



Athena
RESOURCES LIMITED

ABN 69 113 758 900

Half Year Report
31 December 2006

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Edmond William Edwards	Executive Chairman
Donald Fergusson Thomson	Executive Director
Shane Beatty Sadleir	Non Executive Director

Review of Operations

RAVENSTHORPE PROJECT

The Ravensthorpe Project consists of eleven mostly contiguous tenements in the Ravensthorpe region, where Athena Resources Limited (Athena) is exploring for nickel sulphides associated with a series of differentiated dykes informally termed the Coujinup dyke swarm. Little previous exploration has been carried out specifically targeting mafic rocks of this type in the Ravensthorpe area.

During the half year the Company entered in to an option agreement to acquire 75% of the Oldfield River nickel sulphide project from Ucabs Pty Ltd. The project consists of a single granted exploration licence (E74/218) of 8 graticular blocks or 24 km² wholly encircled by Athena's existing tenement holding. The option agreement gives Athena immediate access to a granted exploration licence with known nickel sulphide mineralisation further enhancing Athena's portfolio of projects.

Following the option agreement Athena has exploration rights to over 1,624km² in the Ravensthorpe District through granted tenements, tenement applications and option agreements.

Exploration licence E74/218 is centrally located within the main area of Athena's Ravensthorpe Project. Previous exploration by Nickel Search NL (Nickel Search) in the early 1970's and Normandy Poseidon in 1992/1993 located 5 copper-nickel gossans within the project area. In 1972 Nickel Search drilled three diamond drill holes that all intersected disseminated sulphide mineralisation. The results are listed in the following table.

**Significant nickel intercepts in diamond drilling on the Oldfield River Project
(Nickel and Minerals Search NL's 1972 Drilling)**

Hole ID	Local East	Local North	Dip	Azimuth	Interval (m)	Intercept	Comments
RDH1	10200	9784	-90°		42.7 - 48.8	6.1m at 0.70% Ni	
					57.9 - 61.0	3.1m at 0.62% Ni	
					62.7 - 71.2	4.0m at 0.44% Ni	Disseminated Sulphides
RDH2	10379	9749	-70°	-70°	25.9 - 83.2	57.3m at 0.44%Ni	Disseminated Sulphides
				Inc	25.9 - 44.8	18.9m at 0.56% Ni	
				&	55.5 - 61.0	5.5m at 0.45% Ni	
				&	68.6 - 75.4	6.8m at 0.45% Ni	
RDH3	10509	9889	-55°	250°	22.9 - 57.9	35.0m at 0.63% Ni	
				Inc	52.1 - 57.9	5.8m at 0.93% Ni	Disseminated Sulphides
					69.5 - 73.3	3.8m at 0.50% Ni	Disseminated Sulphides

The drilling intercepted sulphides on the contacts between the granite country rock and the intrusive mafic/ultramafic dykes. The presence of sulphide mineralisation at this position strongly supports Athena's model for the exploration in the Ravensthorpe Project. The sulphide mineralisation is associated with a prominent north-south orientated magnetic high that correlates to outcropping serpentinised ultramafic dykes.

Normandy Poseidon identified nickel sulphides (violarite after pentlandite) in a gossan exposed in a trench on the

Oldfield Project and drilled 45 shallow RAB holes for 973 metres (average depth 22 metres) and three RC percussion holes (OP1 to OP3) for 233 metres. The RAB holes were shallow and only tested the regolith. Only one of three RC holes drilled by Normandy (OP1) intersected the prospective host unit. Subsequent resampling of the RAB holes by Ucabs and returned low, but anomalous, copper, zinc and PGE values when analysed by Genalysis Laboratories Services Pty Ltd.

**Significant nickel intercepts in RAB Drilling on the Oldfield River Project
Normandy Poseidon 1992/1993**

Hole ID	Local East	Local North	Dip	Interval (m)	Intercept	Comments
OR 29	9780	9400	-90	18 - 22 EOH	4m at 0.54% Ni	
OR 30	9820	9400	-90	9 - 15 EOH	4m at 0.36% Ni	
OR 31	9860	9400	-90	11 - 16 EOH	5m at 0.76% Ni	
OR 32	9900	9400	-90	9 - 10	1m at 0.57% Ni	
OR 34	10000	9400	-90	12 - 16	4m at 0.40% Ni	
				16 - 17 EOH	1m at 0.53% Ni	Disseminated Sulphides

The RAB drilling showed that the depth of weathering to be about 40 metres, which is much shallower than other parts of the Yilgarn Craton. The shallow regolith cover will allow Athena to use the latest airborne and surface geophysical techniques to target massive sulphides within the project area.

The exploration budget on E74/218 for year one of the option is \$300,000 to cover airborne and ground geophysical surveys and follow-up drilling.

The terms of the agreement are as follows: -

1. Athena has paid Ucabs \$250,000 for the first year's option period.
2. Athena may extend the option by a further 12 months by making a second payment of \$250,000 in cash and \$200,000 in Athena shares at that date.
3. The option may be exercised by final payment of \$1,500,000 and \$1,500,000 in Athena shares at that date.

ASHBURTON PROJECT

The Ashburton project consists of one granted mining lease and three contiguous exploration licence applications covering approximately 970 square kilometres. The area was identified using regional geophysics which show a number of features typically associated with large mineral systems. The combination of folds and thrust faults in rocks of the Ashburton and Capricorn formations, and granite intrusions are of particular interest for Telfer style saddle reef copper-gold systems.

In December Athena contracted Geotech Airborne Ltd to fly a reconnaissance airborne electromagnetic survey using Versatile Time Domain Electromagnetic (VTEM) equipment over a portion of the Ashburton Project. The objective of the survey was to evaluate the effectiveness of the system in locating discrete conductors in this environment.

Cursory inspection of the preliminary data has identified a number of low order electromagnetic anomalies for more detailed assessment when the final data sets are received. These anomalies will be evaluated to determine if they warrant drill testing after the exploration licence is granted. The VTEM survey also appears to have mapped certain stratigraphic units, but this observation needs to be confirmed by comparison with other data sets such as Landsat and Aster images. The selective mapping of the stratigraphy may prove beneficial given the type of mineralisation being targeted in the Ashburton.

The VTEM survey flown by Geotech in the Ashburton totalled approximately 475 line kilometres and had the following specifications:

- 200 metre line spacing
- Loop height 35 metres, with the helicopter flying at 85 metre height.

Final data delivery will be approximately mid-February 2007. Detailed assessment of the data will not be completed until sometime after the final data is delivered.

Under ideal conditions, with shallow cover and resistant host rocks, the helicopter-supported VTEM system can identify conductors within 300m of the surface. The system has been used successfully by Fox Resources Limited to map sulphide ore systems in the West Pilbara.

BYRO PROJECT (Athena Resources 80%)

Athena has expanded its tenement holding by approximately 3,000 km² with applications for six (6) new exploration licences near Byro in the Gascoyne Mineral Field of Western Australia. Athena Resources has an 80% interest in the tenements (contributing 100%). The balance is held by Lightwave Investments Pty Ltd.

The exploration target is nickel-copper sulphides in ultramafic and gabbroic intrusive rocks following a similar exploration model for that proposed for the Ravensthorpe Project. The Byro area was targeted using gravity and magnetic data, which identified a number of under-explored and poorly known mafic intrusions on the northwest margin of the Yilgarn Craton. Future programs will include high-resolution aeromagnetic and electromagnetic surveys and ground reconnaissance.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2006.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to S.306(3) of the Corporations Act 2001.

E W Edwards

Director

Dated this 23 day of February 2007.



Auditor's Independence Declaration

As lead auditor for the review of the financial report of Athena Resources Limited for the half year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Athena Resources Limited.

Perth, Western Australia
23 February 2007

N G Neill
Partner, HLB Mann Judd

**CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Notes	Consolidated	
		2006 \$	2005 \$
Revenue		-	-
Other income		32,268	-
Depreciation and amortisation expense		(2,121)	-
Other expenses		(155,717)	(535)
Profit before income tax expense	2	(125,570)	(535)
Income tax expense		-	-
Profit after tax from continuing operations		(125,570)	(535)
Loss after tax from discontinued operation		-	-
Net profit for the period		(125,570)	(535)
Profit attributable to minority interest		-	-
Net profit attributable to members of parent		(125,570)	(535)
Basic earnings per share (cents per share)		0.99	-
Basic earnings per share from continuing operations (cents per share)		0.99	-
Diluted earnings per share (cents per share)		0.99	-
Diluted earnings per share from continuing operations (cents per share)		0.99	-

The accompanying notes form part of these financial statements

**CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2006**

	Notes	Consolidated	
		31 Dec 2006 \$	30 June 2006 \$
Assets			
Current Assets			
Cash and cash equivalents		1,785,678	1,959
Trade and other receivables		79,531	2,617
Other		-	4,062
Total Current Assets		1,865,209	8,638
Non-Current Assets			
Property, plant and equipment		75,646	-
Deferred exploration expenditure	3	1,105,751	284,502
Total Non-Current Assets		1,181,397	284,502
Total Assets		3,046,606	293,140
Liabilities			
Current Liabilities			
Trade and other payables		377,308	48,332
Total Liabilities		377,308	48,332
Net Assets		2,669,298	244,808
Equity			
Issued capital	4	2,805,160	255,100
Retained earnings		(135,862)	(10,292)
Total Equity		2,669,298	244,808

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Consolidated			
	Note	Issued Capital	Retained Earnings	Total Equity
		\$	\$'	\$
Balance at 1 July 2005		70,100	(1,145)	68,955
Shares issued during the half year		35,000	-	35,000
Loss attributable to members of the parent entity		-	(535)	(535)
Balance at 31 December 2005		105,100	(1,680)	103,420
Balance at 1 July 2006		255,100	(10,292)	244,808
Shares issued during the half year		2,760,000	-	2,760,000
Share issue costs		(209,940)	-	(209,940)
Loss attributable to members of the parent entity		-	(125,570)	(125,570)
Balance at 31 December 2006		2,805,160	(135,862)	2,669,298

The accompanying notes form part of these financial statements

**CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Consolidated	
	2006 \$	2005 \$
	Inflows/(Outflows)	
Cash flows from operating activities		
Payments to suppliers and employees	(63,528)	(535)
Interest received	31,856	-
Net cash (used in) operating activities	<u>(31,672)</u>	<u>(535)</u>
Cash flows from investing activities		
Proceeds from sale of non-current assets	4,412	-
Purchase of non-current assets	(63,768)	-
Payments for exploration expenditure	(494,044)	(51,584)
Net cash (used in) investing activities	<u>(553,400)</u>	<u>(51,584)</u>
Cash flows from financing activities		
Proceeds from issue of shares	2,560,000	35,000
Payment for share issue costs	(191,209)	-
Net cash provided by financing activities	<u>2,368,791</u>	<u>35,000</u>
Net increase/(decrease) in cash held	1,783,719	(17,119)
Cash and cash equivalents at 1 July 2006	1,959	28,901
Cash at 31 December 2006	<u>1,785,678</u>	<u>11,782</u>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The half-year report has been prepared on a historical cost basis, except for land and buildings, derivative financial instruments and available-for-sale financial assets which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Athena Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006.

In the half-year ended 31 December 2006, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

Consolidated	
31 December 2006	31 December 2005
\$	\$

The following revenue and expense items are relevant in explaining the financial performance for the half-year:

Write-off of capitalised exploration expenditure	-	-
Consultant's Fees	79,000	-
Office Costs	41,475	-

NOTE 3: DEFERRED EXPLORATION EXPENDITURE

31 December 2006	30 June 2006
\$	\$

Costs carried forward in respect of areas of interest in the following phases:

Exploration and evaluation phase – at cost

Balance at beginning of year	284,502	-
Expenditure incurred	821,249	284,502
	<u>1,105,751</u>	<u>284,502</u>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTE 4: ISSUED CAPITAL

Consolidated	
31 December 2006	30 June 2006
\$	\$

Ordinary shares

Issued and fully paid	2,805,160	255,100
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No.	\$
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Movements in ordinary shares on issue

At 1 July 2006	8,500,000	255,100
Fully paid shares issued at 10 cents each	1,600,000	160,000
Issue of shares on acquisition of subsidiary	1,000,000	200,000
Fully paid shares issued at 20 cents each	12,000,000	2,400,000
Less: Share issue costs	-	(209,940)
At 31 December 2006	<u>23,100,000</u>	<u>2,805,160</u>

NOTE 5: SEGMENT REPORTING

During the half year the Group operated principally in one business segment being mineral exploration and in one geographical segment being Australia.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

NOTE 6: ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 10 November 2006, the parent entity acquired 100 % of Capricorn Resources Pty Ltd Limited, a mining exploration entity. The purchase was satisfied by the issue of 1,000,000 ordinary shares at an issue price of \$0.20 each. The issue was based on the market price at the date of purchase.

The purchase price was allocated as follows:

Purchase consideration	<u>\$200,000</u>
Assets and liabilities acquired at acquisition date:	
Cash	200
Deferred exploration expenditure	<u>199,800</u>
Total	<u>\$200,000</u>

The cash outflow on acquisition is as follows:

Net cash acquired with subsidiary	-
Cash paid	<u>-</u>
Net cash outflow	<u>-</u>

The assets and liabilities arising from the acquisition are recognised at fair value which are equal to their carrying value at acquisition date.

If the combination had taken place at the beginning of the year, the profit of the Group and revenue from continuing operations would have been unchanged.

NOTE 7: CONTINGENT LIABILITIES

The Company has received notice of a Plaintiff was lodged on 31 October 2006 in the Karratha Wardens Court by Nicolo Salvatore Librizzi affecting mining lease 08/189 ("Mining Tenement") held by Capricorn Resources Pty Ltd (a wholly owned subsidiary of the Company) and John Clarke White ("Mining Tenement Owners"). The Mining Tenement forms part of the Company's Ashburton Project. The Plaintiff alleges that the Mining Tenement Owners have not complied with the expenditure obligations for the Mining Tenement for the most recent expenditure year, ending 9 May 2006. The Company has reviewed the terms of the Plaintiff and believe that the allegations contained in the Plaintiff are without foundation and that the Mining Tenement Owners have complied with the expenditure obligations for the Mining Tenement for the most recent expenditure year

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

On 15 February 2007 the Company completed a non renounceable option issue and a share and option placement. A total of \$756,000 was raised by the allotment of 2,500,000 fully paid shares and 25,600,000 options exercisable at \$0.20 and expiring on 30 November 2009.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes thereto, as set out on 5 to 11:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year then ended.
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 signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

.....
Edmond William Edwards

Director

Dated this 23 day of February 2007



Mann Judd

Chartered Accountants

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of
ATHENA RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2006, the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration, of Athena Resources Limited and the entities it controlled during the half-year ended 31 December 2006 ("consolidated entity").

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Athena Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Athena Resources Limited on 23 February 2007.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Athena Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
23 February 2007

N G NEILL
Partner