KATANA
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ASX/MEDIA RELEASE

13 September 2006

Commentary on Preliminary Final Report for the period ended 30th June 2006 - Appendix 4E attached

Katana Capital Limited (ASX: KAT) ("Katana Capital") please find attached Katana Capital's Investment Report prepared by its Investment Manager, Classic Capital Ltd, together with Katana Capital's Appendix 4E for the period ending 30 June 2006.

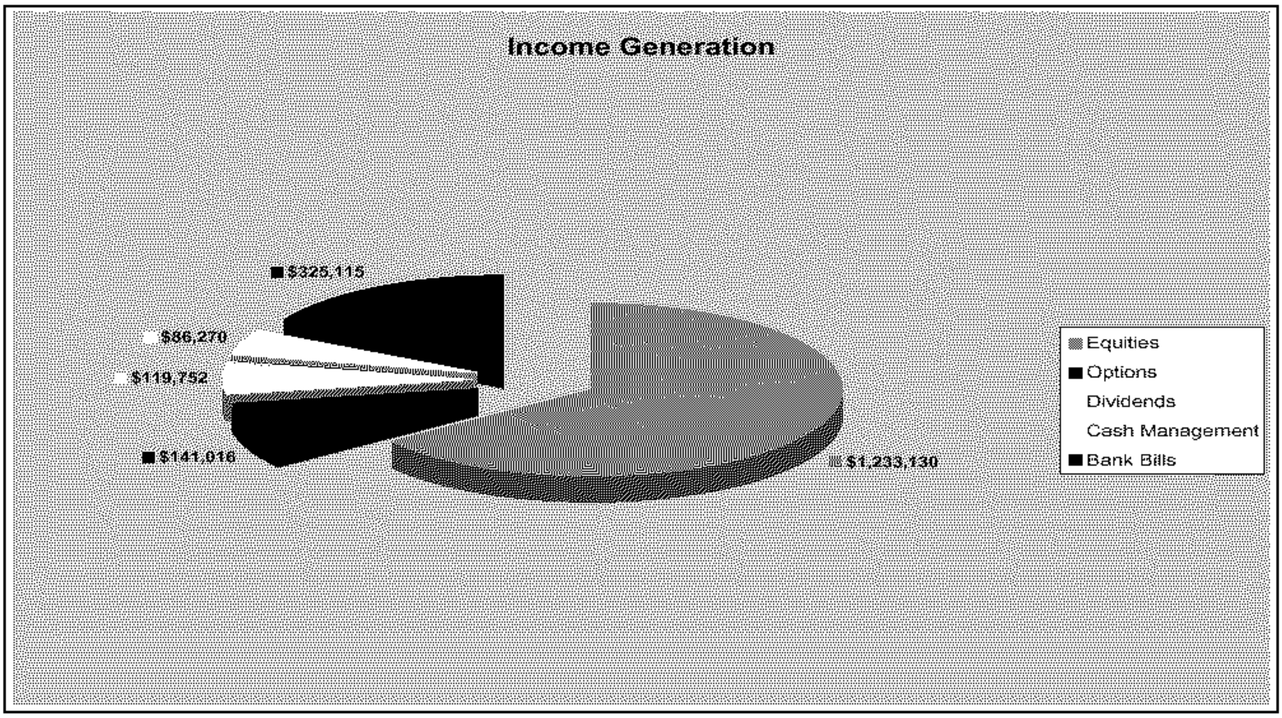
Investment Manager Investment Report

Overview

Classic Capital Pty Ltd as manager ('Investment Manager') for Katana Capital Limited ('Company') is pleased to present its inaugural report on the performance of the Company's portfolio since IPO to June 30th 2006.

Performance of the Portfolio Since Listing

The Investment Manager is satisfied with the initial performance of the portfolio, with investment income totalling approximately $1.91m. The majority of these returns were generated from equity holdings, despite the fact that the portfolio was predominantly in cash for much of this period.



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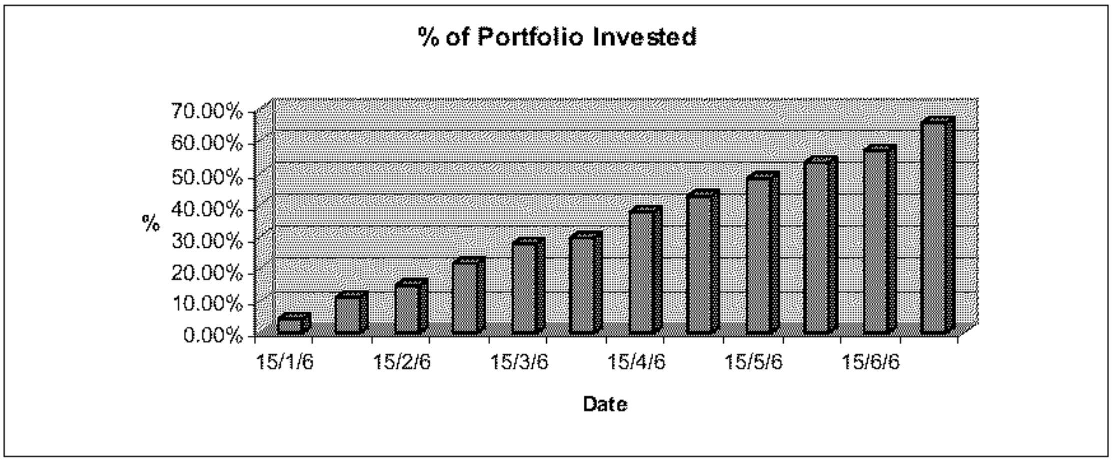
In percentage returns, the portfolio yielded an investment return of 9.95%. This compared favourably to the Company's stated benchmark - the All Ordinaries index – which returned 6.9% over the same period.

Portfolio Activity

The six months to June 30th represents a unique period in the establishment of the portfolio. Subsequent to the listing on the 23rd of December, the Investment Manager worked methodically and progressively to establish some core holdings, along with some more opportunistic trading positions.

The Investment Manager was conscious that in the first quarter of the 2006 calendar year, the market had appreciated at an unsustainable rate. Accordingly, whilst the Investment Manager worked to identify potential equity holdings, the decision was made to maintain an overweight cash position until such time as the market presented a better entry point.
The subsequent pullback in May and June provided such an opportunity, and the Investment Manager moved to increase the equity exposure in the portfolio from approximately 40% to a level approaching 65%.

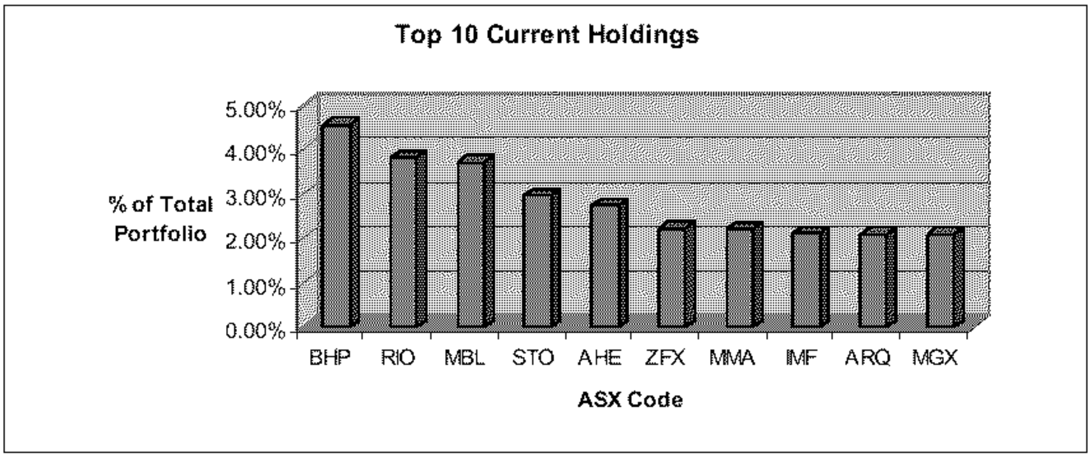


The low average level of equity investment over the initial period has impacted the performance of the portfolio. The Manager is confident that a solid foundation has now been established to capitalise on any future uplift in the domestic equity market.

Summary of Investments as at 30th June 2006

Asset Class	Current Balance	% of Portfolio
Equities	$14,599,208	62.56%
Options	$20,000	0.09%
Cash Management	$2,740,264	11.74%
Bank Bills	$5,975,593	25.61%
	$23,335,065	**100.00%**

As at the close of the 2006 financial year, the portfolio had cash reserves of approximately $8.7m or 37% of the total value.



The Manager believes that significant value remains at the top end of the market, and accordingly has taken overweight positions in BHP Billiton Limited, RIO Tinto Limited and Macquarie Bank Limited. History has demonstrated that the larger market capitalisation companies have provided the best risk-return profiles over the long term. Accordingly they remain the preferred focus where value exists.

Additionally, the directionless but volatile nature of the current market lends itself well to (covered) option writing, with premiums ranging from between 2% - 5% per month. To this end the Manager has established weightings above and beyond long-term core holdings in selected companies.

The Manager remains bullish on the medium term outlook for the price of oil. Five (5) oil-producing companies have been added to the portfolio as at balance date, with the largest of these holdings being Santos Limited.

In the emerging end of the market, the portfolio has notable holdings in Automotive Holdings Group Limited, Zinifex Limited, IMF (Australia) Limited and Mount Gibson Iron Limited.

In total, the portfolio now contains some 45 companies. Many of these holdings are underweight in respect of the anticipated long term positioning, and will be selectively added to over the coming months.

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Activity Since Balance Date and Outlook

Of note since balance date is the significant position that the Company has established in Mineral Resources Limited (ASX code MIN), as released to the ASX on the 14/07/2006. The Company owns a total of 1.7 millions shares in MIN, obtained through the initial public offering (IPO) at an issue price of 90c per share. Shares in MIN closed at $1.15 on the 31st of July.

The ability to provide shareholders with unique access to new issues has been a key focus of the Company's business model, and the Manager believes that solid progress is being made in this respect. The Board of Directors and the Manager are however keen to continue to expand the network of corporate and institutional contacts, to maximise the access to corporate opportunities.

The Manager notes that the current sentiment towards Australian equities is patchy and volatile. Additionally, capital appreciation over the coming 12 months is likely to be below the level experienced over the previous corresponding period.

However, the Manager remains decidedly positive on the medium term outlook for the Australian Market given the:

- Continuing belief that the commodity price cycle has some distance to run
- Level of takeover and merger activity that is gaining momentum
- Strength of corporate balance sheets; average company gearing is at an historically low level, supporting the capacity for increased dividends, special dividends, capital returns and share buybacks
- (slowing but) Rising corporate earnings.

Accordingly, the Manager looks forward to the coming 12 months.

Brad Shallard
Investment Manager
Classic Capital Ltd

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Romano Sala Tenna
Investment Manager
Classic Capital Ltd

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Appendix 4E

Full Year Report

30 June 2006

Katana Capital Limited

ACN 116 054 301

Results for announcement to the market

			June 2006	June 2005*
Financial Results	**Movement**		**$**	**$**
Revenue from ordinary activities	NA	NA	$1,905,283	NA
Profit/(loss) from ordinary activities after tax attributable to members	NA	NA	$1,493,371	NA
Net profit/(loss) for the period attributable to members	NA	NA	$1,097,776	NA

Dividends	Amount per Ordinary Security	Franked amount per security
2006 interim dividend	Nil	Nil
2005 interim dividend	Nil	Nil

Record date for determining entitlements to interim dividends	N/A

Net Tangible Asset Backing	**June 2006**	**June 2005***
Net tangible asset backing per ordinary security	$1.00	NA

* Katana Capital Limited was incorporated on 19 September 2005 and therefore FY 2006 represents its first year of operations and reporting.

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KATANA CAPITAL LIMITED
PRELIMINARY FINAL REPORT
CONDENSED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

KATANA
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	Note	2006 $
Investment Income		
Dividend Income	2	119,752
Interest Income		411,385
Investment Income:	2	
Unrealised gains in net fair value of investments		744,492
Realised gains on sale of investments	2	488,638
Options Income		141,016
Total Investment Income		1,905,283
Expenses		
Administration		87,978
Directors' fees and expenses		138,097
Interest Expense		2,352
Legal and professional fees		40,672
Manager's fees		142,812
Total expenses		411,911
Profit before income tax		1,493,371
Income tax expense attributable to operating profit		(395,595)
Net Profit attributable to members of Katana Capital Limited		1,097,776
Basic earnings per share (cents per share)		9.95
Diluted earnings per share (cents per share)		9.95

The accompanying notes form part of this condensed Income Statement.

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KATANA CAPITAL LIMITED
PRELIMINARY FINAL REPORT
CONDENSED BALANCE SHEET
AS AT 30 JUNE 2006

	Note	At 30 June 2006 $
Current Assets		
Cash and cash equivalents		8,715,857
Receivables		58,080
Financial assets held for trading		14,619,208
Other assets		26,083
Total Current Assets		23,419,228
Non Current Assets		
Deferred Tax Asset		143,016
Total Non Current Assets		143,016
Total Assets		23,562,244
Current Liabilities		
Payables		1,169,668
Interest-bearing liabilities		12,331
Income tax liability		33,603
Total Current Liabilities		1,215,602
Non Current liabilities		
Deferred tax liability		361,156
Total Non Current Liabilities		361,156
Total Liabilities		1,576,758
Net Assets		21,985,486
Equity		
Issued Capital	5	20,887,710
Retained Earnings		1,097,776
Total Equity		21,985,486

The accompanying notes form part of this condensed Balance Sheet.

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KATANA CAPITAL LIMITED
PRELIMINARY FINAL REPORT
CONDENSED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	2006 $
Cash flows from operating activities	
Payments to suppliers and employees	(340,861)
Interest paid	(2,352)
Interest received	411,385
Dividends received	119,752
Net cash flows from operating activities	187,924
Cash flows from investing activities	
Net proceeds from sale of investments	571,574
Payments for investments	(12,800,530)
Net cash flows used in investing activities	(12,228,956)
Cash flows from financing activities	
Proceeds from issue of shares	21,350,000
Share issue expenses	(605,441)
Net proceeds from borrowings	12,331
Net cash flows from financing activities	20,756,890
Net increase in cash held	8,715,858
Cash at beginning of the year	-
Cash at end of the year	8,715,858

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KATANA CAPITAL LIMITED
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation Financial Report

The company was incorporated on 19 September 2005. Accordingly this is the first full year financial report for the company, prepared for the period 19 September 2005 to 30 June 2006.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the company are disclosed below.

Investments

All investments are initially recognised at cost, being the fair value for the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading or available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. For Investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on trade date i.e. the date that the company commits to purchase the asset.

Loans & Receivables
Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition. For financial assets carried at amortised cost, gains and losses are recognised in the income statement when the financial assets are derecognised or impaired, as well as through the amortisation process.

Derecognition of Financial Assets
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third pary lender under a "pass-through" arrangement; or

- the company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Dividend Income
Dividends are recognised when the right to receive payment is established.

Interest
Interest is recognised on an accruals basis using the effective interest rate method, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset. Interest on cash on deposit is recognised in accordance with the terms and conditions that apply to the deposit.

All revenue is stated net of any amounts of Goods and Services Tax.

Income Tax

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

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

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Receivables

Receivables may include amounts for dividends, interest and securities sold where settlement has not yet occurred and are recognised at original values. Interest is accrued from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at amortised cost and represent liabilities for goods and services provided to the group prior to the end of the financial year that are unpaid and due when the group becomes obliged to make future payments in respect to the purchase of these goods and services.

Issued Capital

Issued 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.

Earnings per Share

Basic earnings per share is calculated as net profitable attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares on issue during the financial year adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for;

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares on issue during the financial year adjusted for any bonus element.

Other Taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Interest-bearing liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.
Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

	30/06/06 No
EARNINGS PER SHARE	
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	15,001,465

Potential ordinary shares on issue are not considered to be dilutive.

EVENTS AFTER BALANCE SHEET DATE

The Directors are not aware of any matter or circumstance that has significantly or may significantly affect the operations of the company or the results of those operations, or the state of affairs of the company in subsequent financial years.

ISSUED CAPITAL

Movement in shares on issue	**Number**	**$**
Balance at beginning of period	-	-
Shares issued at $0.75 in November 2005	200,000	150,000
Initial public offering at $1.00 December 2005	21,200,000	21,200,000
Less capital raising expenses net of tax	-	(462,290)
Balance at end of the period	21,400,000	20,887,710

Movement in options on issue	**Number**	**$**
Balance at beginning of period	-	-
Options issued in November 2005	200,000	-
Options issued as part of Initial public offering December 2005	21,200,000	-
Balance at end of the period	21,400,000	-

SEGMENT INFORMATION

The company operates in one industry, namely the investment funds management, in one geographical segment, namely Australia.

CONTINGENT ASSETS & LIABILITIES

There are no contingent liabilities or contingent assets as at 30 June 2006.

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Annual meeting

The annual meeting will be held as follows:

Place	Level 39, Deacons Boardroom BankWest Tower 1088 St George's Terrace Perth, WA 6000
Date	Provisionally set as 24 November 2006
Time	10am (WST)
Approximate date the +annual report will be available	17 October 2006

Compliance Statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used	

2 This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed

4 This report is based on +accounts to which one of the following applies.
(Tick one)

☐	The +accounts have been audited.	☐	The +accounts have been subject to review.
✓	The +accounts are in the process of being audited or subject to review.	☐	The +accounts have *not* yet been audited or reviewed.

5 The entity has formally constituted audit committee.

Sign here:

Date: 13 September 2006

Print name: Gabriel Chiappini
Company Secretary