



Athena
RESOURCES LIMITED

ABN 69 113 758 900

**INTERIM FINANCIAL REPORT
31 DECEMBER 2010**

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DIRECTORS' REPORT



AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The following persons were Directors of Athena Resources Limited during the whole of the financial half-year and up to the date of this report;

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

REVIEW OF OPERATIONS

Overview

Athena Resources Limited is a mineral exploration company with an iron ore, gold, nickel and basemetals focus. The Company is targeting "green-fields" Proterozoic and Archaean terranes in Western Australia that exhibit features associated with large mineral systems. Athena is exploring for iron ore, magmatic nickel-copper sulphide and platinum group mineralisation at Byro and gold-copper-silver-lead mineralisation at the Ashburton project.

1. BYRO PROJECT (Athena Resources 80%, contributing 100%)

Byro Iron Ore.

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.

During the half-year Athena carried out an outcrop rock chip sampling program at Byro. This program was conducted as a follow up from refined high amplitude magnetic targeting. The results from this program have revealed outstanding Fe grades at selected anomalies.

The 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.

FE1, was sampled in 2009 with results reported to the ASX in December 2009. FE1 was subsequently drill tested in September 2010 with results reported in October 2010. Also in October 2010 Athena reported high grade Davis Tube recoveries from the iron samples at FE1.

As reported in October 2010, the extent of the interpreted iron ore targets identified from the aeromagnetic surveys, within tenements E09/1552, E09/1507, E09/1508, E09/1637 and ELA09/1781, cover an area of 40 km by 30 km (or 1200 sq km). This included 20km strike length of prospective magnetite iron ore horizon.

DIRECTORS' REPORT



AND CONTROLLED ENTITIES

Results from the sampling program carried out in November 2010 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.

Byro Base Metal and Precious Metals

During the half year Athena announced the completion of 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 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 sulphide mineralisation.

Initial inspection of the Byro East intrusion assays show variable geochemistry within the intrusion, delineated by sharp boundaries, indicating some form of differentiation. The zones were 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. Further geochemical assessment is underway.

2. ASHBURTON PROJECT (Athena Resources 100%, P08/493 95%, M08/189 90%)

Athena's Ashburton Project takes in known gold prospects at Lewis', Kooline North, True Grit, Dook, and Sunken Treasure, and silver/lead at the Kooline workings. A number of these occurrences are evident as anomalous responses in the regional gravity and magnetic data sets. Previous work has largely been confined to surface geochemistry and prospecting along the access corridors with limited follow-up drill testing. The Western Australian Geological Survey's regional sampling programme has identified geochemical anomalies from that warrant follow-up testing.

The Company's tenements cover rocks of the Ashburton and Capricorn formations of the Wyloo Group along the northern margin of the west Bangemall Basin. Area selection was driven by studies of the regional geophysics which indicate a number of elements conducive to the formation of large mineral systems. The combination of granitic intrusions, folds and thrust faults is of particular interest as these provide a source of heat and the structures to focus and trap mineralising fluids. No field work was carried out in the half year.

Competent Persons Statement

The technical information relating to Athena's exploration projects was compiled by Mr Liam Kelly, for Athena Resources and reviewed by Mr Donald Thomson, an employee of Indigo Exploration Services Pty Ltd. Mr Thomson is a Member of the Australasian Institute of Mining and Metallurgy, and has sufficient relevant

DIRECTORS' REPORT

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 Thomson consents to this inclusion of the information in this report in the context and format in which it appears.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 6 and forms part of this directors' report for the half-year ended 31 December 2010.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to S306(3) of the Corporations Act 2001.

.....
Edmond W Edwards
Managing Director

Dated at Perth this 25 day of February 2011

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Athena Resources Limited for the half-year ended 31 December 2010, 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 review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia
25 February 2011**

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010



	Consolidated	
	31 December 2010	31 December 2009
	\$	\$
Interest Revenue	9,505	4,140
Employee and Consultant Costs	(198,052)	(131,789)
Exploration Written Off	(50,000)	(12,578)
Listing and Stock Exchange fees	(25,282)	(18,172)
Office and Communication Costs	(10,948)	(14,731)
Other expenses	(45,376)	(47,088)
Loss on Sale of Shares	-	(888)
Depreciation	(10,014)	(17,366)
Loss before income tax	<u>(330,167)</u>	<u>(238,472)</u>
Income tax expense	-	-
Net loss for the period	<u>(330,167)</u>	<u>(238,472)</u>
Other comprehensive income	-	-
Total comprehensive loss for the period	<u>(330,167)</u>	<u>(238,472)</u>
Basic loss per share (cents per share)	(0.50)	(0.42)

The accompanying notes from part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010



		Consolidated	
	Note	31 December 2009 \$	30 June 2010 \$
CURRENT ASSETS			
Cash and cash equivalents		537,614	839,160
Trade and other receivables		18,401	106,286
Total Current Assets		556,015	945,446
NON CURRENT ASSETS			
Property, plant and equipment		52,516	61,589
Deferred exploration and evaluation expenditure	2	3,062,676	2,385,623
Total Non Current assets		3,115,192	2,447,212
TOTAL ASSETS		3,671,207	3,392,658
CURRENT LIABILITIES			
Trade and other payables		199,459	308,896
Total Current Liabilities		199,459	308,896
TOTAL LIABILITIES		199,459	308,896
NET ASSETS		3,471,748	3,083,762
EQUITY			
Issued capital	3	6,756,618	6,038,465
Reserves		338,005	338,005
Accumulated losses		(3,622,875)	(3,292,708)
TOTAL EQUITY		3,471,748	3,083,762

The accompanying notes from part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010



	Issued Capital	Accumulated Losses	Option Reserve	Total Equity
Half-year to 31 December 2009	\$	\$	\$	\$
Balance at 1 July 2009	5,082,192	(3,111,354)	231,000	2,201,838
Share issue expenses	(5,795)	-	-	(5,795)
Expiry of Options	-	231,000	(231,000)	-
Net loss for the period	-	(238,472)	-	(238,472)
As at 31 December 2009	<u>5,076,397</u>	<u>(3,118,826)</u>	-	<u>1,957,571</u>
Half-year to 31 December 2010				
Balance at 1 July 2010	6,038,466	(3,292,708)	338,005	3,083,763
Issue of shares	787,200	-	-	787,200
Share issue expenses	(69,048)	-	-	(69,048)
Net loss for the period	-	(330,167)	-	(330,167)
As at 31 December 2010	<u>6,756,618</u>	<u>(3,622,875)</u>	<u>338,005</u>	<u>3,471,748</u>

The accompanying notes from part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010



	Consolidated	
	6 months to 31 December 2010 \$	6 months to 31 December 2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	(287,825)	(265,429)
Interest income received	9,505	4,140
Net cash (used) in operating activities	<u>(278,320)</u>	<u>(261,289)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(740,437)	(199,731)
Payment for purchase of non-current assets	(942)	-
Proceeds from sale of non-current assets	-	7,112
Net cash (used) in investing activities	<u>(741,379)</u>	<u>(192,619)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	787,200	-
Share and option issue transaction costs	(69,047)	(1,631)
Hire purchase repayments	-	(8,478)
Net cash provided by / (used in) financing activities	<u>718,153</u>	<u>(10,109)</u>
Net (decrease) in cash held	(301,546)	(464,017)
Cash and cash equivalents at the beginning of the period	839,160	610,350
Cash and cash equivalents at the end of the period	<u>537,614</u>	<u>146,333</u>

The accompanying notes from part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010



NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Athena Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

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

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 the Company's and consolidated entity's assets and the discharge of their liabilities in the normal course of business.

The Board considers that the Company is a going concern and recognises that additional funding is required to ensure that the Company can 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. Such additional funding as occurred in January 2011 as disclosed in Note 6 of this report, 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.

In November 2010 Athena announced that it had agreed with Phillip Capital Pty Ltd to raise \$2.2 million by the placement of approximately 27.5 million ordinary fully-paid shares in Athena, at 8 cents per share.

The placement consisted of two tranches. The first was the placement of 9,840,000 shares which was completed in December 2010. The first tranche did not require shareholder approval (not exceeding 15% of the Company's capital). The second tranche was, subject to shareholder approval which was obtained on 12 January 2011, for an additional 17,660,000 shares. This second tranche was completed on 13 January 2010 and raised \$1,412,800.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010



On 16 February Athena announced that its wholly owned subsidiary Complex Exploration Pty Ltd had entered into a Share Sale Agreement to acquire Lightwave Investments Pty Ltd (ACN 105 744 223) owner of 20% of the Byro Project from Mr Paul McMillen (Vendor). This will give Athena 100% ownership of the Byro Project.

The terms of the purchase include payment of a \$50,000 non-refundable deposit on the signing of the agreement with the balance of \$950,000 being paid on settlement together with the issue to the Vendor of 3,000,000 fully paid shares in Athena. Settlement is due prior to 23 March 2011.

To finance the cash portion of the purchase Athena announced on the 23 February 2011 that it had raised \$1,199,000 by the placement of 10,900,000 ordinary fully-paid shares in Athena at 11 cents per share.

Accordingly, the Directors believe that the Company has sufficient funds to enable the consolidated entity to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2010.

In the half-year ended 31 December 2010, management reassessed its estimates in respect of:

Carrying value of exploration expenditure

The Group performed a detailed review of its exploration tenements at period end to determine whether the related expenditure should continued to be capitalised under AASB 6 or written off to profit or loss. As part of this review, \$50,000 of exploration expenditure was written off. The directors are satisfied with the carrying value of the remaining capitalised exploration costs.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2009.

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2010. 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 Group accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010



NOTE 2 - DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Consolidated

	Half year to 31 December 2010 \$	Year to 30 June 2010 \$
Balance at beginning of period	2,385,623	1,714,449
Expenditure incurred during the period	727,053	698,717
Exploration written off during period	(50,000)	(27,543)
Total deferred exploration and evaluation expenditure	<u>3,062,676</u>	<u>2,385,623</u>

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

NOTE 3 - ISSUED CAPITAL

Consolidated

	31 December 2010 \$	30 June 2010 \$
Ordinary Shares		
Issued and fully paid	<u>6,756,618</u>	<u>6,038,466</u>

Movements in ordinary share capital of the Company were as follows:

	Number	\$
At 1 July 2010	65,600,974	6,038,466
Placement Shares	9,840,000	787,200
Share issue expenses	-	(69,048)
At 31 December 2010	<u>75,440,974</u>	<u>6,756,618</u>

Movements in options were as follows:

	Number	\$
At 1 July 2010	33,800,487	338,005
Options issued during the period	-	-
At 31 December 2010	<u>33,800,487</u>	<u>338,005</u>

The Options are exercisable at \$0.08 on or before 30 April 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010



NOTE 4 - CONTINGENT LIABILITIES

Athena Resources Limited and its controlled entities have no known material contingent liabilities as at 31 December 2010.

NOTE 5 - SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Athena Resources Limited.

NOTE 6 – EVENTS SUBSEQUENT TO REPORTING DATE

In November 2010 Athena announced that it had agreed with Phillip Capital Pty Ltd to raise \$2.2 million by the placement of approximately 27.5 million ordinary fully-paid shares in Athena, at 8 cents per share.

The placement consisted of two tranches. The first was the placement of 9,840,000 shares which was completed in December 2010. The first tranche did not require shareholder approval (not exceeding 15% of the Company's capital). The second tranche was, subject to shareholder approval which was obtained on 12 January 2011, for an additional 17,660,000 shares. This second tranche was completed on 13 January 2010 and raised \$1,412,800.

On 16 February Athena announced that its wholly owned subsidiary Complex Exploration Pty Ltd had entered into a Share Sale Agreement to acquire Lightwave Investments Pty Ltd (ACN 105 744 223) owner of 20% of the Byro Project from Mr Paul McMillen (Vendor). This will give Athena 100% ownership of the Byro Project.

The terms of the purchase include payment of a \$50,000 non-refundable deposit on the signing of the agreement with the balance of \$950,000 being paid on settlement together with the issue to the Vendor of 3,000,000 fully paid shares in Athena. Settlement is due prior to 23 March 2011.

To finance the cash portion of the purchase Athena announced on the 23 February 2011 that it had raised \$1,199,000 by the placement of 10,900,000 ordinary fully-paid shares in Athena at 11 cents per share.

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010



The Directors of the company declare that:

- 1) The financial statements and notes thereto, as set out on 7 to 14:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year then ended.
- 2) in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Edmond W Edwards

Dated at Perth this 25 day of February 2011

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Athena Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Athena Resources Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Athena Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants



M R W OHM
Partner

Perth, Western Australia
25 February 2011