



*Athena*  
RESOURCES LIMITED

**ATHENA RESOURCES LIMITED**

(Formally Southern Nickel Limited)

(Formally Southern Nickel Pty Ltd)

(ABN 69 113 758 900)

**2006 SPECIAL PURPOSE FINANCIAL REPORT**

## 2006 SPECIAL PURPOSE FINANCIAL REPORT

<b>CONTENTS</b>	<b>PAGE</b>
DIRECTORS' REPORT	2
AUDITOR'S INDEPENDENCE DECLARATION	9
INCOME STATEMENT	10
BALANCE SHEET	11
CASH FLOW STATEMENT	12
STATEMENT OF CHANGES OF EQUITY	13
NOTES TO THE FINANCIAL STATEMENTS	14
DIRECTORS' DECLARATION	18
INDEPENDENT AUDIT REPORT	19



## DIRECTORS' REPORT

Your Directors submit their report on Athena Resources Limited for the period since incorporation to 30 June 2006.

### DIRECTORS AND COMPANY SECRETARY

The following persons were Directors or Company Secretary of Athena Resources Limited during the period since incorporation to June 30 2006 and up to the date of this report, unless otherwise stated:

Edmond William Edwards	Executive Chairman and Company Secretary	Appointed 11/4/2005
Donald Fergusson Thomson	Executive Director	Appointed 27/4/2006
Shane Beatty Sadleir	Non-Executive Director	Appointed 25/5/2005
Ross McLeod	Non-Executive Director	Appointed 25/5/2005 Resigned 14/3/2006
Brett Michael Bowker	Director and Company Secretary	Appointed 11/4/2005 Resigned 11/4/2005

### PRINCIPAL ACTIVITIES

The principal activity of the company during the year was mineral exploration in Western Australia.

### OPERATING RESULTS

The net loss for the period since incorporation to June 30 2006 after income tax amounted to \$10,292.

### REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

#### Ravensthorpe Project

##### Location and Access

The Ravensthorpe Project is mainly located east and northeast of the town of Ravensthorpe, near the south coast of Western Australia.

Access to the area is provided by the sealed South Coastal Highway between Ravensthorpe and Esperance and a network of good quality gravel roads through mainly cleared farmland in the southern sector. A cleared track used for vermin control and fire breaks provides limited access through thick scrub in the northern sector.

##### Tenure

The Project comprises eleven Exploration Licences and applications covering a mostly contiguous area of about 1,520 square kilometres. Athena is the registered owner or applicant for all of the tenements other than E74/345 and E74/365; it has entered into an agreement with Tied Investments Pty Ltd to acquire these tenements.

##### Project Geology and Mineralisation

The Project Area is mostly covered by barren, windblown quartz sand and deeply weathered rocks, which has discouraged previous exploration. However progressive exploration over the last decade, mainly using data from recently commissioned geophysical surveys, has revealed mafic and ultramafic rocks in a hitherto largely unexplored region, previously depicted on Government geological maps as mainly granitic and gneissic terrain.

The newly discovered mafic and ultramafic rocks, which may represent a previously unknown greenstone belt or a large layered intrusive complex, have been informally named the "Coujinup Complex" after the nearby Coujinup Creek, a tributary of the Oldfield River which flows intermittently through the Project Area.

To date, several outcrops of olivine - rich ultramafic rocks have been discovered during field investigation of strong aeromagnetic anomalies noted on recently flown surveys. Such rocks commonly host high grade nickel-sulphide deposits including most of the world's largest nickel deposits e.g. Sudbury and Voisey's Bay in Canada and Kambalda and Mt Keith in Western Australia. The smaller but high-grade RAV 8 deposit, recently mined by Tectonic Resources in the Ravensthorpe Greenstone Belt, is a local example of this type of nickel deposit which is hosted by volcanic extrusive ultramafic rocks (komatiites). In addition to nickel sulphide deposits, the Ravensthorpe district is also host to large low-grade lateritic nickel-cobalt deposits currently being developed by BHP Billiton around Bandalup Hill about 35 km east of Ravensthorpe.

Mineralisation of this type also crops out at the UCABS deposit encircled by Athena's ground, some 30 km northeast of BHPB's new mine, and is possibly present under soil cover in Athena's surrounding E74/341. Exploration to date has shown that the rocks of the Coujinup Complex crop out intermittently over a north - south distance of at least 35 km; however folding indicated by aeromagnetic interpretation suggests the actual strike length of favourable rocks to be considerably greater, in the range 50 - 75km.

In addition to nickel-copper sulphide and lateritic Ni-Co deposits, Athena's Ravensthorpe Project is also thought to be prospective for uranium, copper, gold and diamonds.

## DIRECTORS' REPORT (*continued*)

### Exploration Targets

#### West Point

The most promising nickel target found so far is the West Point prospect in E 74/342. Here a 300x 50metre outcrop of magnetic serpentinite exhibiting coarse cumulate textures was discovered within a strong 5 km long by 1 km wide aeromagnetic anomaly. Elsewhere the anomaly, which extends across West Point Road, is obscured by pisolitic gravels and wind blown sand. Foliations in the serpentinite dip 40 degrees north and the prospective base of the body is believed to be its southern contact. Investigation of this contact revealed the presence of a 100 metre long by up to 30 metre wide outcrop of rubbly ironstone with occasional boxwork texture, albeit heavily lateritised. This sub-cropping iron-rich zone has been interpreted as a highly degraded nickel gossan and subsequent geochemical assays from surface grab samples tend to confirm this. The best values were Ni 3150ppm, Cu 400ppm, Co 775ppm, Pt 43ppb, Au 15ppb, and Cr 8000ppm. The gossan is also anomalous in cerium, thorium, uranium and many rare earth elements. The West Point gossan is regarded as an immediate drill target as is the entire basal contact of the overlying serpentinite body.

A large radiometric uranium anomaly, evident on private and Government surveys, occurs just west of West Point Road close to the West Point Nickel prospect and co-incident with a small claypan. It is significant that the West Point gossan is anomalous in uranium, thorium and rare earths and that the magnetic anomaly associated with it drains into the uranium-rich claypan.

A ground radiometric survey in 2005 measured 70 times background radiation in channel 3. The calibrated equipment calculated a uranium equivalent of 317ppm and thorium equivalent of 20ppm, although this was not supported by chemical analysis of surface samples from the clay pan which measured 4.7ppm uranium, 6.2ppm thorium and 38.2ppm cerium. Radioactive elements not analysed for include radon and radium which require specialist sampling and analytical techniques.

The source and style of radioactive mineralisation remains a mystery. The drainage from this anomaly is radioactive downstream and flows for kilometres from the target, east into the Oldfield River. The radioactive anomaly does not extend upstream from this location within the drainage channel, isolating the radioactive source to a single point along an (interpreted) major east – west fault.

#### North Point

The North Point Prospect is located about 10 km north of the West Point prospect and is interpreted to be a continuation of the North Mag anomaly which has been folded in a north-south direction. The North Point anomaly is believed to be due to favourable ultramafic rocks but has not yet been ground checked because of its remoteness from vehicular tracks and accessibility problems caused by very thick tea tree scrub. The largest area of outcropping ultramafic rocks forming part of the Coujinup Complex is adjacent to Athena's E74 /341. This zone is correctly depicted on the GSWA 1:250 000 Ravensthorpe Geological Sheet published in 1974 and hosts the UCABS nickel deposit discovered by Inco in 1972. This deposit was further explored by Posex in 1993 and described as a nickel sulphide occurrence. The ground is now held as an Exploration Licence Application by Perth based geologist Dr Nick Purkait who was the original geologist on site in 1972.

Recent ground inspection of the UCABS deposit by Athena personnel has established that at least some of the nickel mineralisation is lateritic with surface grab samples assaying up to 5980ppm Ni and 2420ppm Co. This appears to be corroborated by shallow drilling results reported on by Posex (Sheppy, 1993). Three diamond drill holes put down by Inco in 1972 all intersected large thicknesses (30-57m) of significant nickel values in the range 0.44 to 0.57% Ni. No cobalt assays were reported on and it appears that the possibility of lateritic nickel may not have been considered at the time.

Limited mapping and interpretation of recently acquired aeromagnetic data and new, high quality Google Earth Imagery by Athena implies that the ultramafic body hosting the UCABS deposit is much larger than outcrop suggests and extends into Athena's encircling E74/341. Northwest of the UCABS tenement numerous outcrops of coarse gabbro and norite occur close to the vermin track (the only vehicular track traversing the northern part of Athena's project area); these are considered to be part of the Coujinup Complex. Disseminated fresh sulphides were noted in these rocks and several anomalous copper values in the range 300-400ppm were obtained from subsequent rock chip sampling.

The recent exploration results by Athena are regarded highly significant and point to the prospectivity of the entire Coujinup Complex to host large nickel-copper sulphide deposits similar to those at Voiseys Bay in Labrador, Canada. Voiseys Bay is hosted by layered and differentiated intrusive mafic-ultramafic rocks occurring in a similar geological environment to the region east and northeast of Ravensthorpe, close to a Proterozoic age mobile belt. In Australia the Proterozoic age Sally Mallay Ni-Cu-Co sulphide deposit in the East Kimberly region is also hosted by intrusive mafic-ultramafic layered intrusives in a high grade gneissic complex within a mobile belt.

#### North Mag

A second major nickel target has been outlined 20km northwest of West Point and has been called the North Mag Prospect. At North Mag, recent ground inspection revealed the presence of strongly magnetic olivine-rich rocks outcropping on the western side of the Oldfield River. These rocks occur at the western end of a strong 8 km long, north-easterly trending aeromagnetic anomaly that was evident on recently released Government data. Assays of a relatively fresh ultramafic rock chip sample from North Mag assayed 1840ppm Ni and 100ppm Co confirming the nickel prospectivity of the magnetically anomalous zone.



## DIRECTORS' REPORT (*continued*)

### High Cliff

Anomalous copper and gold values up to 0.43% Cu and 55ppb Au were obtained from a strongly sulphidic quartz vein on the eastern side of the Oldfield River at the High Cliff Prospect. A major north - south shear zone was recognised at this location within highly schistose mafic rocks intruded by brecciated and quartz-veined granites. Numerous very iron-rich outcrops occur here on the flanks of a prominent breakaway and appear to be gossans after massive pyrite. Visible gold is also reported to have been discovered in the early 1980's during land clearing operations about 2km southwest of High Cliff. Limited follow up work at this location in 1998 involving BLEG sampling returned a maximum of 29ppb Au in surface and auger sampling of sandy soils.

### ASHBURTON

#### LOCATION

The Ashburton Project is located south of the Nanutarra-Paraburdoo road on the Wyloo and Kooline Stations in the Ashburton Mineral Field, of Western Australia. The centre of the project is approximately 185 kilometres from Paraburdoo and 90 kilometres from Nanutarra.

#### TENURE

Athena's Ashburton Project covers about 970 km<sup>2</sup> and consists of one granted Mining Lease (M08/189) and three Exploration Licence Applications (ELA08/1641, ELA08/1679 and ELA08/1680). Athena has entered into an agreement with Tied Investments Pty Ltd and Lightwave Investments Pty Ltd to acquire all of the shares in Capricorn Resources Pty Ltd, the major holder of the mining lease and applicant for the exploration licences.

#### GEOLOGY

##### Regional Geology and Mineralisation

The key features of the regional geology are shown on the Wyloo and Edmund 1:250,000 geological sheets published by the Geological Survey of Western Australia (GSWA). Three major sedimentary basins dominate the region: the Late Archaean-Palaeoproterozoic Hamersley, the Palaeoproterozoic Ashburton and the Mesoproterozoic Bangemall Basins. Crystalline Archaean mafic and granitic basement rocks are exposed in the Wyloo Dome just north and outside the project area.

The major deposits of banded iron formation (BIF) and associated units of the Hamersley Basin were deposited on the Archaean Pilbara Craton in a shelf type sedimentary environment during the Late Archaean and Palaeoproterozoic. A period of deformation, burial, granitic intrusion known as the Capricorn Orogen related to the collision of the Pilbara and Yilgarn Cratons followed. The Ashburton Basin sequence was also deposited, deformed, metamorphosed and subsequently intruded by granitoids during this period (Sheppard et al 1999).

The sedimentary rocks of the Bangemall Basin were deposited unconformably on the Hamersley and Ashburton sequences, and the Gascoyne metamorphic complex between 1600 and 1000 ma (Blockley and Myers 1990) in a shallow intracratonic basin. The Bangemall Basin consists of an older western sequence (Edmund Subgroup) and a younger eastern sequence. The Bangemall Basin rocks are only weakly deformed in to a series of broad northwest-southeast trending folds and partially metamorphosed to greenschist facies.

The key structural elements of the regional geology in all units are northwest-southeast trending folds subparallel to the Paraburdoo Hinge Zone. A series of major thrusts or sutures with a similar orientation is evident on aeromagnetic images.

The most important granitic intrusions are those associated with the Gascoyne Complex to the west. The Gascoyne Complex consists of deformed and metamorphosed Palaeoproterozoic rocks of the Hamersley and Ashburton Basins with a granite and gneiss core. The period deformation, metamorphism and granitic intrusion coincided with the Capricorn Orogen.

Gold and base metal mineralisation in the region is strongly zoned around the Gascoyne Complex and associated granites. Copper-gold mineralisation occurs closest to the Boolaloo Granite while silver-lead mineralisation occurs further out. Similar metal zonation occurs around the Cullen Batholith at Pine Creek in the Northern Territory and the Heemskirk Granite on the west coast of Tasmania.

The regional aeromagnetics and gravity surveys indicate the location of several smaller buried granitic intrusions in the vicinity of Athena's tenements.

The deposit of most relevance to Athena's exploration strategy in the Ashburton is the high grade Paulsen gold deposit located on the edge of the Wyloo Dome approximately 60 kilometres north of Athena tenements. Total Resources at Paulsens are estimated to be 1.4 million tonnes at 11.7 g/t for 540,000 ounces.

Copper-gold mineralisation also occurs at Mt Clement 20 kilometres to the northwest of Athena's ground. Indicated Resources at Mt. Clement are 818,000 tonnes at 2.7 g/t gold, for 71,000 oz of contained gold with silver credits are of the order of 30 g/t silver. Paulsens and Mt Clement confirm that the district is prospective for both small high-grade and large low-grade coppered gold deposits. They also serve to illustrate the nature of mineralisation that might be discovered in the course of exploration.



## **DIRECTORS' REPORT (continued)**

### **Local Geology**

Athena's tenements are located along the northern margin of the west Bangemall Basin. The tenements encompass rocks of the Ashburton and Capricorn formations of the Wyloo Group. Area selection was initially based on studies of the regional geophysics which indicate a number of elements frequent associated with large mineral systems. The combination of folds, thrust faults and granitic intrusions is of particular interest.

No systematic geological surveys have been carried out over the area of Athena's tenement at the prospect scale. Regional scale regolith mapping (1:250,000) and stream sediment surveys were conducted by the West Australian Geological Survey. The published Wyloo and Edmund 1:250,000 geological map sheets lack the detail required for accurate targeting at tenement scale. Athena's knowledge of the local geology is based on the regional aeromagnetics and preliminary interpretations Landsat and Aster data with limited ground proofing.

### **PREVIOUS EXPLORATION HISTORY AND GOLD PRODUCTION**

#### **North Kooline**

High grade rock chip samples have been reported from prospecting on M08/189. Best results include 1270g/t Au, 17g/t Au with 36% Cu and 13g/t Au. Taipan Resources drilled 16 holes for a total of 1684 metres to test narrow gossanous quartz vein hosted by siltstone. Reconnaissance field inspection of the mining lease suggests that this was not the best target in the area. The best results were two 4 metres intersections of 1.2g/t Au and 0.45 g/t Au in separate drill holes. The drilling is concentrated in a tight close space pattern better suited to resource definition than reconnaissance exploration for large gold systems.

#### **Kooline**

Approximately 3600 tonnes of lead metal and 950 kilogram's of silver was produced during an 11 year period from 1948 to 1959 at Kooline on Athena's tenements. The production came from about twenty small high-grade mines.

Lead-silver mineralisation on Athena's Ashburton tenements is associated with mesothermal quartz veins along shears in siltstone and greywackes. The width of veins observed in the field ranged from 0.5 to 1 metre thick. The sub-vertical veins occur in multiple stacked and echelon sets over several kilometres of strike. No evidence of drilling was seen at any of the mines visited.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

During the period since incorporation to June 30 2006 the company has allotted 8,000,000 fully paid shares for cash to raise \$155,100 and 500,000 fully paid shares at 20 cents each to purchase Ravensthorpe tenements. The company has also entered into a conditional agreement to purchase all the issued shares in Capricorn Resources Pty Ltd for the allotment of 1,000,000 fully paid shares at 20 cents each.

### **MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR**

Other than the allotment of 1,600,000 fully paid shares at 10 cents each to raise \$160,000 cash, no matters or circumstances have arisen since the end of the financial period that significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

### **DIVIDENDS PAID OR RECOMMENDED**

No dividends were paid or recommended for the period since incorporation to 30 June 2006.

### **SHARE OPTIONS**

No options over issued shares or interests in the Company were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

### **ENVIRONMENTAL ISSUES**

The Company has assessed whether there are any particular or significant environmental regulations which apply. It has determined that the risk of non-compliance is low, and has not identified any compliance breaches during the year.



## DIRECTORS' REPORT (continued)

### PARTICULARS OF DIRECTORS AND COMPANY SECRETARY

**Edmond William Edwards**

**Executive Chairman**

#### *Qualifications*

Mr Edwards is a Chartered Accountant with a Bachelor of Commerce from the University of Western Australia. He is a Fellow of The Australian Institute of Company Directors.

#### *Experience*

Mr Edwards has over 25 years experience in the mining industry in Western Australia. He recently resigned as Managing Director of Resource Mining Corporation Ltd having successfully taken that company to the feasibility stage at its Argyle Iron Ore Project and Wowo Gap Nickel Laterite Project.

As the Finance Director of both Fox Resources Ltd and Aztec Resources Ltd he was responsible for the successful floats of those companies through to the successful re-commissioning of the Radio Hill Project for Fox and the strong position of Aztec to develop the Koolan Iron Ore Project. Mr Edwards was also previously a Director of Acclaim Exploration NL and Matlock Mining NL which with Eagle Mining developed the successful Nimary Gold Mine.

Mr Edwards was a partner at Hendry Rae & Court (now Grant Thornton) until 1989 having joined that firm in 1975. He was the partner in charge of the Robe River Iron Ore Project audit for 8 years.

#### *Interest in Shares and Options*

1,800,000 Fully Paid Shares

#### *Special Responsibilities*

Mr Edwards is responsible for Treasury, Corporate, Finance and is the Company Secretary.

#### *Directorships held in listed entities*

Company Name	Appointed	Resigned
Aztec Resources Limited	15/05/1997	02/07/2004
Fox Resources Limited	26/04/2002	02/07/2004
Resource Mining Corporation Limited	05/04/2004	19/01/2006

**Donald Fergusson Thomson**

**Executive Director**

#### *Qualification*

Mr Thomson has a Bachelor of Science (Hons) in Geology and is a Member of the Australian Institute of Mining and Metallurgy.

#### *Experience*

Mr Thomson is a geologist with over 22 years industry experience and is a member of the Australian Institute of Mining and Metallurgy. He worked for Newcrest for 9 years in mining and regional exploration throughout Western Australia and the Northern Territory, and was involved in drill-outs at New Celebration and Telfer.

From 1996 to 2001 as Exploration Manager for Johnson's Well Mining (now Regis), he led the team responsible for the discovery of gold resources totalling 2 million ounces, including the 1.2 million ounce Rosemont gold deposit. During this time he over saw the consolidation of mining and exploration tenure over the Duketon belt.

He served as Exploration Manger for Acclaim Exploration NL, Aztec Resources Ltd and Fox Resources Ltd, managing exploration on the Wingellina, Koolan Island and Radio Hill projects for these respective companies. He was Technical Director of both Acclaim and Aztec during critical periods in the development of these companies.

Most recently, as Exploration Manger, Mr Thomson was responsible for the restructuring of Legend Mining Ltd's technical team to focus on exploration.

#### *Interest in Shares and Options*

300,000 Fully Paid Shares

#### *Special Responsibilities*

Mr Thomson is responsible for Exploration activities.

#### *Directorships held in listed entities*

Company Name	Appointed	Resigned
Acclaim Exploration NL	27/11/2002	23/03/2005
Aztec Resources Limited	31/01/2003	05/09/2003



## DIRECTORS' REPORT (continued)

### Shane Beatty Sadleir

Non-executive director

#### Qualification

Mr Sadleir has a Bachelor of Science (Hons) in Geology and is a Fellow of the Australian Institute of Mining and Metallurgy.

#### Experience

Mr Sadleir is a soil scientist and geologist with about 30 years experience in exploration, mining and environmental aspects of the mining industry.

Between 1977 and 1990 he gained extensive operating experience in bauxite mines with Alcoa of Australia Ltd (Darling Ranges, Mitchell Plateau) and open cut gold mines in the Pilbara and Murchison Goldfields.

Between 1990 and 2006 Mr Sadleir has been active in the exploration and assessment of gold, uranium, nickel, base metals, bauxite and mineral sands projects in Australia and overseas. During this time he was also involved in the environmental impact assessment of industrial, mining and land use projects and remediation of contaminated sites in Western Australia.

#### Interest in Shares and Options

1,550,000 Fully Paid Shares

#### Special Responsibilities

Mr Sadleir is Chairman of the Audit Committee.

#### Directorships held in listed entities

Company Name	Appointed	Resigned
Trafford Resources Limited	19/06/2006	
Bannerman Resources Limited	28/04/2005	13/02/2006

### INDEMNIFICATION OF DIRECTORS

The Company has not, during or since incorporation, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

### MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the period ended 30 June 2006, and the number of meetings attended by each Director

	Number eligible to attend	Number attended
Edmond William Edwards (appointed 11/04/2005)	9	9
Donald Fergusson Thomson (appointed 27/4/2006)	2	2
Shane Beatty Sadleir (appointed 25/05/2005)	8	8
Ross McLeod (appointed 25/05/2005 resigned 14/3/2006)	4	4
Brett Michael Bowker (appointed 11/04/2005 resigned 11/04/2005)	1	1

### AUDITOR

HLB Mann Judd were appointed auditors on 18 April 2006 and continue in office in accordance with section 327 of the Corporations Act 2001.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration has been received for the period ended 30 June 2006 and can be found within these financial statements.

### PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceeding 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.



## **DIRECTORS' REPORT *(continued)***

### **ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS**

As a result of the introduction of Australian Equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those AIFRS standards as contained in Note 1 to this report.

Signed in accordance with a resolution of the directors.

.....  
E W Edwards  
Executive Chairman

Dated at Perth this 8th day of September, 2006.



### **Auditor's Independence Declaration**

As lead auditor for the review of the financial report of Athena Resources Limited for the period ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Athena Resources Limited.

**Perth, Western Australia**  
**8 September 2006**

**N G Neill**  
**Partner, HLB Mann Judd**



**INCOME STATEMENT**  
**FOR THE PERIOD ENDED 30 JUNE 2006**

	NOTE	2006 \$
Revenues from ordinary activities		-
Expenses from ordinary activities,	2	<u>(10,292)</u>
<b>Loss from ordinary activities before income tax expense</b>		(10,292)
Income tax expense relating to ordinary activities	3	<u>-</u>
<b>Loss from ordinary activities after incomes tax expense</b>		<u><u>(10,292)</u></u>

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



**BALANCE SHEET**  
**AS AT 30 JUNE 2006**

	NOTE	2006 \$
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	4	1,959
Other Receivables	5	2,617
Other Current Assets	6	<u>4,062</u>
<b>TOTAL CURRENT ASSETS</b>		<b><u>8,638</u></b>
<b>NON-CURRENT ASSETS</b>		
Mineral exploration and evaluation expenditure	7	284,502
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>284,502</u></b>
<b>TOTAL ASSETS</b>		<b><u>293,140</u></b>
<b>NON-CURRENT LIABILITIES</b>		
Trade and Other Payables	8	<u>48,332</u>
<b>TOTAL LIABILITIES</b>		<b><u>48,332</u></b>
<b>NET ASSETS</b>		<b><u>244,808</u></b>
<b>EQUITY</b>		
Issued Capital	9	255,100
Accumulated losses	10	<u>(10,292)</u>
<b>TOTAL EQUITY</b>		<b><u>244,808</u></b>

The above Balance Sheet should be read in conjunction with the accompanying notes.



**CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED 30 JUNE 2006**

	NOTE	2006 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees		<u>(11,643)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	11 (b)	<u>(11,643)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for exploration expenditure		<u>(141,498)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		<u>(141,498)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issue of Shares		<u>155,100</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		<u>155,100</u>
Net increase in cash held		1,959
Cash at beginning of the period		-
<b>CASH AT JUNE 30 2006</b>	11(a)	<u><u>1,959</u></u>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.



**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2006**

	Note	Ordinary Shares \$	Accumulated Losses \$	Total \$
Shares issued during the period	9	255,100	-	255,100
(Loss) attributable to members of the parent entity	10	-	(10,292)	(10,292)
Sub-total		255,100	(10,292)	244,808
Dividends paid or provided for		-	-	-
<b>Balance at 30 June 2006</b>		<b>255,100</b>	<b>(10,292)</b>	<b>244,808</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2006

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation of Financial Statements

The Company was incorporated on 11 April 2005. These financial statements have been prepared for the period since incorporation to June 30 2006 thus there are no comparative figures. The Company is not a reporting entity, in the Directors' opinion, it is unlikely that users exist who are unable to command the preparation of reports tailored to as to satisfy, specifically, all of their information needs.

This is a special purpose financial report that has been prepared for the sole purpose of complying with the Corporations Act 2001 requirement to prepare and distribute financial reports to the members and must not be used for any other purpose. The members have agreed that the accounting policies adopted are appropriate to meet their needs.

Athena Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

The Company has applied Accounting Standard AASB 1025: Application of the Reporting Entity Concept and Other Amendments, which amends the application clauses of all existing standards so that they now apply only to companies that qualify as reporting entities. The report has been prepared in accordance with the requirements of the Corporations Act 2001, and the following applicable Australian Accounting Standards and Urgent Issues Group interpretations:

AASB 101 – Presentation of Financial Statements;  
AASB 107 – Cash Flow Statements;  
AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors;  
AASB 110 – Events after Balance Sheet date;  
AASB 1031 – Materiality; and  
AASB 1048 – Interpretation and Application of Standards.

No other Accounting Standards, Urgent Issues Group Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation.

#### (b) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) Income Tax (continued)**

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(c) Cash**

For the purpose of the statement of cash flows, cash includes cash on hand and deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

	<b>2006</b>
	<b>\$</b>
 <b>NOTE 2: EXPENSES FROM ORDINARY ACTIVITIES</b>	
Office Costs	5,139
Communications	1,103
Professional	4,050
	<u>10,292</u>

**NOTE 3: INCOME TAX**

(a) Reconciliation – The prima facie income tax attributable to the loss from ordinary activities reconciled to income tax expense as follows:

Loss from ordinary activities before income tax	<u>(10,292)</u>
Prima facie income tax calculated at 30%	(3,088)
Non deductible expenditure	<u>-</u>
Income tax adjusted for permanent differences	(3,088)
Future income tax benefit not recognised	<u>3,088</u>
Income tax benefit attributed to loss from ordinary activities	<u><u>-</u></u>

**NOTE 4: CASH AND CASH EQUIVALENTS**

Cash at bank	1,959
	<u>1,959</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2006**

	2006 \$
<b>NOTE 5: OTHER RECEIVABLES</b>	
GST receivable	2,617
	<u>2,617</u>
<b>NOTE 6: OTHER CURRENT ASSETS</b>	
Pre Paid Rent	4,062
	<u>4,062</u>
<b>NOTE 7: MINERAL EXPLORATION &amp; EVALUATION EXPENDITURE</b>	
In the exploration and evaluation phase	
At cost brought forward	-
Expenditure during the year	284,502
Expenditure written off	-
At cost carried forward	<u>284,502</u>
Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploration, or alternatively sale of the respective areas.	
<b>NOTE 8: TRADE AND OTHER PAYABLES</b>	
Trade creditors	48,332
	<u>48,332</u>
<b>NOTE 9: ISSUED CAPITAL</b>	
8,500,000 fully paid ordinary shares	255,100
	<u>255,100</u>
Ordinary shares participate in dividends and the proceeds of winding up of the company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.	
<b>NOTE 10: ACCUMULATED LOSSES</b>	
Balance at beginning of period	-
Net loss attributable to members of Athena Resources Limited	10,292
	<u>10,292</u>
Balance at end of period	<u>10,292</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2006**

	<b>2006</b>
	<b>\$</b>
<b>NOTE 11: NOTES TO THE STATEMENT OF CASH FLOWS</b>	
(a) Cash at the end of the financial year comprises:	
Cash at bank	<u>1,959</u>
	<u>1,959</u>
(b) Reconciliation of loss after income tax to net operating cash flows:	
Loss from ordinary activities after income tax	(10,292)
Movements in assets and liabilities:	
Prepayments	(4,062)
Payables	2,711
<b>Net cash used in operating activities</b>	<u><u>(11,643)</u></u>
(c) Non-Cash Acquisitions	
During the period the company purchased certain mining tenements by the issue of 500,000 fully paid shares at 20 cents each.	

**NOTE 12: REMUNERATION OF AUDITORS**

Amounts received or due and receivable for audit services by: Auditor of the company	<u><u>-</u></u>
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The Auditors did not receive any other benefit during the year.

**NOTE 13: CONTINGENT LIABILITIES**

There were no contingent liabilities at the reporting date.

**NOTE 14: EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR**

Other than the allotment of 1,600,000 fully paid shares at 10 cents each to raise \$160,000 cash, no matters or circumstances have arisen since the end of the financial period that significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

**NOTE 15: COMPANY DETAILS**

Athena Resources Limited is a public company that is incorporated in Australia.

Its registered office is located at 63 Lindsay Street, Perth, WA 6000.



## DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

- 1) the financial statements and notes, as set out on pages 10 to 17 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the period ended on that date of the company, in accordance with the accounting policies described in Note 1 to the financial statements.
- 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.

This declaration is made in accordance with a resolution of the Board of Directors.  
Director

.....  
EDMOND WILLIAM EDWARDS  
Director

Dated at Perth this 8 day of September, 2006.

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF  
ATHENA RESOURCES LIMITED**

**Scope**

*The special purpose financial report and directors' responsibility*

The special purpose financial report comprises the balance sheet as at 30 June 2006 and the income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for the period ended 30 June 2006 for Athena Resources Limited ("the company").

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 designed to prevent and detect fraud and error, for the accounting policies and for the accounting estimates within the financial report.

The accounting policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia. The financial statements comply with Accounting Standards and other reporting requirements in Australia to the extent set out in Note 1 to the financial statements. The directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the requirements of the Corporations Act 2001 and the needs of the members.

*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 that the financial report is free of material misstatement. The nature of an audit is influenced by several factors including the use of professional judgement, selective testing, and the inherent limitations of internal control and the availability of audit evidence which may be persuasive rather than conclusive. Accordingly, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether, in all material respects, the financial report is prepared in accordance with the Corporations Act 2001 and presented fairly in accordance with the accounting policies described in Note 1 to the financial statements, so as to present 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. These policies do not require the application of all Accounting Standards and other mandatory reporting requirements in Australia.

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.

When determining the nature and extent of our procedures we considered the effectiveness of management's internal controls over financial reporting. Our audit was not designed to provide assurance in relation to internal controls.

No opinion is expressed as to whether or not the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

### **Independence**

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

The Directors Report attached to the financial statements includes a copy of the Independence Declaration given to the Directors by the lead auditor for the audit. That Declaration would be in the same terms if it had been given to the Directors at the time this audit report was made.

### **Audit opinion**

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view, in accordance with the accounting policies described in Note 1, of the company's financial position as at 30 June 2006 and of its performance for the period ended on that date; and
  - (ii) complying with Accounting Standards in Australia to the extent described in Note 1 and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia to the extent described in Note 1.

**HLB MANN JUDD**  
**Chartered Accountants**

**Perth, Western Australia**  
**8 September 2006**

**N G NEILL**  
**Partner**