ABN 69 113 758 900

INTERIM FINANCIAL REPORT
31 DECEMBER 2016

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AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2016. 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 half-year period and up to the date of this report.

David Webster	Non Executive Chairman
Jian Li	Chief Executive Officer
Edmond Edwards	Executive Director

REVIEW OF OPERATIONS

1. BYRO PROJECT (Athena Resources 100%)

LOCATION AND TENURE

The Byro Iron project is strategically located in the Midwest Iron province which includes a substantial mining sector. The projects southern boundary is 210km north of the Mullewa Rail Siding by road and 275km from the Port of Geraldton. Development of the Byro Iron project is expanding the overall resource in the Midwest region along with neighbours at the Karara Iron Project, Sinosteel's Weld Range Project, the proposed Jack Hills Expansion Project, and Mt Gibson's Extension Hill project, amongst others. Access and improved infrastructure to the maturing iron ore province is growing with development of the CSIRO SKA Project and increased capacity and further development at the Port of Geraldton.

TENURE

Athena's Byro Project covers approximately 800 square kilometres and consists of five exploration licences and two mining lease applications. Athena has a 100% interest in the project. The Company has applied and received authorisation to explore for iron ore on the exploration licences and mining leases. The two mining lease applications cover the Fe1 and Mt Narryer deposits.

Subject to the Company receiving all necessary Shareholder and regulatory approvals, the Company has agreed to give Brilliant Glory the right (but not the obligation) to purchase the Byro Project in consideration for the payment of $20,000,000. (see ASX Announcements 6 January 2016 and 2 December 2016)

Completion of the acquisition under the Tenement Sale Option Agreement is subject to the following conditions:

- Athena conducting the necessary works to obtain two mining leases within the boundaries of the Byro Project; and
- Athena and Brilliant Glory obtaining all necessary Shareholder (approved on 8 March 2016) and regulatory approvals prior to completion.

On and from completion of the acquisition, Athena will be entitled to a royalty of $2 per dry metric tonne of iron ore sold from the Byro Project.

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-

REVIEW OF OPERATIONS

northeast strike, although locally this varies from north to east. The high grade magnetite iron ore at Byro has been characterised by a coarse metamorphic grain size, super low impurities during development of thick migmatite layers in the upper amphibolite - granulite metamorphic terrain.

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. 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 Milly Milly Project, copper gossans exist at the edge of the Milly Milly Intrusion. Nearby historic drilling intersected copper and nickel mineralisation. Further drilling by Athena has advanced the understanding of this intrusive body as being a highly prospective fertile system.

The magnetite from Byro has unique characteristics because of its development within the ancient, deeply buried terrain of the north western Yilgarn Craton. This terrain produced the granulite grade metamorphic magnetite very different to the common banded iron formations mined in the Pilbara. Data review has shown that the Byro Magnetite is a valuable fit for multiple industrial applications. This is because the Byro Magnetite's natural attribute of purity becomes significantly more useful to industry with increased grain size.

BYRO IRON ORE PROJECT

Drilling

Drilling at Mt Narryer, Whistlejack and Whitmarsh Find deposits commenced in June 2016 and was completed June 30 2016 in compliance with the PoW approvals and EPA Guidence. Results from that drilling were announced during the half year.

A total of 14 drill holes were completed for a total of 1,619 metres. Drilling comprised 1,589 metres of reverse circulation drilling and 30 metres of Large Diameter PQ diamond tail in one hole, AHRC0089D. Drill samples were obtained to support further geotechnical and metallurgical evaluation. This work is focused on potential operational and processing parameters for the ore variants distributed throughout the ore bodies regarded by Athena Resources as unique in the wider region.

Athena is pleased with the head assay results from whole rock analysis. All holes were designed to encounter target mineralisation below the weathering horizon and up to a maximum 150m depth. This was successful in all cases except AHRC0088 at Whitmarsh Find which went over the top of the target due to a steeper than interpreted dip and a structurally offset outcrop. AHRC0088 will be redrilled at a later date.

The magnetite ores drilled at the three locations, Mt Narryer, Whistlejack and Whitmarsh Find appear to be a migmatic magnetite and are intimately associated with the Mt Narryer Gneiss. The gneiss is typically within a granulite facies metamorphic terrain which has a coarse grain size and crystalline nature. The ore tested is variable in some characteristics but similar to the Byro Style of Magnetite in the north Murchison area of the northwest Yilgarn. Overall the ore appears fundamentally different to the magnetite ore found in sedimentary granular iron formations (GIF) and finer banded iron formations (BIF) outside the terrain.

Preliminary onsite logging and assessment of RC chips at the Mt Narryer ore body enabled the positioning of a pre-collar and diamond tail, AHRC0089D. This was drilled to retrieve PQ size diamond core as a fresh rock sample from a consistent and central part of the ore zone specifically for metallurgical test work. The RC pre-collar was drilled vertically and intersected magnetite ore at 55.6m. At a depth of 59.6m the rig was converted to diamond drill mode and the hole continued in ore for a further 30.5m retrieving high quality magnetite in solid core form. The large diameter sample was delivered to the lab for preliminary metallurgical testing.

REVIEW OF OPERATIONS

Mt Narryer Drilling and Davis Tube Test Work

At Mt Narryer eight holes were drilled, logged and sampled. Preliminary whole rock assays were announced with the June Quarterly Report at which time analysis was underway to determine DTR grades. (Table 1)

Test work was undertaken on a PQ diamond hole AHRC0089D to determine the nature of the ore and how to best characterise the ore in order to develop tests that will ultimately lead to the design of a processing flow sheet.

Table 1. Mt Narryer Magnetite DTR Intersections

Hole ID	RC Drilling Intersection XRF Assay as Reported to ASX 29/07/2016	DTR Concentrate Within RC drilling Intersection
AHRC0076	28m @ 31.9%Fe from 34m	26m @ 68.21%Fe from 32m
AHRC0077	24m @ 33.2%Fe from 28m	20m @ 68.67%Fe from 30m
AHRC0078	28m @ 33.3%Fe from 66m	24m @ 69.19%Fe from 68m
AHRC0079	28m @ 30.9%Fe from 66m	14m @ 69.06%Fe from 100m **and** 8m @ 65.87%Fe from 116m
AHRC0080	32m @ 27.8%Fe from 20m	32m @ 67.05%Fe from 20m
AHRC0081	28m @ 26.0%Fe from 40m	14m @ 68.84%Fe from 40m **and** 10m @ 60.74%Fe from 58m
AHRC0082	20m @ 26.3%Fe from 68m	6m @ 57.97%Fe from 68m 10m @ 62.64%Fe from 76m

XRF assay results from drill chip assay reported 29 July 2016 in left column, DTR results right column.

From within the intersections reported 29 July 2016, Table 1, a total of 99 samples were selected for Davis Tube Testing. The samples from each intersection were selected and combined to form composites representative of each intersection. A total of 31 composites were assembled and following a grind establishment were milled to 90µm to achieve liberation of the magnetite ore.

Magnetic Fe content of each composite was recorded and averaged for the intersection and total recovery of the Fe_3O_4 calculated and is recorded in Table 2.

Table 2. Magnetite content and Recovery

Hole ID	Mag %	Recovery of Fe_3O_4 Component within Composite Samples
AHRC0076	29.6	93.7
AHRC0077	26.2	85.8
AHRC0078	44.2	98.6
AHRC0079	46.6	98.9
AHRC0080	26.7	97.2
AHRC0081	26.0	93.4
AHRC0082	34.0	97.9

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In 2014 test work was undertaken to determine optimum grind which resulted in a coarse 90µm grind and high 66.8% Fe. This was confirmed with further grind establishment work in 2016 using 90µm as the liberation size.

The DTR assays returned grades that the Company considers are very good and confirm the ore body has economic potential for follow up metallurgy.

Results show very low levels of impurities, notably low levels of the common contaminants phosphorous and sulphur. Where sulphur was encountered it was related to pyrite in the saprolitic weathered zone. The DTR Composite Concentrate Results were reported in ASX release 29 July 2016.

Table 3 Optimum Grind DTR Head Assay

Sample ID	Assays (%)							
	Fe	SiO_2	Al_2O_3	TiO_2	P	S	Fe_3O_4	LOI_{1000}
AHRC0067-68	24.84	48.61	3.10	0.62	0.066	0.798	19.69	0.615

Table 4

Actual P_{80} (µm)	Feed	Mags		Assays (%)							
	g	g	%	Fe	SiO_2	Al_2O_3	TiO_2	P	S	Fe_3O_4	LOI_{1000}
45	20.00	4.27	21.4	69.99	1.80	0.54	0.17	0.002	0.174	93.27	-3.77
75	20.00	4.36	21.8	68.04	4.06	0.60	0.19	0.003	0.155	90.37	-3.16
90	**20.01**	**4.67**	**23.3**	**66.84**	**5.59**	**0.62**	**0.19**	**0.006**	**0.156**	**88.56**	**-3.12**
125	20.00	4.94	24.7	61.52	11.6	0.73	0.18	0.010	0.178	78.25	-2.52

Note: Fe: Iron; SiO2: Silicon Dioxide; Al2O3 : Aluminium Oxide; TiO2 Titanium Oxide P: Phosphorus; LOI: Loss On Ignition

Table 5a Grind Establishment Times

Sample ID	AHRC0067 - 68	
Mill Number P80 Size	Time (min)	Time (sec)
125 µm	5.75	345
106 µm	7.35	441
90 µm	**9.38**	**563**
75 µm	12.4	744
45 µm	27.3	640

Table 5b Grind Size Checks

Sample ID:	Bulk Comp P_{80} = 90 µm		
Size Fraction (µm)	Mass (g)	Mass (%)	Cumulative (%) Passing
90	**18.64**	**12.6**	**82.3**
63	29.27	19.8	62.6
45	20.36	13.7	48.9
-45	72.82	49.1	-
Total	148.61	100.3	

Grind times are low at below ten minutes to achieve milling to a P80 of 90µm. The tables below relate to grind establishment work completed and announced 2014. Table 5a and 5b, a precursor to favourable impact, bond and ball mill indices.

Mt Narryer Diamond Core Test Work Details

Test work initially focused on understanding the ore in order to develop tests that would ultimately lead to the design of a processing flow sheet. This first stage of characterisation test work took three months to complete with some work repeated in order to determine methods to achieve best procedures for the best results. The final results were received in late December 2016.

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Table 6. AHRC0089D Drill Collar,

Hole ID	Project	EOH	Easting	Northing	Dip	Azi	Tenement
AHRC0089D	Narryer	90.1	395966mE	7062853mN	-90	0	E09/1938

Coordinate system MGA-94/50

The physical test work undertaken comprised

- Comminution Test Work;
- Dry Magnetic Separation Test Work;
- Wet Low Intensity Magnetic Separation Test Work;
- Davis Tube Recovery (DTR) Test Work; and
- DTR Calibration Test work

Comminution Test Work Results

Multiple pieces of whole core were selected for Uniaxial Compressive Strength (USC) testing.
Strengths ranged from 25 to 87.1 Mpa.

Multiple pieces of whole core ore were selected for Bulk Density Determination by the Plastic Wrap method. The average bulk density of the ore was determined to be 3.45t/m^3.

Selected Bond suite comminution tests were conducted on crushed and screened core giving the following results;

Crushing Work Index (CWi)	8.6kWh/t
Bond Ball Mill Work Index (BBMWi)	14.2kWh/t
Bond Abrasion Index	0.2723

Dry Low Magnetic Separation Results

Dry magnetic separation was carried out on 5kg of crushed ore at three top sizes 19, 10 and 5mm and passed over an Eriez Dry Magnetic Separator. The magnetic product accounted for 98.8 to 99.4% of the mass with Fe grade up to 41.8%.

Wet Low Intensity Magnetic Separation Results

A grind establishment was conducted to determine the grind times for P_{80} 250, 150, 125, 106, and 75µm. All ground products were within 3% of size requirement and magnetic components were separated using a Eriez L8 Wet Magnetic Separator.

Magnetic products accounted for 55.2 to 64.4% of the feed mass with Fe grades of 59.1 to 69.4% and Fe recoveries of 93.7 to 96%

DTR Recovery Test Work Results

Magnetic products from DTR test work using established grind time for the size ranges are shown in Table 2. The average head grade from the ore feed material was 39.54 and ranged from 39.53 to 40.24.

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Table 7 DTR Results

DTR Recovery Test Work Results					
Size µm	250	150	125	106	75
Grade Fe%	57.1	65.3	67.3	69.1	70.25
Recovery % Mnt	96.6	97.4	96.7	94.7	96.1

2 Stage DTR Calibration Test Work Results

Table 8. Stage 1 - Using an initial grind time only

Grind Time (Sec)	Actual Size µm	Assays (%)						
		Feed	Mag	%	Fe	SiO2	P	S
30	**136**	20.1	11.74	58.4	**69.08**	3.61	0.004	0.004
60	**86**	20.19	11.46	56.8	**71.04**	1.38	0.002	0.003
90	**67**	20.07	11.26	56.1	**71.30**	1.10	0.002	0.004
120	**56**	20.05	11.36	56.7	**71.27**	0.91	0.002	0.003
150	**50**	20.02	11.31	56.5	**71.30**	1.00	0.002	0.002
180	**46**	20.08	11.39	56.7	**70.74**	1.41	0.003	0.005

Table 9. Stage 2 Using Stage Grind – Wet Screen – Regrind method
Targeting P_{80} 90µm

P80 -90 µm	Assays (%)						
	Feed	Mag	%	Fe	SiO2	P	S
0	20.46	11.2	54.7	**70.09**	2.33	0.004	0.004
15	20.34	10.85	53.3	**70.24**	2.11	0.003	0.005
30	20.46	10.85	53.0	**70.65**	1.68	0.003	0.004

These are very pleasing results and assist greatly with understanding the economics of the Mt Narryer Ore body. The High grades from Mt Narryer can now be considered in terms of comparatively low energy costs and simple circuit processing.

Whistlejack and Whitmarsh Find Drilling and Davis Tube Test Work

A total of 4 holes were drilled at Whistlejack and 2 holes at Whitmarsh Find. DTR work is also underway on drill sample from recent drilling at the Whistlejack. Also at the Whistlejack ore body drillers reported considerable and abnormally high wear rates on their equipment during RC drilling due to abrasiveness from the ore. New wear plates were replaced in nearly every hole and in some cases twice per hole. This level of abrasiveness had not been encountered previously. The hardness and abrasive nature of this ore will be tested and is expected to be a positive attribute in an industrial application.

REVIEW OF OPERATIONS

Table 10. Whistlejack Magnetite Intersections

Hole ID	Magnetite Intersection
AHRC0083	30m @ 34.42%Fe from 80m
AHRC0084	40m @ 37.02%Fe from 114m
AHRC0085	64m @ 33.35%Fe from 52m
AHRC0086	20m @ 38.26%Fe from 86m

Table 11. Whitmarsh Find Magnetite Intersections

Hole ID	Magnetite Intersection
AHRC0087	30m @ 33.98%Fe from 76m
AHRC0088	4m @ 36.15%Fe from 66m

Feed concentrate assays were determined before and after DTR recoveries. Table 10 lists the 70 composite results which have been equilibrated to a per meter average over each interval of DTR intersection.

Previous FE1 Test Work

The Company has previously completed extensive test work characterising the Byro metamorphic magnetite. Testing was completed in laboratories in Australia and in China which defined the major work indices required to develop bulk processing designs and costs. Emphasis on results was placed on producing a furnace feed product. Results from this work were announced on the ASX platform in July and August 2011. The full metallurgical characterisation at that time also highlighted other qualities and reassessment has now been made with reference to industrial uses for the premium Byro magnetite.

FE1 Metallurgical Review - Key Attributes

Review of the physical and metallurgical characteristic of the Byro Magnetite.

- Observed crystal is granular
- Grain size up to 4mm (4,000 µm)
- Dissemination Granularity 95% between 0.2mm < 1.65mm (200µm < 1,650 µm)
- Hardness on Mohs scale 6.5 with Vickers Hardness Number (VHN_{100}=681 - 792 kg/mm^2)
- Specific gravity calculated at 5.18 g/cm^3
- Uneven fracture parting on surface {111}
- Negligible cleavage planes within the crystal matrix.

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FE1 Chemistry Review - Key Attributes

The concentrate chemistry key attributes are,

- Mineral composition of the ore is simple.
- No significant secondary alteration.
- K_2O, Na_2O, P, and S, all low and with P and S particularly low.
- Product is a high-quality concentrate of primary acidic magnetite.
- SiO_2, Al_2O_3, CaO, and MgO decrease as TFe increases.
- Magnetite represents the major iron-bearing mineral, while quartz represents the major gangue mineral.
- Tailings component of the ore is SiO_2, accounting for 80.99% of the total
- Product and tailings have no significant environment impacts.

Table 12. Chemical Components of the Ore (%)

Components	TFe	FeO	Fe_2O_3	SiO_2	TiO_2	Al_2O_3	CaO	MgO
Content	37.52	18.28	33.33	41.49	0.11	1.41	1.55	2.38
Components	MnO	Na_2O	K_2O	P	S	Loss in ignition	TFe/FeO	Coef of basicity
Content	0.18	0.093	0.036	0.056	0.054	0.70	2.05	0.09

Table 13. Results of Chemical Phase of Iron in the Ore

Phase of iron	Fe in magnetite	Fe in hematite and limonite	Fe in carbonate	Fe in sulfide	Fe in Silicate	Total
Content	34.62	0.81	0.17	0.03	1.89	37.52
Proportion	92.27	2.16	0.45	0.08	5.04	100.00

The major recoverable content in the ore is iron, at a grade of 37.52%; and 70% on concentration. Total iron over iron oxide ratio of the ore is 2.05, and the coefficient of basicity (CaO＋MgO) / (SiO_2＋Al_2O_3) equals 0.09. This is important for the ammonia production industry as low impurities and oxygen reduction is helpful for improved ammonia synthesis.

Minerals to be disposed by separation for iron enrichment on concentration include mainly SiO_2, followed by Al_2O_3, CaO, and MgO, altogether amounting 46.83% of the total weight. Contents of phosphorus and sulphur, which are the common hazardous contents, in like ores, are too low to cause any substantial influence on the quality of concentrate. Common Byro magnetite grains contain only microscopic impurities.

FE1 Grain Size and Granularity Review - Key Attributes

Magnetite grain size at the FE1 Resource is distributed mostly as moderate to fine grains, 1.65mm > 0.30mm in size. More than 94% of the magnetite grains can be separated free under the milling fineness of -0.21mm, which is equivalent to 65% of the minerals under -200 mesh (expressed as "-200mesh / 45%"). Silicate and amphibole minerals occur along the fissure between and edges of the magnetite grains, and actual milling product can be appropriately coarser than the design test parameters.

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Grain Size and key attributes are,

- Magnetite occurs mainly in disseminated to matrix form.
- Dissemination granularity size varies
- Grain size can be up to 4mm (4,000 µm)
- Large product range
- 94% of the useful magnetite can be separated free at -200 mesh / 45%.
- Discrete silica at magnetite crystal edges allow clean early extraction.
- Care to be taken to avoid over grinding
- Concentrate productivity 47.9%,
- Magnetite recovery 92.27%.

The most useful attributes of premium grading for industrial magnetite are purity and size. Dissemination granularity is a consequence of the physical characteristics of the metamorphic magnetite and is the start point for targeting a product size. Table 3 shows the granularity range for the Byro Magnetite is relatively large with the majority of grains in a wide spread of coarse fractions. The bulk group increasing at 0.3mm (300µm) up to 1.65mm (1,650 µm).

Table 14. Dissemination Granularity range of FE1 Magnetite

Granularity (mm)	Distribution rate	Accumulative distribution rate
2.3 > 1.65	8.31	8.31
1.65 > 1.17	20.77	29.08
1.17 > 0.83	18.69	47.77
0.83 > 0.59	15.58	63.35
0.59 > 0.42	12.98	76.33
0.42 > 0.30	10.65	86.98
0.30 > 0.21	7.46	94.44
0.21 > 0.15	2.92	97.36
0.15 > 0.105	1.65	99.01
0.105 > 0.074	0.61	99.62
0.074 > 0.052	0.2	99.82
0.052 > 0.037	0.12	99.94
0.037 > 0.026	0.05	99.99
0.026 > 0.019	0.01	100
>0.019	Trace amount	

The widespread granular distribution in the coarse range demonstrates usable volumes for grooming to suite multiple target sizes for multiple product applications.

There is also scope for improving the extraction of the grain size in the upper spectrum of the product range. The sharp contrast between the 2.3mm > 1.65mm at 8.31% and 1.65mm > 1.17mm @ 20.77% suggests it would be possible to over mill the product. A very coarse fraction, >2mm, can be removed post crushing and at first pass milling to prevent overgrinding. Upcoming test work will determine the productivity of an early mill product.

Byro Magnetite Work Indices Review

Determination of the Byro Magnetite Work Indices was completed at the same time as the granular classification in China. The Work Indices tests were repeated in Australia with near to identical results.

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Work Indices already determined are

- Strong - Unconfined Compressive Strength (UCS) recorded values of 139.9 - 153.7 Mpa
- Bond Impact Crushing Work Index (CWi) recorded average value of 15.5 kWh/t
- Bond Ball Mill Work Index recorded a value of 16.5 kWh/t (test aperture of 106 micron).
- Bond Rod Mill Work Index recorded a value of 8.3 kWh/t.
- Bond Abrasion Index recorded a value of 0.3894

Athena is now looking at the costs and practical steps towards development of a low volume processing plant with additional classification and clean-up modules for industry specific requirements. This will be based on current pricing and the favourable material work indices already determined.

Industrial Magnetite Markets and Capacity for Increased Demand

The industrial magnetite product at Byro is suitable for a large range of industrial uses. The company has been in discussion with several industries and specific product users. Market gaps identified by Athena include common use areas as well specialist industries where coarse grain size and or purity are in high demand.

- **Dense Media Separation – Ragging**
- **Dense Media Separation – Coal Washing**
- **Catalyst in Ammonia Production**
- **Liquid Hydrocarbon Fuel Production from Coal and Natural Gas**
- **Industrial abrasives, sand blasting and ablation**
- **Aggregate in high-density concrete.**
- **Magnetite is also used as '**
  Toner in electrophotography,
  Micronutrient in fertilizers,
  Pigment in paints,
  Waste water management and
  Absorbent to remove arsenic from drinking water.

Mining Lease Applications

The company has submitted to the Department of Mines and Petroleum mining lease applications M09/166 within tenement E09/1507 and M09/168, within tenement E09/1938. Both Mining Leases have been recommended for grant and now are in the native title negotiation period.

M09/166 contains the high grade FE1 magnetite ore body including a JORC compliant inferred resource released to the ASX 28 November 2011. M09/168 contains the Mt Narryer deposit.

BYRO BASE METALS PROJECT (Milly Milly Copper - Nickel Intrusion)

During 2011, exploration by Athena confirmed the fertility of the primary magma within the central margin of the Milly Milly Intrusion and sheer scale of disseminated Ni sulphide at levels approaching 0.3% in bulk mass. The company's exploration focus targeted potential sites where accumulations of primary Ni sulphide from nucleation and saturation could exist. A second and equally important mechanism targeted structurally controlled secondary accumulation of potential massive sulphide within dilation zones and vein systems.

In September 2014 high resolution gravity data was acquired over an area of 39 square kilometers and included 950 stations for a total of 65 line kilometers. The sample stations were at 50m, 100m and 200m spacing's. Seven anomalous zones were interpreted.

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The gravity survey has shown two very large anomalous zones with an unmistakable proximal relationship to the west contact. This has been drill tested and now interpreted to be at depth below the sediment. More work is needed to understand this anomaly which has the potential to be an indication of a mineralised feeder tube, a mixing zone or sub chamber.

Athena has merely scratched the surface of this intrusion. A total of only 8 holes have been drilled using modern geochemistry and geophysics techniques. The indicators or credentials for this system remain as a fertile intrusion with several interpreted accumulation zones identified from structural analysis yet untested and further exploration is warranted, along with, the discovery of the massive gravity high directly to the east and north contacts of the intrusion which remain unresolved.

JORC Code Compliance Statement

Some of the information contained in this report is historic data that has not been updated to comply with the 2012 JORC Code. The information referred to in the announcement was prepared and first disclosed under the JORC Code 2004 edition. It has not been updated since to comply with the JORC Code 2012 edition on the basis that the information has not materially changed since it was last reported.

Competent Person's Statement

The information included in the announcement 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 2012 Edition)". Mr Kelly consents to the inclusion of the information in the announcement in the context and format in which it appears and that the historical information was compliant with the relevant JORC Code, 2004 Edition, and new information announced in this report is compliant with the JORC Code 2012 Edition.

Competent Persons Disclosure

Mr Kelly is an employee of Athena Resources and currently holds securities in the company.

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 the following page and forms part of this directors' report for the half-year ended 31 December 2016.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the Corporations Act 2001.

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Edmond W Edwards
Executive Director
Dated at Perth this 14 day of March 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Athena Resources Limited for the half-year ended 31 December 2016, 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
14 March 2017

N G Neill
Partner

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

	Note	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Revenue		925	4,178
Employee and Consultant Costs		(122,100)	(145,702)
Listing and Securities Exchange fees		(21,163)	(19,238)
Office and Communication Costs		(46,489)	(38,674)
Other Expenses		(103,661)	(74,804)
Depreciation		(3,250)	(1,363)
Loss before income tax		(295,738)	(275,603)
Income tax benefit	7	392,215	558,526
Net profit for the period		96,477	282,923
Other comprehensive income		-	-
Total comprehensive result for the period		96,477	282,923
Basic earnings per share (cents per share)		0.04	0.16

The accompanying notes from part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

AND CONTROLLED ENTITIES

	Note	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents		8,413	758,935
Trade and other receivables		425,676	55,181
Total Current Assets		434,089	814,116
NON CURRENT ASSETS			
Plant and equipment		22,600	25,850
Deferred exploration and evaluation expenditure	2	7,470,385	7,184,778
Total Non Current Assets		7,492,985	7,210,628
TOTAL ASSETS		7,927,074	8,024,744
CURRENT LIABILITIES			
Trade and other payables	6	784,039	978,186
Total Current Liabilities		784,039	978,186
TOTAL LIABILITIES		784,039	978,186
NET ASSETS		7,143,035	7,046,558
EQUITY			
Issued capital	3	13,400,888	13,400,888
Accumulated losses		(6,257,853)	(6,354,330)
TOTAL EQUITY		7,143,035	7,046,558

The accompanying notes from part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

	Consolidated			
	Issued Capital $	Accumulated Losses $	Option Reserve $	Total Equity $
Half-year to 31 December 2015				
Balance at 1 July 2015	12,460,746	(6,477,417)	40,000	6,023,329
Shares issued (net of issue costs)	(1,614)	-	-	(1,614)
Comprehensive income for the half - year	-	282,923	-	282,923
As at 31 December 2015	12,459,132	(6,194,494)	40,000	6,304,638
Half-year to 31 December 2016				
Balance at 1 July 2016	13,400,888	(6,354,330)	-	7,046,558
Comprehensive Income for the half -year	-	96,477	-	96,477
As at 31 December 2016	13,400,888	(6,257,853)	-	7,143,035

The accompanying notes from part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

	Consolidated	
	31 December 2016 $	31 December 2015 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	(157,792)	(285,116)
Interest income received	829	1,905
Research and Development Tax offset	-	558,526
Net cash (used in) / provided by operating activities	(156,963)	275,315
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(663,559)	(214,761)
Payment for purchase of shares in other entities	-	(2,000)
Proceeds from sale of shares in other entities	-	4,112
Net cash used in investing activities	(663,559)	(212,649)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue costs	-	(1,614)
Proceeds from borrowings from related party	70,000	70,000
Repayment of borrowings to related party	-	(70,000)
Net cash provided by (used in) financing activities	70,000	(1,614)
Net (decrease) / increase in cash held	(750,522)	61,052
Cash and cash equivalents at the beginning of the period	758,935	122,503
Cash and cash equivalents at the end of the period	8,413	183,555

The accompanying notes from part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements 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 the financial statements be read in conjunction with the annual financial report for the year ended 30 June 2016 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. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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.

Going Concern
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 Group'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 Group's operations, repay debt funding and further develop its mineral exploration and evaluation assets during the twelve month period from the date of this financial report. Such additional funding 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;
- Deferral of Related Party Payables,
- Receipt of research and development taxation incentive, or
- The sale of assets.

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 (see Note 8) 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.

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 2016.

In the half-year ended 31 December 2016, 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 continue to be capitalised under AASB 6 or written off to profit or loss. As a result of this review, there was no amount of (2015: $Nil) exploration expenditure written off in the half-year. 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 2016, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2016.

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

The directors has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. 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 the Group's business and, therefore, no change necessary to Group accounting policies.

NOTE 2 - DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 December 2016 $	30 June 2016 $
Balance at beginning of period	7,184,778	6,494,119
Expenditure incurred during the period	285,607	690,659
Total deferred exploration and evaluation expenditure	7,470,385	7,184,778

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 2016 $	30 June 2016 $
Ordinary Shares		
Issued and fully paid	13,400,888	13,400,888

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

6 Months to 31 December 2016	Number	$
At 1 July 2016	216,760,789	13,400,888
Share Issue Costs	-	-
At 31 December 2016	216,760,789	13,400,888
Year to 30 June 2016		
At 1 July 2015	123,019,392	10,969,162
12 January 2016 Placement at 2 cents	15,000,000	300,000
22 April 2016 Placement at 2.5 cents	12,000,000	300,000
7 June 2016 Placement at 2.5 cents	16,000,000	400,000
Share Issue Costs	-	(59,858)
At 30 June 2016	216,760,789	13,400,888

Movements in options were as follows:

6 Months to 31 December 2016	Number	$
At 1 July 2016	-	-
At 31 December 2016	-	-
Year to 30 June 2016	Number	$
At 1 July 2015	4,000,000	40,000
Transfer to Accumulated Losses on Expiry of Options	(4,000,000)	(40,000)
At 30 June 2016	-	-

4,000,000 Incentive Options were exercisable at $0.06 on or before 30 April 2016.

NOTE 4 - CONTINGENT LIABILITIES

Athena Resources Limited and its controlled entities have no known material contingent liabilities as at 31 December 2016.

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.

The Group operates in one business and geographical segment being mineral exploration in Australia. Accordingly, under the management approach outlined above only one operating segment has been identified and no further disclosure is required in the half-year financial statements.

NOTE 6 – TRADE AND OTHER PAYABLES

Current	31 December 2016 $	30 June 2016 $
Trade creditors and accruals	84,956	403,252
Due to directors - remuneration	519,083	483,734
Due to other officers - remuneration	110,000	91,200
Loan from Related Party (Note 9)	70,000	-
	784,039	978,186

NOTE 7 – INCOME TAX BENEFIT

The income tax benefit arose from the research and development taxation incentive.

NOTE 8 – FORMAL SALE OPTION AGREEMENT FOR BYRO PROJECT

On 8 January 2016 the Company announced to ASX that it has entered into a binding term sheet with Brilliant Glory Industrial Corporation Limited (BG), a Hong Kong based company for the conditional sale of the Byro Project.

The terms sheet provided that Athena and BG may, by mutual agreement, enter into formal agreements in respect of the matters contained in the Term Sheet.

Athena and Brilliant Glory Industrial Corporation Limited together with Brilliant Glory Investments Pty Ltd on 2 December 2016 signed the formal Sale Option Agreement.

The material terms of the agreement are as follows:

Subject to the Company receiving all necessary Shareholder and regulatory approvals, the Company agreed to give Brilliant Glory the right (but not the obligation) to purchase the Byro Project in consideration for the payment of $20,000,000.

Completion of the acquisition under the agreement is subject to the following conditions:

- Athena conducting the necessary works to obtain two mining leases within the boundaries of the Byro Project; and
- Athena and Byro obtaining all necessary Shareholder (approved 8 March 2016) and regulatory approvals prior to completion.

On and from completion of the acquisition, Athena will be entitled to a royalty of $2 per dry metric tonne of iron ore sold from the Byro Project.

NOTE 9 – RELATED PARTY LOANS

During the half year, a loan of $70,000 was extended to the Company by a Director, Mr Edwards, for the purpose of supporting short-term cash flow. The loan is unsecured and interest free. The maximum amount outstanding during the period was $70,000. The balance of the loans outstanding at 30 June 2016 was nil.

NOTE 10 – FINANCIAL INSTRUMENTS

The Directors have assessed that the value of financial assets and financial liabilities approximate their fair value at balance date.

DIRECTORS' DECLARATION

Athena Resources

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

The Directors of the company declare that:

1) The financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) giving a true and fair view of the Group's financial position as at 31 December 2016 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 14 day of March 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

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 consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated 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, for the Group 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 internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group financial position as at 31 December 2016 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 the company, 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 Group financial position as at 31 December 2016 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*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that additional funding is required to ensure that the Group can continue to fund its operations and further develop its mineral exploration and evaluation assets during the twelve month period from the date of approval of this financial report. Should the Group be unable to raise sufficient additional funding, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
14 March 2017