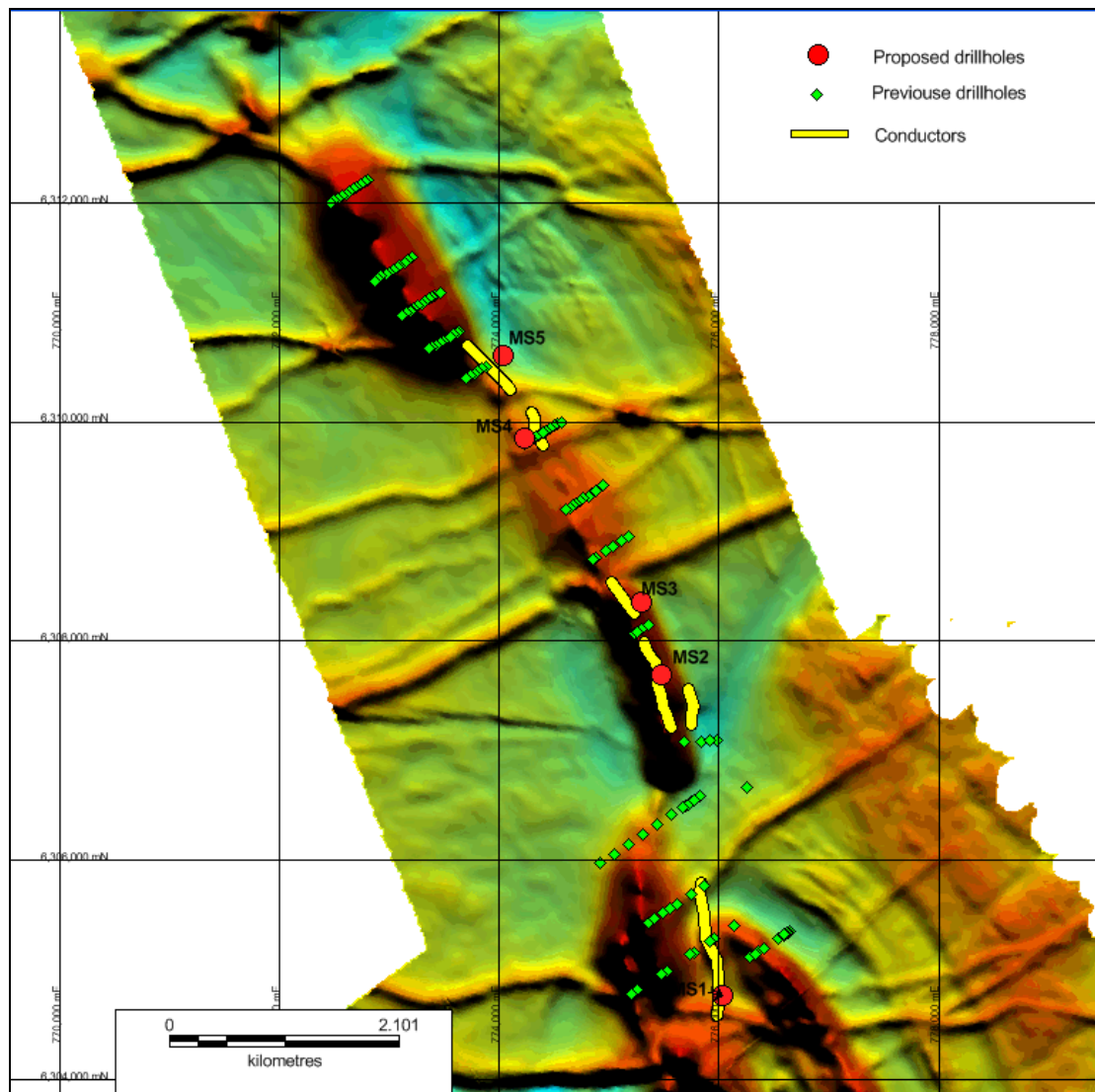


Figure 12. Mt Short aeromagnetic image showing previous and proposed drillholes

The Sirdar Joint Venture
(Galaxy earning 80%; Traka free carried)

No updated information is available for this joint venture.

The Tectonic Base Metal Joint Venture
(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

24 January 2012

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.