



ABN 69 113 758 900

# **ANNUAL FINANCIAL REPORT 2011**

## COMPANY INFORMATION

<b>ABN</b>	69 113 758 900
<b>Directors</b>	A P Thomson (Chairman) E W Edwards (Managing Director) C Wang (Non Executive Director)
<b>Secretaries</b>	E W Edwards P J Newcomb
<b>Registered Office</b>	63 Lindsay Street Perth, WESTERN AUSTRALIA 6000  Telephone: +61 8 9428 2900 Facsimile: +61 8 9428 2910 Email: <a href="mailto:ahn@athenaresources.com.au">ahn@athenaresources.com.au</a>
<b>Share Registry</b>	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace Perth, WESTERN AUSTRALIA 6000  Telephone: +61 8 9323 2000 Facsimile: +61 8 9323 2033
<b>Auditor</b>	HLB Mann Judd 130 Stirling Street Perth, WESTERN AUSTRALIA 6000  Telephone: +61 8 9227 7500 Facsimile: +61 8 9227 7533
<b>Bankers</b>	Westpac Banking Corporation 116 James Street Perth, WESTERN AUSTRALIA 6000
<b>Securities Exchange Listing</b>	Athena Resources Limited shares are listed on the Australian Securities Exchange (Home Exchange – Perth) ASX Code: Shares AHN Options AHNOA
<b>Website</b>	<a href="http://www.athenaresources.com.au">www.athenaresources.com.au</a>

## DIRECTORS' REPORT

Your Directors submit their report on the consolidated entity consisting of Athena Resources Limited and its controlled entities ("Athena") for the financial year ended 30 June 2011.

### DIRECTORS

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

Andrew Peter Thomson	Chairman
Edmond William Edwards	Managing Director
Caigen Wang	Non Executive Director

### PARTICULARS OF DIRECTORS AND COMPANY SECRETARIES

#### Andrew Peter Thomson                      Chairman

##### *Qualification*

The Honourable Andrew P Thomson BA, LLB, LLM is a graduate of the Law Faculty of the University of Melbourne, the International Center of Keio University in Tokyo, and Georgetown University Law Center.

##### *Experience*

Mr. A Thomson lives in Singapore and works as a consultant to Minter Ellison Lawyers working in the Middle East and Asia on investment and government relations matters. He is also chairman of Citadel Resources Group Limited and chairman of Gulf & Asian Mining Pty Ltd.

Until 2005 Mr. A Thomson lived in Washington D.C. where he served at the World Bank as an Assistant and Acting Executive Secretary of the Inspection Panel. In this role Mr A Thomson conducted investigations of developing world projects. He also practiced as an attorney with Willkie Farr & Gallagher.

Mr A Thomson spent the early years of his career in Tokyo working as a fund manager for GT Management (Japan) Ltd and later as an investment banker at Credit Suisse-First Boston (Japan) focusing on Japanese equities and fixed income funds and commodity-based derivatives.

Before moving to Washington D.C. in 2001 Mr A Thomson was a Member of Parliament in Australia, representing a district in Sydney in the House of Representatives. During the 1990s he served as Parliamentary Secretary for Foreign Affairs, Minister for Sport, Tourism, and Minister Assisting the Prime Minister for the Sydney 2000 Games, Chairman of the Australia-Japan Parliamentary Friendship League, and Chairman of the Joint Standing Committee on Treaties (JSCOT).

Mr A Thomson's other languages are Japanese, Mandarin Chinese and Arabic.

##### *Interest in Shares and Options*

3,983,045 Fully Paid Shares  
829,110 Options exercisable at 8 cents expiring 30 April 2012

##### *Special Responsibilities*

Mr A Thomson is Chairman of the Audit Committee.

##### *Directorships held in listed entities*

In the 3 years immediately before the end of the financial year Mr A Thomson also served as a director of the following listed companies:

Company Name	Appointed	Resigned
Citadel Resources Group Limited	16/06/2008	31/03/2011

**DIRECTORS' REPORT (Continued)**

**Edmond William Edwards**

**Managing Director and Joint Company Secretary**

*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 30 years experience in the mining industry in Western Australia. He is also non executive director of Scotgold Resources Limited. He has previously Managing Director or Finance director of a number of listed mining and exploration companies having taken many of these companies through the initial public offering, then exploration, feasibility and finally into production. These companies include Resource Mining Corporation Ltd, Fox Resources Ltd, Aztec Resources Ltd, Acclaim Exploration NL and Matlock Mining NL.

Until 1989 Mr Edwards was a partner at Hendry Rae & Court 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*

9,327,991 Fully Paid Shares  
4,245,000 Options exercisable at 8 cents expiring 30 April 2012

*Special Responsibilities*

Mr Edwards is responsible for the management of the company and is also a Joint Company Secretary.

*Directorships held in listed entities*

In the 3 years immediately before the end of the financial year Mr Edwards also served as a director of the following listed companies:

Company Name	Appointed	Resigned
Scotgold Resources Limited	27/01/2009	25/10/2010

**Caigen Wang**

**Non Executive Director**

*Qualification*

Caigen is a Chartered Professional Engineer with the Institution of Engineers Australia (CPEng MIEAust) and a Member of the Australasian Institute of Mining and Metallurgy (AusIMM).

*Experience*

As a qualified Engineer, Caigen has worked across most stages of project development and production of a wide range of commodities for the last 20 years. Caigen has a Bachelor's degree, Master's degree and PhD in Mining Engineering. Caigen's first professional experience spanning 7 years, was providing technical consulting services and research for a number of coal mining companies in China. In the last 13 years, Caigen has worked in Canada on oil sands projects and predominantly in Australia in a number of senior technical and management roles for a range of companies including BHP Billiton, St Barbara Mining, Sons of Gwalia, WMC and China Goldmines Plc (CGM). Within CGM, his roles included Mining Manager and General Manager for eight underground mines either in production or project development. Caigen was involved with exploration tenement acquisitions and exploration and joint development of a number of exploration projects in Western Australia.

*Interest in Shares and Options*

312,500 Fully Paid Shares

## DIRECTORS' REPORT (Continued)

### *Special Responsibilities*

Mr Wang is a member of the Audit Committee.

### *Directorships held in listed entities*

In the 3 years immediately before the end of the financial year Mr Wang also served as a director of the following listed companies:

Company Name	Appointed
Ishine International Resources Limited	30/10/2009

### **Peter John Newcomb**

### **Joint Company Secretary**

#### *Qualification*

Mr Newcomb is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Chartered Accountants in Australia.

#### *Experience*

He has over thirty years professional and commercial experience working in a number of industries and locations including London, Scotland, Singapore and Perth. The majority of his experience over the last ten years has been in the Resources industry in Western Australia. Mr Newcomb is Company Secretary and CFO of several other Public companies in WA.

## **PRINCIPAL ACTIVITIES**

The principal activity of the consolidated entity during the year was mineral exploration in Australia.

## **OPERATING AND FINANCIAL REVIEW**

### **Review of Operations**

Athena Resources has two key projects Byro and Ashburton which are described below.

#### **1. BYRO IRON ORE / NICKEL-COPPER PGE PROJECT**

##### **1.1 LOCATION AND ACCESS**

The Byro Iron Ore Project is strategically located some 100km west of the proposed Midwest Iron Ore Railway which is planned to link existing and future iron ore projects in the Mid West Region to the proposed Oakajee deep water bulk shipping port north of Geraldton.

##### **1.2 TENURE**

Athena's Byro Project covers approximately 2,800 square kilometres and consists of twelve Exploration Licences. Athena has a 100% interest in the project. The Company has applied and received authorisation to explore for iron ore on Exploration Licences E08/1507, E08/1552, E08/1637 and E08/1781.

##### **1.3 GEOLOGY AND MINERALISATION**

Athena's Byro Project is located along the north-western margin of the Yilgarn Craton, within an Archaean Gneiss Belt which trends north-northeast for approximately 200km. The geology is predominately quartzo-feldspathic gneisses and migmatites with amphibolites, quartzites, BIF's, felsic volcanics and layered mafic-ultramafic intrusions. Regional folding and thrusting has resulted in a steep dominant westerly dip and north northeast strike, although locally this varies from north to east. Outcropping sequences of mafic to ultramafic lithologies suggest a series of prospective intrusions, the extent of which has been refined with gravity and detailed magnetic surveys where alluvial cover persists.

## DIRECTORS' REPORT (Continued)

Past exploration in the region indicates the presence of anomalous copper-nickel-PGE and chromite mineralisation. Two altered, layered mafic-ultramafic bodies are found at Taccabba Well and Imagi Well where iron-rich chromite occurrences have been discovered. At the Byro East Project, copper gossans exist where nearby historic drilling intersected copper and nickel mineralisation. Athena's Moonborough project, located approximately 20km to the west of Byro East Project, has anomalous nickel, copper, platinum, palladium results in soils, with rockchip results up to 1.93% Cu, and 3.01g/t Pd in a gabbro. This abundance of chalcophile elements indicates the fertility of these intrusions and their prospectivity as exploration targets.

### 1.4 REGIONAL EXPLORATION

#### IRON ORE

Following integration of GSWA 400m line spaced aeromagnetic survey, and more a detailed 100m line spaced survey flown by Athena in 2010 over most of E09/1507, a number of magnetic anomalies were identified as being potential to represent magnetite bearing units capable of hosting iron ore deposits. The combined strike length of these anomalies is some 35km. This followed receipt of 45 encouraging rockchip assays over three magnetic targets at Byro where all samples exceeded 30% Fe, with a peak result of 58% Fe. The majority of these magnetic units are however under shallow alluvial cover and don't outcrop.

In October 2010 Athena identified high grade magnetite iron ore mineralisation in assays from the first drilling program at Byro. The 1800 metre, 17 drillhole Reverse Circulation (RC) program was designed to test a small selection of the magnetic targets on E09/1507, identified in the original aeromagnetic survey flown in 2008 and followed up with the 2010 high resolution aeromagnetic surveys. As previously reported, these surveys are the first time high resolution aeromagnetic data has been acquired over the area of E09/1507. An initial target labelled as Fe1 Prospect was tested with 11 drillholes (AHRC001-11), with the exciting high grade magnetite intersections listed in Table 1.

This target was identified as a high amplitude magnetic response where high magnetic susceptibility measurements were taken on the only area of outcrop at the southern end of the 1200 metre long magnetic unit.

An additional 7 holes were drilled at three target areas within E09/1507 of varying moderate magnetic intensity and aerial size. These drillholes were completed to investigate the relationship between the aeromagnetic response and the magnetite ore in the Byro area, where there is often no outcrop.

Two drillholes located within Fe12 and Fe13 on Figure 2, AHRC0017 and AHRC0015, encountered moderate thickness, high grade magnetite.

All of the drilling results have enabled Athena to calibrate and interpret the aeromagnetic data within the Byro project with a greater degree of confidence.

The full extent of the iron ore targets identified from the aeromagnetic surveys flown over E09/1552, E09/1507, E09/1508, E09/1637 and ELA09/1781 covers an area of 40 km by 30 km (or 1200 sq km). The high priority magnetic targets provide Athena with more than 20 km strike length of prospective magnetite iron ore horizon.

DTR analysis was carried out on the samples recovered from the drilling program. Results confirmed the potential to produce a high-grade magnetite concentrate with super low levels of detrimental impurities. Grades include up to 71.6% Fe and 93.8% Fe<sub>3</sub>O<sub>4</sub> in concentrate from a grind preparation of nominally 80% passing 35 micrometers. Weight recoveries of up to 56% were achieved.

**DIRECTORS' REPORT (Continued)**

**TABLE 1. BYRO – IRON ORE – RC Drilling Significant Intercepts and Davis Tube Results.**

Hole ID	From	To	Intercept	Fe% Head	Fe% Conc	DTR Wt%	Fe <sub>3</sub> O <sub>4</sub> % Conc	SiO <sub>2</sub> % Conc	Al <sub>2</sub> O <sub>3</sub> % Conc	P% Conc	LOI% Conc
AHRC0001	95	99	4	40.90	70.3	49.0	75.9	1.09	0.33	0.003	-2.33
AHRC0002	117	123	6	37.80	70.7	50.5	92.0	1.35	0.26	0.005	-3.15
and	133	146	13	34.64	70.5	43.6	91.8	1.32	0.53	0.003	-3.12
AHRC0003	59	109	<b>50</b>	<b>34.66</b>	<b>70.5</b>	<b>41.5</b>	<b>90.6</b>	<b>1.53</b>	<b>0.39</b>	<b>0.004</b>	<b>-3.28</b>
including	86	91	5	39.33	70.5	41.1	91.2	1.19	0.46	0.003	-3.25
AHRC0004	96	100	4	25.66	66.5	30.2	85.8	4.25	1.32	0.003	-2.82
and	116	118	2	32.23	69.9	39.4	90.0	1.72	0.47	0.004	-3.14
AHRC0005	64	102	<b>38</b>	<b>30.38</b>	<b>69.0</b>	<b>38</b>	<b>89.9</b>	<b>3.01</b>	<b>0.62</b>	<b>0.003</b>	<b>-3.03</b>
including	82	88	6	38.22	70.0	45.5	91.5	2.35	0.33	0.002	-3.14
AHRC0006	85	161	<b>76</b>	<b>28.54</b>	<b>70.4</b>	<b>33.5</b>	<b>91.1</b>	<b>1.71</b>	<b>0.39</b>	<b>0.003</b>	<b>-3.23</b>
including	91	95	4	32.68	70.5	40.4	92.0	1.40	0.39	0.003	-3.19
including	125	161	38	33.97	70.9	46.1	90.8	1.44	0.26	0.004	-3.34
AHRC0007	38	52	14	32.16	71.0	39.5	90.8	1.10	0.40	0.006	-3.30
including	44	52	10	33.13	71.1	41.3	90.9	1.07	0.24	0.002	-3.27
and	74	80	6	25.25	71.1	28.2	92.2	0.81	0.34	0.001	-3.21
AHRC0008	68	151	<b>83</b>	<b>32.62</b>	<b>70.7</b>	<b>40.2</b>	<b>90.6</b>	<b>1.32</b>	<b>0.33</b>	<b>0.003</b>	<b>-3.29</b>
AHRC0009	98	118	20	29.26	70.6	33.9	89.8	1.45	0.38	0.003	-3.27
including	98	108	10	30.33	70.6	35	90.2	1.35	0.44	0.003	-3.29
including	108	118	10	28.20	70.7	32.7	89.4	1.55	0.31	0.003	-3.25
AHRC0011	107	167	<b>60</b>	<b>34.87</b>	<b>70.4</b>	<b>44.8</b>	<b>90.0</b>	<b>1.67</b>	<b>0.29</b>	<b>0.003</b>	<b>-3.27</b>
AHRC0015	88	124	36	26.73	69.4	22.1	87.0	2.07	0.79	0.003	-2.94
including	88	96	8	32.16	69.4	31.4	87.8	2.12	0.75	0.002	-3.06
AHRC0017	88	98	<b>10</b>	<b>39.81</b>	<b>71.1</b>	<b>52</b>	<b>92.5</b>	<b>1.07</b>	<b>0.39</b>	<b>0.002</b>	<b>-3.32</b>

Note:

Fe: Iron; SiO<sub>2</sub>: Silicon Dioxide; Al<sub>2</sub>O<sub>3</sub> : Aluminium Oxide; P: Phosphorus; LOI: Loss On Ignition; Fe<sub>3</sub>O<sub>4</sub> %: Magnetite

### DIRECTORS' REPORT (Continued)

Following on from the excellent results achieved in the drilling Athena conducted an outcrop rock chip sampling program at Byro, to follow up from refined high amplitude magnetic targeting in December 2010. The results from this program revealed outstanding Fe grades at selected anomalies shown in Table 2 below.

**Rock Chip Results – Table 2**

SAMPLE ID	Location	East	North	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%	LOI%
MBRC250	Byro North 1	418034.1	7131170	<b>41.5</b>	37.88	1.01	0.026	0.065	1.37
MBRC251	Byro North 2	418149.9	7130920	<b>40.49</b>	40.33	0.57	0.034	0.021	0.76
MBRC252	Byro North 2	418217.4	7131013	<b>41.75</b>	37.29	0.99	0.041	0.035	1.69
MBRC253	Byro North 3	418392.8	7130679	<b>44.91</b>	33.22	0.57	0.038	0.043	1.49
MBRC254	Byro North 3	418382.5	7130533	<b>41.12</b>	38.13	0.97	0.039	0.044	1.78
MBRC264	Byro North 4	417549.5	7128231	<b>41.37</b>	37.76	0.83	0.037	0.071	1.74
MBRC265	Byro North 5	418123.3	7127913	<b>43.34</b>	35.03	0.99	0.021	0.087	1.04
MBRC266	Byro North 5	418133.7	7127850	<b>41.83</b>	35.25	1.97	0.031	0.207	1.67
MBRC267	Byro North 6	418098.8	7127100	<b>45.32</b>	31.1	0.73	0.026	0.099	2.64
MBRC262	Byro Northwest 1	414511.7	7124717	<b>42.91</b>	35.28	0.61	0.07	0.123	1.98
MBRC263	Byro Northwest 2	413409.6	7126312	<b>42.69</b>	35.62	0.69	0.032	0.085	1.96
MBRC255	Byro South 1	417040	7099349	<b>44.66</b>	32.63	0.74	0.04	0.082	2.18
MBRC256	Byro South 1	417040	7099349	<b>49.82</b>	23.94	0.91	0.046	0.163	3.27
MBRC257	Byro South 1	416890.2	7099708	<b>49.12</b>	20.91	1.79	0.065	0.147	5.7
MBRC258	Byro South 1	416774.5	7099807	<b>46.87</b>	29.89	0.68	0.026	0.065	2.05
MBRC260	Byro South 2	414966.5	7101515	<b>43.48</b>	34.91	0.93	0.036	0.059	1.46

Fe = Iron, SiO<sub>2</sub> = silica, Al<sub>2</sub>O<sub>3</sub> = Aluminium, P = phosphorus, S = Sulphur

All samples analysed at Ultra Trace Pty Ltd - Canning Vale, Western Australia by method XRF202

Loss on Ignition (LOI) determined Gravimetrically

## DIRECTORS' REPORT (Continued)

The rock chip sampling program was designed to test high amplitude magnetic anomalies above 1500nT from fresh rock where outcrop was available. Due to the combined areal extent of the tenements containing the iron ore and for the purpose of this report, the anomalies have been grouped together by location.

Results from this sampling program demonstrate that all outcrop sampled which had a magnetic signature above 1500nT amplitude returned Fe assays of greater than 40% and as high as 49.82% Fe. (Table 3)

**Table 3**

Comparison of Average Assays							Average Aeromagnetic Response
Location	Fe%	SiO2%	Al2O3%	P%	S%	LOI%	nT
FE1	37.55	42.14	1.23	0.038	0.065	1.57	2430
Byro South 1 & 2	46.79	28.45	1.01	0.043	0.103	2.93	3927
All Others	42.48	35.7	0.902	0.037	0.08	1.65	1558

A comparison between outcrop rock samples and subsequent **drilling** at FE1 show high Fe grades at the edge of the response are indicative of continued high Fe grades throughout the anomaly.

### Results from FE1 Resource Drilling in 2011.

In 2011 a 2,893 metre drilling program was designed as an infill program to test the Fe1 Prospect to inferred resource status, and comprises of 17 Reverse Circulation drill holes (RC) and 1 PQ Diamond core hole. Drilling at FE1 now totals 28 RC holes and 1 PQ/NQ diamond core hole. The recommended drill spacing of 100m by 200m grid used in conjunction with detailed geophysical surveys to delineate the margins of mineralization have been exceeded to provide a more than suitable upper data limit for a JORC compliant Inferred Resource, as advised by external consultants. Average drill collar spacing's at FE1 are now inside a 100m by 100m grid advancing the project with a high level of confidence.

Magnetic susceptibility was recorded for all holes drilled throughout the ore body. Average readings of 600-800 $\times 10^{-3}$  and ranging up to 2000 $\times 10^{-3}$  (SI Units), during this campaign. Readings are of similar high value to last season's drilling at FE1. Average grain size is coarse, up to 1.5mm also similar to previous samples from last year. The estimated average true thickness of ore at 60m determined from cross sections last season is supported by drilling and cross sections this season.

Ore intersected in the PQ diameter diamond drill core, (AHDH0002 84m magnetite from 72m down hole) was sent directly to China and is also being tested in Australia as part of the beneficiation and metallurgical test work that will form part of the scoping study. Further optimal grind assessment is underway to test for a grind size greater than 109 microns

All FE1 samples are at the Amdel labs in Perth awaiting assay and Davis Tube Recovery work (DTR). Composites are being determined while Calibre Projects Pty Ltd is finalising Grind and DTR procedure to be used by Amdel. All results will be passed on to AMC Consultants for Inferred Resource Assessment.

### Heritage Survey

Athena Resources has completed an Ethnographic Site Avoidance Survey. The work was completed by Big Island Research PTY Ltd and Members of the Claimant Group within the Yamatji Marpa Aboriginal Corporation. The Survey was conducted over the large areas of magnetite outcrop and anomalous magnetic response. This included three of the Byro South Project areas and a further five locations in the Byro North project area.

## DIRECTORS' REPORT (Continued)

The ethnographic assessment has found that the surveyed areas do not contain places that are of sufficient ethnographic significants to cause Athena Resources to alter its plans for exploration drilling within them.

### Targeted Flora and Vegetation Survey

Athena Resources has completed a Targeted Flora and Vegetation Study. The work was completed by Syrinx Environmental PL and was conducted over the FE1 and Byro South project areas as part of Athena Environmental Strategy. The survey found no threatened or endangered species of plants or vegetation in the vicinity of the two potential mining areas, FE1 and Byro South. Two P3 priority species were found nearby, *Ptilotusbeardii* and *Hemigemia tysonii*. Although the priority rating is low for these two plants Athena intends gain a full understanding of the species to ensure their protection.

### Metallurgy Testing

**Changsha Research Institute of Mining and Metallurgy (CRIMM).**

CRIMM was engaged by Athena in January 2010 to undertake beneficiation testing on samples from the Byro magnetite deposit. 200kg of RC Chip samples were delivered to CRIMM in March and Diamond Core in June 2011.

#### Major Results from CRIMM Mineralogy Study

1. Process mineralogical research showed that the ore is primary acidic magnetite ore with low phosphorus and sulphur content.
2. Iron represents the major recoverable element of the ore with Total Fe content 37.52%. The ore is composed of simple components among which magnetite is the main iron-bearing mineral hosting 92.27% of total iron content.
3. The magnetite occurs mainly in disseminated stripes with no significant secondary alteration.
4. The size of magnetite crystals is quite variable with the finest being smaller than 0.02mm and the coarsest larger than 2.0mm, with most between 0.15-1.2mm.
5. While magnetite is by far the most abundant iron mineral, iron is also reported as Fe in hematite and limonite (2.16%), Fe in silicate (5.04%), Fe in carbonate (0.45%) and Fe in sulphide as pyrite (0.08%).
6. The mineralogy indicates at the appropriate grind size and wet low intensity magnetic separation the majority of the magnetite will be recovered, while a percentage of the hematite if attached to magnetite, will also be recovered. The pyrite is not expected to be recovered, while the majority of both the Fe in carbonate and silicate will report to tailings.
7. Waste minerals to be rejected through beneficiation include mainly quartz, followed by  $Al_2O_3$ , CaO and MgO; together they constitute 46.83% of the total ore weight. The content of deleterious components phosphorus and sulphur are fairly low and are not expected to be detrimental to concentrate quality.
8. Mineralogy indicates that 94% of the magnetite can be liberated by grinding to 65% passing 200 mesh (75 micron).

#### Major Results from Beneficiation Testwork

1. Substantial test work and analyses showed that the magnetite in the ore cannot be effectively concentrated by dry magnetic separation and coarse tailing discarding, but can be concentrated by milling and wet low intensity magnetic separation.
2. The processing flowsheet proposed includes crushing, grinding followed by wet low-intensity wet magnetic separation.
3. The wet low intensity magnetic separation includes a primary roughing stage followed by a secondary cleaning stage.
4. Beneficiation testwork was carried out over nine grind sizes ranging from 45% passing 200 mesh (75 micron) to 96.5% passing 400 mesh (38 micron) and four magnetic field intensity strengths.
5. Beneficiation testwork indicated that excellent results are achieved by grinding to 65% passing 200 mesh (75 micron).
6. The following results were achieved at 65% passing 200 mesh (75 micron):
  - a. Concentrate mass recovered of 49.75% (50.25% rejected to tailings)
  - b. Total Fe grade of concentrate of 70.31%
  - c. Total Fe recovery of 94.46%.

**DIRECTORS' REPORT (Continued)**

7. While superior results are achieved by grinding to 65% passing 200 mesh (75 micron), very good results are achieved at the coarser grind size of 45% passing 200 mesh (75 micron).
8. The following results were achieved at the coarser grind of 45% passing 200mesh (75 micron):
  - a. Concentrate mass recovered of 52.52% (47.48% rejected to tailings)
  - b. Total Fe grade concentrate of 67.31%
  - c. Total Fe recovery of 94.95%.
9. The differences in results from the two grind sizes are marginal, however at the coarser grind size there will be saving in both capital and operating costs. For this reason the beneficiation testwork has recommended a grind size of 45% passing 75 micron. This is equivalent to a P80 of approximately 125 micron.
10. A millability test was conducted between the Byro ore and a standard Chinese ore. Byro ore milled very well compared to the Chinese ore and reported a millability coefficient of 2.79 which indicated Byro achieved the target grind size in approximately one third the time required by the Chinese ore.

**ALS Ammtec**

ALS Ammtec were engaged by Athena in April 2011 to undertake beneficiation testing on samples from the Byro magnetite deposit to provide supporting results to the testwork conducted at Changsha Research Institute of Mining and Metallurgy ("CRIMM").

A total of sixteen PQ drill core samples (approximately 80kg) and a composite RC Chips sample (approximately 12kg) were delivered to ALS Ammtec in May 2011. The testing was completed in July 2011 and the main points of the results are reported below.

**Wet Low Intensity Magnetic Separation Results**

**Magnetite Grade in Concentrate**

P80 250µm	94.8% Fe <sub>3</sub> O <sub>4</sub>
P80 150µm	97.9% Fe <sub>3</sub> O <sub>4</sub>
P80 125µm	98.5% Fe <sub>3</sub> O <sub>4</sub>

**Fe Grade in Concentrate**

P80 250µm	68.6% Fe
P80 150µm	70.8% Fe
P80 125µm	71.3% Fe

**Fe Recovery**

P80 250µm	94.1%
P80 150µm	93.7%
P80 125µm	93.1%

**Mass Recovery**

P80 250µm	49.4%
P80 150µm	47.4%
P80 125µm	46.5%

These results were achieved from an iron head grade of 35.5% Fe.

**Major Results from Beneficiation Testwork**

1. Unconfined Compressive Strength (UCS) recorded values of 139.9 and 153.7 Mpa and recorded a strength classification of strong.
2. Bond Impact Crushing Work Index (CWi) recorded average value of 15.5 kWh/t with a maximum value of 21.5 kWh/t and a minimum value of 8.2 kWh/t.
3. Apparent Relative Density recorded values of 3.52, 3.53 and 3.56 g/cc.
4. Bond Ball Mill Work Index recorded a value of 16.5 kWh/t from a test aperture of 106 micron.
5. Bond Abrasion Index recorded a value of 3.894
6. Head assays were reported as:-

Sample	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	MnO %	CAO %	P %	S %
Core	35.4	45.1	0.59	0.057	0.15	1.75	0.035	0.017
RC Chip	35.5	44.5	1.08	0.074	0.14	1.55	0.050	0.041

- An asbestiform analysis indicated the absence of asbestos or fibrous hazard.

## DIRECTORS' REPORT (Continued)

These results confirm a relatively simple processing circuit is required for treatment of Byro magnetite ore. The proposed processing circuit is likely to consist of the following:

1. Conventional three stage crushing,
2. Primary grinding and coarse classification,
3. Wet low intensity magnetic separation at coarse grind,
4. Secondary grinding and classification at P80 of 125 micron,
5. Rougher wet low intensity magnetic separation,
6. Cleaner wet low intensity separation,
7. Concentrate thickening and filtration.

### **COPPER-NICKEL-PGE'S**

Athena completed a 1286 metre, 9 drillhole Reverse Circulation (RC) program, including 1 NQ diamond drill hole as a tail off an RC drillhole. The program was designed to test Ni-Cu-PGE targets on E09/1507 and E09/1637 as a first pass drill testing of the new discovery of mineralisation at Moonborough and the fertile intrusive system at Byro East which form part of the highly prospective Byro Base Metals Project.

Historic drilling within the Byro East intrusion previously included only 3 drill holes testing the geochemistry and mineralisation below 100 metres depth and no diamond drilling.

The Byro East intrusive drilling was co-funded by the Western Australian Government – Industry Drilling Program which enabled a diamond drill hole at Byro East to be included in Athena's RC drilling program.

The drilling program within the Moonborough intrusive has confirmed a southern continuation of approximately 3.8 kilometres south from the previously identified Moonborough outcrop. The outline of the Moonborough intrusive has been identified using soil sample and rock chip geochemistry in conjunction with geophysical gravity and aeromagnetic surveys, and now RC drilling. The total strike length of the Moonborough intrusive system is interpreted to be more than 12km long and 1.5km wide, with anomalous copper and nickel as well as highly elevated chalcophile elements having a strong affinity with sulphur and hence potential sulphide mineralisation.

### **Moonborough**

The Moonborough Intrusive body is one of a cluster of mafic/ultramafic bodies in the Byro Project area that align along major regional faults at the margin of the Yilgarn Craton within the Narryer Gneiss Complex. The Narryer Gneiss is inferred to be uplifted, consisting of older and higher grade metamorphic rocks than those found in the interior of the Yilgarn Craton. This implies a deep crustal emplacement of yet to be determined timing, possibly Early Proterozoic.

Drilling and assay results have confirmed the presence of a large mafic/ultramafic body containing anomalous copper, nickel and PGE's (see Appendix 1). The PGE's (up to a max of 145ppb Pd and 31ppb Pt), occur at several locations within the interpreted Moonborough intrusive. These essential indicators preference bonding with sulphur and are key indicators of sulphide mineralisation. These exciting exploration results confirm that Athena has identified a new large, ultramafic/mafic igneous complex at Moonborough.

#### **Moonborough Drilling Results**

AHRC0019: maximum down hole assays include 15ppb platinum, 15ppb palladium, 10ppb gold, 96ppm copper and 1010ppm nickel.

AHRC0021 maximum down hole assays include 10ppb platinum, 80ppb palladium, 17ppb gold, 620ppm copper and 114ppm nickel.

AHRC0022 maximum down hole assays include 31ppb platinum, 72.86ppb palladium, 200ppb gold, 2700ppm copper and 114ppm nickel.

Water Bore Hole maximum down hole assays include 18ppb platinum, 16ppb palladium, 3ppb gold, 140ppm copper and 1350ppm nickel.

## DIRECTORS' REPORT (Continued)

### Byro East

Initial drilling and inspection of the Byro East intrusion assays show variable geochemistry within the intrusion, delineated by sharp boundaries, indicating some form of differentiation. The zones are identified by relative variations of sulphur, chrome, nickel, copper and PGE's. Sharp zonation can be caused by structural controls, fractional crystallisation or a pulsed series of magma flows from sub chambers.

During the acquisition of the high resolution gravity survey at Moonborough Athena completed several gravity traverses over the Byro East Intrusion to test the applicability of gravity surveying as an exploration method. The results show an increasing gravity response towards the west, outside of the known surface expression of the intrusion. This suggests the possibility of a root to the intrusive system, and hence a possible feeder zone under the mapped sediments on the western side of the Byro East Intrusion.

### Byro East Drilling Results

AHRC0025; 36m @ 0.34% Ni from 0m, (In laterite).  
AHRC0027; 4m @ 0.53% Ni from 16m (in Laterite)  
AHRC0027; 129.7m @ 0.26% Ni from 20m  
AHDH0001; 62.7m @ 0.29 % Ni from 149.7m (in Serpentinite) Including  
0.80m @ 0.33% Ni from 151.4m  
1.73m @ 0.31% Ni from 157.4m  
4.00m @ 0.31% Ni from 208.4m

Thin section analysis conducted by Roger Townend and Associates from the diamond core at 151.7m has identified several types of serpentine, including lizardite and antigorite as well as millerite alteration in pentlandite. The process of Serpentinisation appears to have occurred throughout the Byro East intrusive body which has now been linked to an upgrade of accumulations of pentlandite to millerite.

This can now be added to the prospectivity attributes of the Byro East Intrusive, which include,

- Fertile altered Serpentine Antigorite c/w abundant olivine adcumulate of consistently high MgO (37.3 % < 44.8%).
- Consistent primary Ni sulphide averaging 2736 ppm.
- Anomalous zones of increased sulphur, chrome, nickel, copper and PGE's.
- Upgrade of pentlandite to millerite during serpentinisation.

Athena's exploration of this intrusive body will now advance to indentifying the variation in geochemistry and define possible pulses while exploring for concentrations of sulphides, feeder pipes and potential trap sites through which fertile magma has flowed.

The co funded diamond hole AHDH0001 was extended to its completion with an end of hole depth at 500m. The core has been cut and assays are pending.

### Mount Narryer

Athena has successfully carried out reconnaissance rock chip sampling on a number of newly identified exploration targets on its 80% owned Mount Narryer (E09/1656) tenement applications. The Company is extremely encouraged by these initial results, which expand considerably the area of outcropping mafic lithologies with geochemical signatures generally associated with sulphur saturated, and thus fertile, mafic magmas.

The Mount Narryer rock chip samples were collected from ultramafic, norite and anorthosite out crops. All samples were anomalous in platinum, palladium and copper. The most interesting results were 1050ppm copper, 48 ppb gold, 18ppb palladium and 5ppb platinum from a single sample. Another sample from this area assayed 49ppb platinum, 47ppb palladium and 144ppm copper.

Athena carried out an aeromagnetic survey to improve the GSWA 400m data over the high resolution gravity anomaly associated with the interpreted Mt Narryer Layered Ultramafic intrusive on E09/1656.

## DIRECTORS' REPORT (*Continued*)

### Midadoo

On the Midadoo tenement (E09/1661) 40 soil samples were previously collected for geochemistry on four traverse lines across an outcropping pyroxenite-norite plug measuring approximately 1300 metres long by 800 metres wide. All samples over this mafic body were anomalous (greater than 8ppb) in platinum. Five of the samples were greater than 10 ppb with a best result of 20ppb platinum.

Where observed, the margins of this small intrusion are typically noritic and irregular with many small embayments. The copper, platinum and palladium in the geochemistry at Midadoo are comparable to the results from the northern extension to the Moonborough Prospect 40 kilometres to the north. Nickel and chrome results from Midadoo were higher, but this may just be a reflection of outcrop.

### 2 ASHBURTON PROJECT (Athena Resources 100% P08/493%, M08/189 90%)

The historic June-Audrey, Bilrose and, Camp and Party workings at Kooline are associated with discrete magnetic anomalies. A number of subtle anomalies that have no apparent surface expression are recognisable on imaged high resolution aero-magnetic data. These have been targeted with drilling and have generated some reasonable published results

Athena's study of the structures at Lewis's Prospect, the Bilrose and Jane Audrey lead workings has added a new layer to the geophysics, soil sampling and drill testing previously completed. Planning was carried out on the Ashburton Project in the June Quarter and site work was completed in July.

Current work centred on the gold targets at

- Lewis Prospect where Athena received positive drill results. The best results were **2 metres at 9.47g/t gold** from 77 metres in drill hole AK09RC12 and **1 metre at 4.73g/t gold** from 52 metres in drill hole AK09RC11. These two holes tested the same mineralised quartz vein array on sections 160 metres apart.
- Collins Prospect where Aberfoyle intersected 2 metres at 13.2 g/t gold in RC hole RCST03 at Sunken Treasure and Goldfields intersected 3 metres at 15.6g/t gold in drill hole DKRC06. Other intersections of interest include 5 metres at 2.7 g/t and 2 metres at 3.9 g/t gold.

Observations from field work have resulted in a new exploration model. Work will involve development and implementation of a metamorphic gradient sampling and mapping program, water bore isotope testing and IP anomaly targeting.

Athena is also a sponsor in the CSIRO Research into Improved Hydro Geochemical Exploration. This is being conducted in the Northwest Yulgarn region, also covering Ashburton, to add value to under explored areas.

#### ***Forward-looking Statements***

This document contains forward-looking statements concerning Athena's Projects that, despite being based on Athena's current expectations about future events, are subject to risks and uncertainties outside the control of Athena and its Directors. Forward-looking statements are not based on historical fact, and actual events or results may differ materially from those described in the forward-looking statements as a result of a variety of risks, uncertainties and assumptions.

The potential quality and grade of the untested areas of the Byro and Ashburton projects are conceptual in nature and there has been insufficient exploration to define Mineral Resources at these projects and it is uncertain if further exploration will result in the determination of a Mineral Resource.

**DIRECTORS' REPORT (Continued)**

**Competent Persons Statement**

The technical information relating to Athena's exploration projects was compiled by Mr Liam Kelly, an employee of Athena Resources Limited. Mr Kelly is a Member of the Australasian Institute of Mining and Metallurgy, and has sufficient relevant experience in the styles of mineralisation and deposit styles under consideration to qualify as a Competent Person as defined in "The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition)". Mr Kelly consents to this inclusion of the information in this report in the context and format in which it appears

	2011	2010
<b>Operating Results</b>	\$	\$
Consolidated loss after income tax for the financial year	666,892	412,354

**Financial Position**

At 30 June 2011 the Company has cash reserves of \$705,225 and other short term assets readily realisable in cash of \$117,474.

**Dividends**

No dividends were paid during the year and no recommendation is made as to dividends.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or in the consolidated accounts.

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

Since the end of the financial year under review and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the consolidated entity, in subsequent financial years.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Company intends to continue its exploration activities with a view to the commencement of mining operations as soon as possible.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

**MEETINGS OF DIRECTORS**

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2010, and the number of meetings attended by each Director. These meetings included matters relating to the Remuneration and Nomination Committees of the Company.

	Number eligible to attend	Number attended
Edmond William Edwards	8	8
Andrew Peter Thomson	7	7
Caigen Wang	8	8

## DIRECTORS' REPORT (Continued)

### AUDIT COMMITTEE

The audit committee is comprised of the non-executive directors Mr Andrew Thomson and Mr Caigen Wang. During the year ended 30 June 2011 Mr Thomson chaired two meetings of the Audit Committee.

### REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each director and executive of Athena Resources Limited.

The following persons acted as directors during or since the end of the financial year:

Andrew Peter Thomson	Chairman
Edmond William Edwards	Managing Director
Caigen Wang	Non Executive Director

The information provided in the remuneration report includes remuneration disclosures that are required under Accounting Standards AASB 124 "Related Party Disclosures". These disclosures have been transferred from the financial report and have been audited.

#### Remuneration policy

The board policy is to remunerate directors at market rates for time, commitment and responsibilities. The board determines payment to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholders interests, the directors are encouraged to hold securities in the company.

The company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and directors are remunerated to a level consistent with size of the company.

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

#### Performance-based remuneration

The company does not pay any performance-based component of remuneration.

#### Details of remuneration for year ended 30 June 2011

##### Directors' Remuneration

No salaries, commissions, bonuses or superannuation were paid or payable to directors during the year. With the exception of Mr A Thomson, remuneration was by way of fees paid monthly in respect of invoices issued to the Company by the Directors or Companies associated with the Directors in accordance with agreements between the Company and those entities. Details of the agreements are set out below.

##### Agreements in respect of cash remuneration of Directors:

Mr. Edwards is the Managing Director responsible for the day-to-day operations of the Company. The Company has an agreement with Tied Investments Pty Ltd to provide the management services of Mr. Edwards to the Company in relation to its corporate activities on normal commercial terms and conditions. An annual fee of \$180,000 excluding GST was paid during the year. Mr. Edwards is a director of Tied Investments Pty Ltd. The Company may terminate the contract by giving three months notice. Tied Investments Pty Ltd may terminate by giving three months notice.

Mr Caigen Wang is a Non Executive Director. Fees payable to Mr Wang are paid to his employer Ishine International Resources Limited.

## DIRECTORS' REPORT (Continued)

The Directors' are entitled to reimbursement of out-of-pocket expenses incurred whilst on company business.

The total remuneration paid to directors is summarised below:

Director	Associated Company	Fees	Total
<b>Year ended 30 June 2011</b>			
E W Edwards	Tied Investments Pty Ltd	180,000	180,000
A P Thomson		86,000	86,000
C Wang	Ishine International/Multiple Resources	54,333	54,333
		320,333	320,333
<b>Year ended 30 June 2010</b>			
E W Edwards	Tied Investments Pty Ltd	135,000	135,000
D F Thomson	Indigo Exploration Services Pty Ltd	95,000	95,000
C Wang	Ishine International Resources Ltd	11,458	11,458
A P Thomson		58,541	58,541
		299,999	299,999

The consolidated entity does not have any full time executive officers, other than directors as detailed above.

There were no performance related payments made during the year.

### SHARE OPTIONS

As at the date of this report, there were 34,270,465 options over unissued ordinary shares in the parent entity. Of these options 33,770,465 are listed, and are exercisable at \$0.08 on or before 30 April 2012. The remaining 500,000 are unlisted, and are exercisable at \$0.12 on or before 30 September 2012. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

### ENVIRONMENTAL ISSUES

The consolidated entity has conducted exploration activities on mineral tenements. The right to conduct these activities is granted subject to environmental conditions and requirements. The consolidated entity aims to ensure a high standard of environmental care is achieved and, as a minimum, to comply with relevant environmental regulations. There have been no known breaches of any of the environmental conditions.

### INDEMNIFICATION OF DIRECTORS

During the financial year, the Company has given an indemnity or entered into an agreement to indemnify as follows:

- The Company has entered into agreements with Edmond Edwards, Donald Thomson, Andrew Thomson and Caigen Wang to indemnify them against any liability incurred by them as an officer of the Company including costs and expenses of successfully defended legal proceedings.

### AUDITOR

HLB Mann Judd continues in office in accordance with section 327 of the Corporations Act 2001.

**DIRECTORS' REPORT (Continued)**

**NON-AUDIT SERVICES**

No non-audit services were provided by our auditors, HLB Mann Judd during the year ended 30 June 2011.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration as set out on page 27 has been received for the year ended 30 June 2011 and forms part of this directors' report.

**PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Signed in accordance with a resolution of the directors.

.....  
E W EDWARDS  
Managing Director

Dated at Perth this 28 day of September, 2011.

## CORPORATE GOVERNANCE STATEMENT

### CORPORATE GOVERNANCE

The Board of Directors of Athena Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Athena Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement reports on Athena Resources Limited's key governance principles and practices.

#### 1. COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

The Company, as a listed entity, must comply with the Corporations Act 2001 and the Australian Securities Exchange Limited (ASX) Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC). Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	2(a), 2(h), 3(b), Remuneration Report	Yes
<b>Principle 2</b>	<b>Structure the board to add value</b>		
2.1	A majority of the board should be independent directors.	2(e)	Yes
2.2	The chair should be an independent director.	2(c), 2(e)	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	Yes
2.4	The Board should establish a nomination committee.	2(d)	No
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	2(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes
<b>Principle 3</b>	<b>Promote ethical and responsible decision-making</b>		
3.1	Establish a code of conduct and disclose the code or a summary as to:	4(a)	Yes
	<ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the company's integrity;</li> </ul>		
	<ul style="list-style-type: none"> <li>the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and</li> </ul>		
	<ul style="list-style-type: none"> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>		
3.2	Establish a policy concerning achieving gender diversity and for the Board to establish measurable objectives.	4(c)	No
3.3	Disclose in each Annual Report the measurable objectives for achieving gender diversity		No
3.3	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(c)	

**CORPORATE GOVERNANCE STATEMENT (Continued)**

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The Board should establish an audit committee.	3(a)	Yes
4.2	The audit committee should be structured so that it:	3(a)	No
	<ul style="list-style-type: none"> <li>• consists only of non-executive directors;</li> </ul>		
	<ul style="list-style-type: none"> <li>• consists of a majority of independent directors;</li> </ul>		
	<ul style="list-style-type: none"> <li>• is chaired by an independent chair, who is not chair of the Board; and</li> </ul>		
	<ul style="list-style-type: none"> <li>• has at least three members.</li> </ul>		
4.3	The audit committee should have a formal charter	3(a)	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes
<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes
<b>Principle 6</b>	<b>Respect the rights of shareholders</b>		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes
<b>Principle 7</b>	<b>Recognise and manage risk</b>		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes

**CORPORATE GOVERNANCE STATEMENT (Continued)**

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>		
8.1	The Board should establish a remuneration committee.	3(b)	No
8.2	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	No
8.3	Provide the information indicated in the Guide to reporting on principle 8.	3(b),	Yes

**2. THE BOARD OF DIRECTORS**

**2(a) Roles and Responsibilities of the Board**

The Board is accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position.

The Board is responsible for:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately;
- Approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted a Code of Conduct and that the Company practice is consistent with that Code; and other policies; and
- Reporting to and advising shareholders.

Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Chief Executive Officer and Executive Management.

**2(b) Board Composition**

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Chief Executive Officer should be exercised by different individuals;
- the majority of the Board should comprise Directors who are non-executive;
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and
- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

**CORPORATE GOVERNANCE STATEMENT (Continued)**

The Board is currently comprised of two Non-Executive Directors and an Executive Director. The skills, experience, expertise, qualifications and terms of office of each director in office at the date of the annual report is included in the Directors' Report.

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

The Chief Executive Officer is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

**2(c) Chairman and Chief Executive Officer**

The Chairman is responsible for:

- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

The Chief Executive Officer is responsible for:

- implementing the Company's strategies and policies; and
- the day-to-day management of the Company's business activities

**2(d) Nomination Committee**

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board in accordance with the Company's "Selection of New Directors Policy".

**2(e) Independent Directors**

The Company recognises that independent Directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of Athena Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

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**CORPORATE GOVERNANCE STATEMENT (Continued)**

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The Board currently includes two independent non-executive Directors.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of Athena Resources Limited are considered to be independent:

<b>Name</b>	<b>Position</b>
Andrew Thomson	Chairman
Caigen Wang	Non Executive Director

The term in office held by each Director in office at the date of this report is as follows:

<b>Name</b>	<b>Term in Office</b>
Andrew Thomson	Since 17 May 2008
Edmond Edwards	Since 11 April 2005
Caigen Wang	Since 15 April 2010

In recognition of the importance of independent views and the Board's role in supervising the activities of management the Chairman should be a Non-Executive Director.

**2(f) Avoidance of conflicts of interest by a Director**

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

**2(g) Board access to information and independent advice**

Directors are able to access members of the management team at any time to request relevant information.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

**2(h) Review of Board performance**

The performance of the Board is reviewed regularly by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each Board member's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Athena Resources Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

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**CORPORATE GOVERNANCE STATEMENT (Continued)**

**3. BOARD COMMITTEES**

**3(a) Audit Committee**

The board has established an Audit Committee. Due to the size of the board the Audit Committee comprises the Chairman Mr A Thomson and non executive Director Mr C Wang. The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Company and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

The Board is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

*External Auditors*

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is HLB Mann Judd's policy to rotate engagement Partners on listed companies at least every five years in accordance with the Corporations Act 2001.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

There were no non-audit services provided by the auditors during the year.

**3(b) Remuneration Committee**

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the CEO's performance.

The Company has structured the remuneration of its senior executive, where applicable, such that it comprises a fixed salary, statutory superannuation and participation in the Company's employee share option plan. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

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**CORPORATE GOVERNANCE STATEMENT (Continued)**

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive director remuneration. The Company does not adhere to Recommendation 8.2 Box 8.2 'Non-executive directors should not receive options or bonus payments'. The Company may, in the future, grant options to non-executive directors. The Board is of the view that options (for both executive and non-executive directors) are a cost effective benefit for small companies such as Athena Resources Limited that seek to conserve cash reserves. They also provide an incentive that ultimately benefits both shareholders and the optionholders, as optionholders will only benefit if the market value of the underlying shares exceeds the option strike price. Ultimately, shareholders will make that determination.

The remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

**4. ETHICAL AND RESPONSIBLE DECISION MAKING**

**4(a) Code of Ethics and Conduct**

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

All Directors, officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

**4(b) Policy concerning trading in Company securities**

The Company's "Dealings in Company Shares and Options Policy" applies to all Directors, officers and employees. This policy sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities. The policy stipulates that the only appropriate time for a Director, officer or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market.

As a matter of practice, Company shares may only be dealt with by Directors and officers of the Company under the following guidelines:

- No trading is permitted in the period of 14 days preceding release of each quarterly report, half-yearly report and annual financial report of the Company or for a period of 2 trading days after the release of such report;
- Guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and
- Prior approval of the Chairman, or in his absence, the approval of two directors is required prior to any trading being undertaken.

**4(c) Policy Concerning Gender Diversity**

Athena is committed to establishing a policy concerning diversity and disclosure of the policy. The policy will include requirements for the board to establish measurable objectives for achieving gender diversity and for the Board to assess annually the objectives and report in the Annual Report.

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**CORPORATE GOVERNANCE STATEMENT (Continued)**

As a company with a small market capitalisation, the company has a small board. The company has no established policy in relation to gender diversity at present but is aware of the principle and will be alert for opportunities when board changes are contemplated. Given the size of the company and the limited number of employees, reporting the numbers of employees by gender is not regarded as a meaningful statistic.

**5. TIMELY AND BALANCED DISCLOSURE**

**5(a) Shareholder communication**

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements:

- be factual and subject to internal vetting and authorisation before issue;
- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Chairman or Chief Executive Officer are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

**5(b) Continuous disclosure policy**

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

**6. RECOGNISING AND MANAGING RISK**

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management has been established ("Risk Management and Internal Control Policy"). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

**6(a) Board oversight of the risk management system**

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully

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**CORPORATE GOVERNANCE STATEMENT (Continued)**

mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- at least quarterly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

**6(b) Risk management roles and responsibilities**

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

**6(c) Chief Executive Officer and Chief Financial Officer Certification**

The Chief Executive Officer and Chief Financial Officer, or equivalent, provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management an internal compliance and control system is operating efficiently and effectively in all material respects.

**6(d) Internal review and risk evaluation**

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.

**7. OTHER INFORMATION**

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's web site at [www.athenaresources.com.au](http://www.athenaresources.com.au)

**AUDITOR'S INDEPENDENCE DECLARATION**  
FOR THE YEAR ENDED 30 JUNE 2011



Accountants | Business and Financial Advisers

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Athena Resources Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia  
28 September 2011

A handwritten signature in blue ink, appearing to read "M R W OHM".

**M R W OHM**  
Partner, HLB Mann Judd

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HLB Mann Judd (WA Partnership) is a member of  HLB International, a worldwide organisation of accounting firms and business advisers.

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 30 JUNE 2011



		<b>Consolidated Entity</b>	
		<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
Revenue	2	41,771	14,926
Profit on sale of fixed assets		-	20,665
Expenses			
Depreciation	7	(18,633)	(28,865)
Employee and Consultant Costs		(441,574)	(277,753)
Exploration Written Off		(50,000)	(27,543)
Impairment Losses on Receivables		-	(888)
Listing and Share Registry Costs		(41,861)	(32,745)
Office and Communication Costs		(32,942)	(3,501)
Other expenses		(123,653)	(76,650)
<b>LOSS BEFORE INCOME TAX EXPENSE</b>		<u>(666,892)</u>	<u>(412,354)</u>
Income tax expense		-	-
<b>NET LOSS FOR THE YEAR</b>		<u>(666,892)</u>	<u>(412,354)</u>
Other Comprehensive income		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u><u>(666,892)</u></u>	<u><u>(412,354)</u></u>
Basic loss per share (cents per share)	20	(0.79)	(0.70)

These financial statements should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION**  
AS AT 30 JUNE 2011



	Note	Consolidated Entity	
		2011	2010
			\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	705,225	839,160
Trade and other receivables	6	117,474	106,286
<b>Total Current Assets</b>		822,699	945,446
<b>NON CURRENT ASSETS</b>			
Plant and equipment	7	43,897	61,589
Mineral exploration and evaluation	8	5,580,238	2,385,623
<b>Total Non Current Assets</b>		5,624,135	2,447,212
<b>TOTAL ASSETS</b>		6,446,834	3,392,658
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	443,977	308,896
<b>Total Current Liabilities</b>		443,977	308,896
<b>TOTAL LIABILITIES</b>		443,977	308,896
<b>NET ASSETS</b>		6,002,857	3,083,762
<b>EQUITY</b>			
Issued capital	10	9,604,452	6,038,465
Reserves	11	358,005	338,005
Accumulated losses	11	(3,959,600)	(3,292,708)
<b>TOTAL EQUITY</b>		6,002,857	3,083,762

These financial statements should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 30 JUNE 2011



<b>Consolidated Entity</b>	<b>Issued Capital \$</b>	<b>Accumulated Losses \$</b>	<b>Options Reserve \$</b>	<b>Total \$</b>
<b>Year ended 30 June 2011</b>				
Balance at 1 July 2010	6,038,465	(3,292,708)	338,005	3,083,762
Shares issued (net)	3,565,987	-	-	3,565,987
Issue of Incentive Options	-	-	20,000	20,000
Comprehensive loss for the year	-	(666,892)	-	(666,892)
Balance at 30 June 2011	<u>9,604,452</u>	<u>(3,959,600)</u>	<u>358,005</u>	<u>6,002,857</u>
<b>Year ended 30 June 2010</b>				
Balance at 1 July 2009	5,082,192	(3,111,354)	231,000	2,201,838
Shares issued (net)	956,273	-	-	956,273
Issue of Options	-	-	338,005	338,005
Transfer of Option Reserve on option expiry	-	231,000	(231,000)	-
Comprehensive loss for the year	-	(412,354)	-	(412,354)
Balance at 30 June 2010	<u>6,038,465</u>	<u>(3,292,708)</u>	<u>338,005</u>	<u>3,083,762</u>

These financial statements should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 30 JUNE 2011



	Note	Consolidated Entity	
		2011	2010
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payment to suppliers		(654,813)	(421,032)
Interest income received		41,771	14,927
Interest and other finance costs paid		(65)	(402)
<b>Net Cash Outflow From Operating Activities</b>	16	<u>(613,107)</u>	<u>(406,507)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration expenditure		(1,701,817)	(638,151)
Payment for purchase of exploration (net)	16	(999,500)	-
Proceeds on disposal of other fixed assets		-	31,409
Payment for other fixed assets		(941)	(46,493)
Proceeds on disposal of share investment		-	7,112
<b>Net Cash Outflow From Investing Activities</b>		<u>(2,702,258)</u>	<u>(646,123)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares and options		3,399,001	1,334,005
Share and option issue transaction costs		(217,571)	(39,727)
Repayment of borrowings		-	(12,838)
<b>Net Cash Inflow From Financing Activities</b>		<u>3,181,430</u>	<u>1,281,440</u>
Net (decrease) / increase in cash held		(133,935)	228,810
Cash and cash equivalents at beginning of the financial year		<u>839,160</u>	<u>610,350</u>
Cash and cash equivalents at the end of this financial year	5	<u><u>705,225</u></u>	<u><u>839,160</u></u>

These financial statements should be read in conjunction with the accompanying notes.

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011



### **NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis. The financial report is presented in Australian dollars.

The company is a listed public company, incorporated in Australia and operating in Australia. The entity's principal activities are mineral exploration.

#### **Reporting Basis and Conventions**

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of Athena's assets and the discharge of its liabilities in the normal course of business.

The Board considers that Athena is a going concern and recognises that additional funding is required to ensure that it can continue to fund its operations and further develop its mineral exploration and evaluation assets during the twelve month period from the date of this financial report. Such additional funding as occurred during the year ended 30 June 2011 as disclosed in Note 10, can be derived from either one or a combination of the following:

- The placement of securities under the ASX Listing Rule 7.1 or otherwise;
- An excluded offer pursuant to the Corporations Act 2001; or
- The sale of assets.

On 13 September 2011, the Company announced a non-renounceable rights issue to shareholders on the basis of 1 share for every 10 shares held on 21 September 2011 at a price of 9 cents each. The maximum number of shares which may be issued under the rights issue is 10,700,097 to raise approximately \$963,000 (based on the current capital structure of the company).

Accordingly, the Directors believe that subject to prevailing equity market conditions, Athena will obtain sufficient funding to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report. Should Athena be unable to obtain sufficient funding as outlined above, there is a material uncertainty that may cast significant doubt whether it will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should it not continue as a going concern.

#### **Statement of Compliance**

The financial report was authorised for issue on 28 September 2010.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011



**NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Adoption of new and revised standards**

**Changes in accounting policies on initial application of Accounting Standards**

In the year ended 30 June 2011, the consolidated entity has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

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 accounting policies of the consolidated entity.

The consolidated entity has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to consolidated entity accounting policies.

**Segment Reporting**

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Board of Athena Resources Limited.

**Accounting Policies**

**(a) Principles of Consolidation**

A controlled entity is any entity controlled by Athena Resources Limited. Control exists where Athena Resources Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Athena Resources Limited to achieve the objectives of Athena Resources Limited. All controlled entities have a 30 June financial year-end.

All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profit or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

**(b) Income Tax**

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowable items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date.

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011



**NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred tax is accounted for in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary difference can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(c) Plant and Equipment**

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

*Plant and equipment*

Plant and equipment are measured on the cost basis less accumulated depreciation and accumulated impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future consolidated benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

*Depreciation*

The depreciable amount of all fixed assets including capitalised lease assets, but excluding computers, is depreciated on a reducing balance commencing from the time the asset is held ready for use. Computers are depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	15 – 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to accumulated losses.

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011



**NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Mineral Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Tenement acquisition costs are initially capitalised. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the areas, sale of the respective areas of interest or where activities in the area have not yet reached a stage, which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full in the year in which the decision to abandon the areas is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure.

**(e) Impairment of Assets**

At each reporting date, the directors review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(f) Provisions**

Provisions are recognised where there is a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

**(h) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and service tax (GST).

**(i) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expenses. Receivables and payables in the statement of financial position are shown inclusive of GST.

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011



**NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(j) Issued Capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**(k) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(l) Critical accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**(m) Key Estimates – Impairment**

The directors assess impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of costs carried forward as exploration assets. The ultimate recoupment of value is dependent on the successful development and commercial exploration or sale of the respective areas.

<b>Consolidated Entity</b>	
<b>2011</b>	<b>2010</b>
<b>\$</b>	<b>\$</b>

**NOTE 2 - REVENUE**

Revenue from non-operating activities

Interest received	<u>41,771</u>	<u>14,926</u>
Total revenue	<u>41,771</u>	<u>14,926</u>

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2011



**Consolidated Entity**  
**2011**                      **2010**  
**\$**                                      **\$**

**NOTE 3 - LOSS FROM ORDINARY ACTIVITIES BEFORE TAX EXPENSE**

**(a) Expenses**

Borrowing costs expensed:	-	403
Total borrowing costs expensed	-	403
Depreciation of non-current assets:		
Plant and equipment	3,335	11,699
Office furniture and equipment	1,274	1,274
Motor vehicles	14,024	15,892
Total depreciation of non-current assets	18,633	28,865

**NOTE 4 - INCOME TAX**

No income tax is payable by Athena as each entity in the consolidated entity incurred a loss for tax purposes for the year and each has available recoupable income tax losses at balance date. The aggregate of income tax attributable to the financial year differs from the amount calculated on the operating loss. The differences are calculated as follows:

Loss for the year	(666,892)	(412,354)
Income tax calculated at 30%	(200,068)	(123,706)
<b>Tax effect of permanent differences:</b>		
Non-allowable provisions and write-downs	-	-
Non-allowable expenditure	-	-
Tax amortisation of capital raising costs	-	-
Deferred tax asset not recognised	(200,068)	(123,706)
<b>Income Tax Attributable To Operating Loss</b>	-	-

The directors estimate the deferred tax asset attributable to the company and its controlled entity at 30% are as follows:

<b>Revenue Losses</b>	2,453,606	1,696,930
-----------------------	-----------	-----------

The potential deferred tax asset has not been brought to account in the financial report at 30 June 2011 as the directors do not believe it is appropriate to regard the realisation of the asset as probable. This asset will only be obtained if:

- (a) The company and its controlled entity derive future assessable income of an amount and type sufficient to enable the benefit from the deductions for the tax losses and the unrecouped exploration expenditure to be realised;
- (b) The company and its controlled entity continue to comply with the conditions for deductibility imposed by tax legislation; and
- (c) No changes in tax legislation adversely affect the company and its controlled entity in realising the benefit from the deductions for the tax losses and unrecouped exploration expenditure.

**Franking Credits**

No franking credits are available at balance date for the subsequent financial year.

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2011



**Consolidated Entity**  
**2011**                      **2010**  
**\$**                              **\$**

**NOTE 5 - CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	705,225	839,160
	<u>705,225</u>	<u>839,160</u>

**NOTE 6 - TRADE AND OTHER RECEIVABLES**

**Current**

GST Receivable	76,653	44,922
Other	40,821	61,364
	<u>117,474</u>	<u>106,286</u>

**NOTE 7 - PLANT AND EQUIPMENT**

Plant and equipment		
Cost	170,800	169,859
Provision for depreciation	(126,903)	(108,270)
	<u>43,897</u>	<u>61,589</u>

Movement for the year

Opening balance	61,589	59,526
Additions	941	51,471
Proceeds on disposal	-	(41,208)
Profit on disposal	-	20,665
Depreciation expensed	(18,633)	(28,865)
Closing balance	<u>43,897</u>	<u>61,589</u>

**NOTE 8 - MINERAL EXPLORATION AND EVALUATION**

**Note**

At cost brought forward – exploration and evaluation phase		2,385,623	1,714,449
Expenditure during the year		1,855,115	698,717
Expenditure arising on purchase of Byro Exploration Pty Ltd	16	1,389,500	-
Expenditure written off		(50,000)	(27,543)
At cost less impairment		<u>5,580,238</u>	<u>2,385,623</u>

The ultimate recoupment of exploration expenditure carried forward is dependent upon successful development and commercial exploration, or sale of the respective areas

**NOTE 9 – TRADE AND OTHER PAYABLES**

**Current**

Trade creditors and accruals	386,903	171,752
Due to directors - remuneration	57,074	137,144
	<u>443,977</u>	<u>308,896</u>

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2011



	2011 \$	2010 \$
<b>NOTE 10 - ISSUED CAPITAL</b>		
<b>(a) Issued capital:</b>		
107,000,974 ordinary shares fully paid (2010: 65,600,974 ordinary shares fully paid)	9,604,452	6,038,466

**(b) Movements in ordinary share capital of the Company  
were as follows:**

Date	Details	No. Of Shares	Issue Price Cents	Value \$
	<b>Balance June 30 2009</b>	57,300,974		5,082,192
15/04/10	Placement (iv)	8,300,000	12.00	996,000
	Closing balance	65,600,974		6,078,192
	Less: Transaction costs arising on share issues	-		(39,726)
	<b>Balance June 30 2010</b>	65,600,974		6,038,466
30/11/10	Placement (i)	9,840,000	8.00	787,200
13/01/11	Placement (i)	17,660,000	8.00	1,412,800
25/02/11	Placement (i)	10,900,000	11.00	1,199,000
10/03/11	Placement (ii)	3,000,000	13.00	390,000
	Less: Transaction costs arising on share issues	-		(223,014)
	<b>Balance June 30 2011</b>	107,000,974		9,604,452

- (i) Funds raised for working capital purposes
- (ii) Placement of shares as part purchase of Byro Exploration Pty Ltd.
- (iii) Rights issue of options at 1 cent. Options exercisable at 8 cents on or before 30 April 2012.
- (iv) Placement of shares at 12 cents and options at 1 cent to Ishine International Resources Ltd
- (v) Placement of options at 1 cent
- (vi) Issue of Incentive Options. Options exercisable at 12 cents on or before 30 September 2012

**(c) Movement in Options:**

Date	Details	No. Of Options	Issue Price Cents	Value \$
	<b>Balance June 30 2009</b>	37,423,649		231,000
30/11/09	Expiry of Options	(37,423,649)		(231,000)
01/02/10	Rights Issue Options (iii)	28,650,465	1 cent	286,505
15/04/10	Placement (iv)	4,150,000	1 cent	41,500
15/04/10	Placement (v)	1,000,000	1 cent	10,000
	<b>Balance June 30 2010</b>	33,800,465		338,005
13/01/11	Incentive Options Issued (vi)	500,000	4 cents	20,000
	<b>Balance June 30 2011</b>	34,300,465		358,005

**(d) Voting and dividend rights**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity 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.

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2011



	2011 \$	2010 \$
<b>NOTE 11 - RESERVES AND ACCUMULATED LOSSES</b>		
Share Option Reserve (a)	358,005	338,005
Accumulated Losses (b)	<u>(3,959,600)</u>	<u>(3,292,708)</u>

**(a) Share Option Reserve**

Balance at beginning of the year	338,005	231,000
Transfer to Accumulated Losses on Expiry of Options	-	(231,000)
Issue of Options	<u>20,000</u>	<u>338,005</u>
Balance at end of the year (ii)	<u>358,005</u>	<u>338,005</u>

(i) Nature and purpose of reserve

The Share Option Reserve contains amounts received on the issue of options over unissued capital of the company.

(ii) The issue of options during the year at no consideration was valued at 4.0 cents per option using the Black-Scholes model with the following assumptions:

- (1) The underlying value of each share in the company was the closing share price of 8.7 cents as at 13 January 2011.
- (2) Risk free rate of return – 5.00%;
- (3) A volatility of the share price of 1.52%;
- (4) The Incentive Options issued are exercisable at 12 cents on or before 30 September 2012;
- (5) The appropriate discount factor to be applied to the value of each of the options due to the lack of marketability would be 30%.

**(b) Accumulated Losses**

Balance at beginning of the year	(3,292,708)	(3,111,354)
Net Loss from ordinary activities	(666,892)	(412,354)
Transfer to Accumulated Losses on Expiry of Options	-	231,000
Balance at end of the year	<u>(3,959,600)</u>	<u>(3,292,708)</u>

**NOTE 12 - COMMITMENTS FOR EXPENDITURE**

**(a) Mineral Tenement Leases**

In order to maintain current rights of tenure to mining tenements, the consolidated entity will be required to outlay amounts of \$7,429,700 (2010: \$6,683,095) in respect of minimum tenement expenditure requirements and lease rentals. The obligations are not provided for in the financial report and are payable as follows:

Not later than one year	1,485,940	1,336,619
Later than 1 year but not later than 2 years	1,485,940	1,336,619
Later than 2 years but not later than 5 years	<u>4,457,820</u>	<u>4,009,857</u>
	<u>7,429,700</u>	<u>6,683,095</u>

The Company has a number of avenues available to continue the funding of its current exploration program and as and when decisions are made, the Company will disclose this information to shareholders.

The commitments referred to above represent the Company's share of obligations under joint venture agreements without allowing for dilution.

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2011



**NOTE 13 - CONTINGENT LIABILITIES**

Athena Resources Limited and its controlled entities have no known material contingent liabilities as at 30 June 2011 or 30 June 2010.

**NOTE 14 - INVESTMENT IN CONTROLLED ENTITIES**

	Class of Shares		Contribution to net loss		Book Value of Athena's Investments	
			2011	2010	2011	2010
			\$	\$	\$	\$
Athena Resources Limited - Parent Entity	Ordinary	100%	(666,892)	(412,354)	-	-
Complex Exploration Pty Ltd	Ordinary	100%	-	-	100	100
Capricorn Resources Pty Ltd	Ordinary	100%	-	-	200,000	200,000
Byro Exploration Pty Ltd (c)	Ordinary	100%	-	-	1,390,000	-
			<u>(666,892)</u>	<u>(412,354)</u>	<u>1,590,100</u>	<u>200,100</u>

- (a) The above controlled entities are incorporated in Australia.
- (b) The book value of Athena Resources Limited's investment in the ordinary shares of controlled entities, is at cost which does not exceed the underlying net assets of the entity.
- (c) Wholly owned subsidiary of Complex Exploration Pty Ltd

**NOTE 15 - SEGMENT INFORMATION**

During the year the Group operated principally in one business segment being mineral exploration within Australia.

	2011	2010
	\$	\$
<b>NOTE 16 - NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>(a) Reconciliation of loss after income tax to net operating cash flows</b>		
Loss from ordinary activities	(666,892)	(412,354)
Depreciation	18,633	28,866
Profit on Disposal fixed assets	-	(20,665)
Loss on sale of Investments	-	888
Value of Incentive Options Issued	20,000	-
Write off of Mineral Exploration	50,000	27,543
Movement in assets and liabilities		
Receivables	20,912	(16,937)
Payables	(55,760)	(13,848)
Net cash used in operating activities	<u>(613,107)</u>	<u>(406,507)</u>

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2011



	Note	2011 \$	2010 \$
<b>NOTE 16 - NOTES TO THE STATEMENT OF CASH FLOWS (Continued)</b>			
<b>(b) Purchase of Controlled Entity</b>			
During the year 100% of the controlled entity Byro Exploration Pty Ltd was acquired. Details of the transaction are			
Consideration			
- Shares Issued	10	390,000	-
- Cash Paid		1,000,000	-
		<u>1,390,000</u>	<u>-</u>
Fair value of net assets acquired			
- Mineral Exploration and Evaluation	8	1,389,500	-
- Cash		500	-
		<u>1,390,000</u>	<u>-</u>

As the entity acquired did not constitute a business, it is excluded from the scope of AASB 3 Business Combinations, and accordingly been accounted for as an asset acquisition.

**NOTE 17 - KEY MANAGEMENT PERSONNEL**

(a) Directors

The names and positions of Directors in office at any time during the financial year are:

Andrew Peter Thomson	Chairman
Edmond William Edwards	Managing Director
Caigen Wang	Non Executive Director

(b) Remuneration Policies

Remuneration policies are disclosed in the Remuneration Report which is contained in the Directors' Report.

(c) Directors' Remuneration

No salaries, commissions, bonuses or superannuation were paid or payable to directors during the year. Remuneration was by way of fees paid monthly in respect of invoices issued to the Company by the Directors or Companies associated with the Directors in accordance with agreements between the Company and those entities. Details of the agreement are set out below.

Agreements in respect of cash remuneration of Directors:

Mr. Edwards is the Managing Director responsible for the day-to-day operations of the Company. The Company has an agreement with Tied Investments Pty Ltd to provide the management services of Mr. Edwards to the Company in relation to its corporate activities on normal commercial terms and conditions. An annual fee of \$180,000 excluding GST was paid during the year. Mr. Edwards is a director of Tied Investments Pty Ltd. The Company may terminate the contract by giving three months notice. Tied Investments Pty Ltd may terminate by giving three months notice.

Mr. Donald Thomson was the Technical Executive responsible for the technical operations of the Company until his resignation on 15 April 2010. The Company had an agreement with Indigo Exploration Services Pty Ltd to provide the technical services of Mr. Donald Thomson to the Company in relation to its activities on normal commercial terms and conditions. Mr. Thomson is a director and shareholder of Indigo Exploration Services Pty Ltd.

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2011



**NOTE 17 - KEY MANAGEMENT PERSONNEL (Continued)**

Mr Caigen Wang is a Non Executive Director. Fees payable to Mr Wang are paid to his employer Ishine International Resources Limited.

The Directors' are entitled to reimbursement of out-of-pocket expenses incurred whilst on company business.

The total remuneration paid to directors is summarised below:

Director	Associated Company	Fees	Total
<b>Year ended 30 June 2011</b>			
E W Edwards	Tied Investments Pty Ltd	180,000	180,000
A P Thomson		86,000	86,000
C Wang	Ishine International/Multiple Resources	54,333	54,333
		<u>320,333</u>	<u>320,333</u>

Director	Associated Company	Fees	Total
<b>Year ended 30 June 2010</b>			
E W Edwards	Tied Investments Pty Ltd	135,000	135,000
A P Thomson		58,541	58,541
C Wang	Ishine International Resources Ltd	11,458	11,458
D F Thomson	Indigo Exploration Services Pty Ltd	95,000	95,000
		<u>299,999</u>	<u>299,999</u>

d) Aggregate amounts payable to Directors and their personally related entities.

	2011 \$	2010 \$
Current		
Accounts payable	<u>57,074</u>	<u>137,144</u>

	Balance 1 July 2010	Option Expiry	Placement	Purchase on market	Balance on Appointment / Resignation	Balance 30 June 2011
<b>(e) Shareholding</b>						
E W Edwards	8,590,000	-	-	487,991	-	9,077,991
C Wang	800,000	-	312,500	-	-	1,112,500
A P Thomson	1,808,045	-	1,875,000	300,000	-	3,983,045
	<u>11,198,045</u>	<u>-</u>	<u>2,187,500</u>	<u>787,991</u>	<u>-</u>	<u>14,173,536</u>

	Balance 1 July 2010	Option Expiry	Placement	Purchase on market	Balance on Appointment / Resignation	Balance 30 June 2011
<b>(f) Optionholding</b>						
E W Edwards	4,245,000	-	-	-	-	4,245,000
C Wang	-	-	-	-	-	-
A P Thomson	829,110	-	-	-	-	829,110
	<u>5,074,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,074,110</u>

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2011



**NOTE 18 - RELATED PARTY INFORMATION**

	<b>Parent Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Transactions within the Consolidated Entity</b>		
Aggregate amount receivable within the consolidated entities at balance date		
Non-current receivables – Controlled Entities	5,412,601	2,217,486
Less : Provision for non recovery	<u>(31,663)</u>	<u>(31,663)</u>
	<u>5,380,938</u>	<u>2,185,823</u>

All loans to related parties and controlled entities are interest free and repayable on demand.

**NOTE 19 - REMUNERATION OF AUDITORS**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Amount received, or due and receivable, by the auditors for:		
Auditing and reviewing of the financial statements of Athena Resources Limited and of its controlled entities	17,900	17,300
Other Services	<u>-</u>	<u>-</u>
	<u>17,900</u>	<u>17,300</u>

**NOTE 20 - LOSS PER SHARE**

	<b>Number of Shares</b>	
	<b>2011</b>	<b>2010</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	<u>84,211,549</u>	<u>59,051,933</u>
	<b>\$</b>	<b>\$</b>
Loss used in the calculation of loss per share	<u>(666,892)</u>	<u>(412,354)</u>

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2011



**NOTE 21 - FINANCIAL RISK  
MANAGEMENT**

**(a) Financial Risk Management Policies**

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and hire purchase liabilities.

The board's overall risk management strategy seeks to assist the group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. The group has developed a framework for a risk management policy and internal compliance and control systems that covers the organisational, financial and operational aspects of the consolidated entity's affairs. The Chairman is responsible for ensuring the maintenance of, and compliance with, appropriate systems.

**(i) Financial Risk Exposures and Management**

The main risks the group is exposed to through its financial instruments are interest rate risk and liquidity risk.

**Interest Rate Risk**

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of change in the market, interest rate and the effective weighted average interest rate on these financial assets, is as follows:

	Non Interest Bearing \$		Weighted Average Effective Interest Rate %		Floating Interest Rate \$	
	2011	2010	2011	2010	2011	2010
<b>Financial Assets</b>						
- Cash at bank	-	-	4.04	3.46	705,225	839,160
- Trade debtors	117,474	106,286			-	-
Total Financial Assets	<u>117,474</u>	<u>106,286</u>			<u>705,225</u>	<u>839,160</u>
<b>Financial Liabilities</b>						
- Payable and accruals	386,903	171,752			-	-
- Amounts payable related parties	57,074	137,144			-	-
Total Financial Liabilities	<u>443,977</u>	<u>308,896</u>			<u>-</u>	<u>-</u>

**Liquidity Risk**

The consolidated entity manages liquidity risk by monitoring forecast cash flows.

**Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, is the carrying amount net of any allowance for doubtful debts, as disclosed in the statement of financial position and notes to the financial statement.

In the case of cash deposited, credit risk is minimised by depositing with recognised financial intermediaries such as banks, subject to Australian Prudential Regulation Authority Supervision.

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

**Capital Management Risk**

Management controls the capital of the consolidated entity in order to maximise the return to shareholders and ensure that the Consolidated entity can fund its operations and continue as a going concern.

Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues. There have been no changes in the strategy adopted by management to control capital of the consolidated entity since the prior year.

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2011



**NOTE 21 - FINANCIAL RISK  
MANAGEMENT (Continued)**

**(b) Financial Instruments**

**Net Fair Values**

For financial assets and liabilities, the net fair value approximates their carrying value. The consolidated entity has no financial assets or liabilities that are readily traded on organised markets at balance date and has no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

**Interest Rate Sensitivity Analysis**

The consolidated entity has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity analysis demonstrates the effect on the current year results and equity which could result in a change in these risks.

At 30 June 2011 the effect on the loss and equity as a result of a 2% change in the interest rate with all other variables remaining constant is as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Change in Loss		
- Increase in interest by 2%	20,666	8,619
- Decrease in interest by 2%	(20,666)	(8,619)
Change in equity		
- Increase in interest by 2%	20,666	8,619
- Decrease in interest by 2%	(20,666)	(8,619)

**NOTE 22 - MATTERS SUBSEQUENT TO THE END OF FINANCIAL  
YEAR**

On 13 September 2011, the Company announced a non-renounceable rights issue to shareholders on the basis of 1 share for each 10 shares held on 21 September 2011 at a price of 9 cents each. The maximum number of shares which may be issued under the rights issue is 10,700,097 to raise approximately \$963,000 (based on the current capital structure of the company).

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2011



**NOTE 23 - PARENT ENTITY DISCLOSURES**

**Financial Position**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	704,425	838,860
Trade and other receivables	117,474	106,286
Total Current Assets	<u>821,899</u>	<u>945,146</u>
<b>NON CURRENT ASSETS</b>		
Plant and equipment	43,897	61,589
Investment in subsidiaries	200,100	200,100
Mineral exploration and evaluation	-	-
Loans to subsidiaries (I)	5,380,938	2,185,823
Total Non Current assets	<u>5,624,935</u>	<u>2,447,512</u>
<b>TOTAL ASSETS</b>	<u>6,446,834</u>	<u>3,392,658</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	443,977	308,896
Total Current Liabilities	<u>443,977</u>	<u>308,896</u>
<b>TOTAL LIABILITIES</b>	<u>443,977</u>	<u>308,896</u>
<b>NET ASSETS</b>	<u>6,002,857</u>	<u>3,083,762</u>
<b>EQUITY</b>		
Issued capital	9,604,452	6,038,465
Share Option Reserve	358,005	338,005
Accumulated losses	(3,959,600)	(3,292,708)
<b>TOTAL EQUITY</b>	<u>6,002,857</u>	<u>3,083,762</u>
<b>Financial Performance</b>		
Loss for the year	(666,892)	(412,354)
Other comprehensive income - options expired during the year	-	-
Total comprehensive income	<u>(666,892)</u>	<u>(412,354)</u>

The parent entity has not entered into any guarantees in relation to debts of its subsidiaries, has no contingent liabilities, and has no commitments for acquisition of property, plant and equipment.

(I) The ultimate recovery of the loans to the subsidiaries is dependent on the successful development and/or commercial exploitation or sale of the subsidiaries' exploration assets.

**DIRECTORS DECLARATION**  
FOR THE YEAR ENDED 30 JUNE 2011



**DIRECTORS' DECLARATION**

The Directors of the company declare that:

- 1) the financial statements and notes are in accordance with the Corporation Act 2001 and:
  - (a) comply with Accounting Standards, the Corporation Regulations 2001, professional reporting requirements and other mandatory requirements; and
  - (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the consolidated entity;
  
- 2) the Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporation Act 2001;
  - (b) the financial statement and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
  
- 3) 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.
  
- 4) the financial statements and notes thereto are in accordance with the international financial reporting standards issued by the International Accounting Standards Board.

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

---

E W Edwards  
Managing Director

Date at Perth this 28 September 2011

## INDEPENDENT AUDITOR'S REPORT

To the members of Athena Resources Limited

### Report on the Financial Report

We have audited the accompanying financial report of Athena Resources Limited ("the company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report and remuneration report of Athena Resources Limited for the financial year ended 30 June 2011 included on Athena Resources Limited's website. The company's directors are responsible for the integrity of the Athena Resources Limited website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report identified in this report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report.

**Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

**Auditor's Opinion**

In our opinion:

- (a) the financial report of Athena Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that that additional funding is required to continue to fund the consolidated entity's operations and further develop its mineral exploration and evaluation assets during the twelve month period from the date of this financial report. Should the company be unable to obtain sufficient funding as outlined in Note 1, there is a material uncertainty that may cast significant doubt whether it will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's Opinion**

In our opinion, the Remuneration Report of Athena Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

*HLB Mann Judd*

**HLB MANN JUDD**  
Chartered Accountants



**M R W OHM**  
Partner

Perth, Western Australia  
28 September 2011