



ASX/MEDIA RELEASE

27 February 2007

HALF YEAR ACCOUNTS

Katana Capital Limited (ASX: KAT) (“Katana Capital”): Please find attached the company’s half year accounts, for the half year period ending 31 December 2006.

- ENDS -

For more information about Katana Capital Limited, please contact:

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Investment Manager – Classic Capital Pty Ltd
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Results for announcement to the market

				December 2006	Period from 19/9/05- 31/3/06
Financial Results				\$	\$
Revenue from ordinary activities	Up	541%	to	5,197,948	810,300
Profit from ordinary activities after tax attributable to members	Up	620%	to	3,172,142	440,500
Net profit for the period attributable to members	Up	620%	to	3,172,142	440,500

Dividends	Amount per Ordinary Security	Franked amount per security
2007 interim dividend	Nil	Nil
2006 interim dividend	NIL	NA

Record date for determining entitlements to the 2007 interim dividends	N/A
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Net Tangible Asset Backing	31 December 2006	31 March 2006
Net tangible asset backing per ordinary security	\$1.16	\$1.00

Other explanatory notes

* The comparative figures are for the six-month period from 19 September 2005 though to 31 March 2006.

The information required by listing rule 4.2A is contained in both this Appendix 4D and the attached half-year report. This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the company.



Katana Capital Limited

ABN 56 116 054 301

**HALF YEAR REPORT
31 DECEMBER 2006**

**KATANA CAPITAL LIMITED
CORPORATE DIRECTORY**

DIRECTORS

Mr Dalton Gooding	Chairman
Mr Peter Wallace	Non Executive Director
Mr Derek La Ferla	Non Executive Director
Mr Giuliano Sala Tenna	Non Executive Director

COMPANY SECRETARY

Mr Gabriel Chiappini

INVESTMENT MANAGERS

Classic Capital Pty Ltd
Mr Romano Sala Tenna
Mr Brad Shallard

SHARE REGISTRY

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AUDITOR

Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
PERTH WA 6000

ASX CODE : KAT

PRINCIPAL OFFICE

Level 37, Exchange Plaza
2 The Esplanade
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REGISTERED OFFICE

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Perth WA 6000

LAWYERS

Deacons
Level 39, BankWest Tower
108 St George's Terrace
Perth WA 6005

**KATANA CAPITAL LIMITED
DIRECTORS' REPORT**

Your directors submit their report for the half-year ended 31 December 2006.

DIRECTORS

The names of the directors of the company in office at the date of this report or during the half-year are:-

Dalton Gooding

Peter Wallace

Derek La Ferla

Giuliano Sala Tenna

All directors, unless stated otherwise, held their position as a director throughout the entire half-year and up to the date of this report.

REVIEW AND RESULTS OF OPERATIONS

In the 6 month period to 31 December 2006 the company continued to implement its strategic plan, its main objectives during the period was to continue to invest surplus cash reserves into Australian equity investments and to outperform the All Ordinaries Index. During the half year period the company invested \$1.53m into the Initial Public Offering of Mineral Resources Limited, the company continues to hold a significant balance of its portfolio in Mineral Resources Limited. As at 31 December 2006 the company had invested 79% of its total assets in financial assets. Net profit for the period was \$3,172,142 compared to the profit for the interim period from the date of incorporation, 19 September 2005, to 31 March 2006 of \$440,500.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307 (c) of the Corporations Act 2001 requires the company's auditors, Ernst & Young, to provide the directors with a written Independence Declaration in relation to their review of the financial report for the half year ended 31 December 2006. The written Auditor's Independence Declaration on page 6 is attached to the Auditor's Independent Review Report to the members and forms part of this Directors' Report.

Signed for and on behalf of the directors in accordance with a resolution of the Board.

Dalton Gooding
Chairman
Dated: 26 February 2007
Perth, Western Australia

To the members of Katana Capital Limited

Report on the Half-Year Financial Report

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

Directors' Responsibility for the half-year Financial Report

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

Auditor's Responsibility

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Katana Capital Limited and the entities it controlled during the half-year, is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

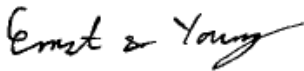
Ernst & Young



C B Pavlovich
Partner
Perth
26 February 2007

Auditor's Independence Declaration to the Directors of Katana Capital Limited

In relation to our review of the financial report of Katana Capital Limited for the half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



C B Pavlovich
Partner
Perth
26 February 2007

**KATANA CAPITAL LIMITED
DIRECTORS DECLARATION**

DIRECTORS' DECLARATION

In accordance with a resolution of directors of Katana Capital Limited, I state that:

In the opinion of the directors:

- a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

DALTON GOODING
Chairman

Dated at Perth
26 February 2007

KATANA CAPITAL LIMITED
CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated	
		Half year ended 31 December 2006 \$	Period from 19/9/05- 31/3/06 \$
Investment Income			
Dividends		277,007	43,421
Interest		139,922	247,072
Changes in fair value of investments held for trading		4,532,745	442,355
Changes in fair value of options		186,712	77,452
Other		61,562	-
Total Investment Income		5,197,948	810,300
Expenses			
Administration		42,223	73,131
Directors' fees and expenses		205,693	86,296
Interest Expense		1,780	1,431
Legal and professional fees		96,136	15,523
Investment manager's fees		408,988	71,684
Total expenses		754,820	248,065
Profit before income tax		4,443,128	562,235
Income tax expense attributable to operating profit		(1,270,986)	(121,735)
Net Profit attributable to members of Katana Capital Limited		3,172,142	440,500
Basic earnings per share (cents per share)		14.82	3.73
Diluted earnings per share (cents per share)		13.92	3.73

KATANA CAPITAL LIMITED
CONDENSED BALANCE SHEET
As at 31 DECEMBER 2006

	Note	Consolidated	
		At 31 December 2006 \$	At 30 June 2006 \$
Current Assets			
Cash and cash equivalents		5,155,486	8,715,857
Trade and other receivables		138,749	58,080
Financial assets held for trading		21,417,507	14,666,983
Other assets		143,620	26,083
Total Current Assets		26,855,362	23,467,003
Total Assets			
		26,855,362	23,467,003
Current Liabilities			
Trade and other payables		408,144	1,222,258
Financial liabilities		-	47,775
Interest bearing liabilities		40,484	12,331
Income tax liability		319,427	18,411
Total Current Liabilities		768,055	1,300,775
Non Current liabilities			
Deferred tax liability		1,186,977	218,140
Total Non Current Liabilities		1,186,977	218,140
Total Liabilities		1,955,032	1,518,915
Net Assets		24,900,330	21,948,088
Equity			
Issued Capital		20,887,710	20,887,710
Retained Earnings		3,911,520	1,060,378
Option Premium Reserve		101,100	-
Total Equity		24,900,330	21,948,088

KATANA CAPITAL LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Issued Capital \$	CONSOLIDATED Option Premium Reserve \$	Retained Earnings \$	Total Equity \$
At 19 September 2005	-	-	-	-
Issue of share capital	150,000	-	-	150,000
Shares issued on Initial Public Offering in December 2006	21,200,000	-	-	21,200,000
Profit for the period	-	-	440,500	440,500
Capital raising expenses net of tax	(462,290)	-	-	(462,290)
At 31 March 2006	20,887,710	-	440,500	21,328,210
At 1 July 2006	20,887,710	-	1,060,378	21,948,088
Profit for the period	-	-	3,172,142	3,172,142
Dividends Paid	-	-	(321,000)	(321,000)
Share based payments	-	101,100	-	101,100
At 31 December 2006	20,887,710	101,100	3,911,520	24,900,330

KATANA CAPITAL LIMITED
CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

Note	Half year ended 31 December 2006 \$	Period from 19/9/05 - 31/3/06 \$
Cash flows from operating activities		
Proceeds on sale of financial assets	13,170,661	154,402
Payments for purchases of financial assets	(16,252,236)	(7,067,805)
Payments to suppliers and employees	(544,793)	(40,073)
Interest paid	(1,780)	(1,431)
Interest received	139,922	247,072
Income taxes paid	-	-
Dividends received	277,007	43,422
Net cash outflows from operating activities	(3,211,219)	(6,664,413)
Cash flows from financing activities		
Proceeds from issue of shares	-	21,350,000
Share issue expenses	-	(605,441)
Dividends paid	(321,000)	-
Proceeds from borrowings	-	30,828
Repayment of borrowings	(28,153)	-
Net cash inflows/(outflows) from financing activities	(349,153)	20,775,387
Net increase/(decrease) in cash held	(3,560,372)	14,110,973
Cash at beginning of the period	8,715,858	-
Cash at end of the period	5,155,486	14,110,973

KATANA CAPITAL LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

NOTE 1. CORPORATE INFORMATION

The financial report of Katana Capital Limited for the half year ended 31 December 2006 was authorised in accordance with a resolution of the directors on 26 February 2007.

Katana Capital Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The review of operations and results are described in the Directors' Report.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Katana Capital Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Katana Capital Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting."

The half-year report has been prepared in accordance with the historical cost convention, except for Financial Assets held for trading that have been measured at fair value.

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

The half year consolidated financial statements have been prepared using the same accounting policies and interpretations as used in the annual financial statements for the year ended 30 June 2006, except for the adoption of amending standards mandatory for the reporting periods beginning on or after 1 January 2006 as described in the paragraph below.

Changes in accounting policies

Australian Accounting Standards and Urgent Issues Group Interpretations that have been recently been issued or amended and are effective from 1 July 2006 are outlined below:

AASB	Application date for the group
2004-3	1 July 2006
2005-1	1 July 2006
2005-4	1 July 2006
2005-5	1 July 2006
2005-6	1 July 2006
2005-9	1 July 2006
2006-1	1 July 2006
119	1 July 2006

UIG	Application date for the group
4	1 July 2006
5	1 July 2006
7	1 July 2006
8	1 July 2006
9	1 July 2006

None of these standards or interpretations resulted in a material change in accounting policy and therefore did not have a material impact on the group.

KATANA CAPITAL LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

Comparatives

Where necessary comparatives have been reclassified and repositioned for consistency with current half year disclosures. With respect to the cash flow statement proceeds on sale of financial assets and payments for purchases of financial assets are classified as an operating activity consistent with the nature of the group's operations. The company previously disclosed this activity as an investing activity.

With respect to comparative information presented for the Condensed Income Statement, Condensed Cash Flow Statement and the Condensed Statement of Equity, the group has determined the comparable interim period to be from date of incorporation, 19 September 2005, to 31 March 2006 as reported in the group's first half year financial report for the half year ended 31 March 2006.

NOTE 3. DIVIDEND

During the period the company announced a dividend payable of 1.5 cents per ordinary share. The dividend was declared and announced to the Australian Stock Exchange on 12 October 2006 and paid at the end of October 2006. The total dividend paid to shareholders out of retained profits was \$321,000.

NOTE 4. 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 consolidated entity or the results of those operations, or the state of affairs of the company in subsequent financial years.

NOTE 5. SEGMENT INFORMATION

Industry segment

The entity operates solely in the financial investment industry.

Geographical segments

The entity operates from one geographic location, being Australia, from where its investing activities are managed.

NOTE 6. CONTINGENT ASSETS & LIABILITIES

There are no contingent liabilities or contingent assets as at 31 December 2006 or in the interval between 31 December 2006 and the date of this report.

NOTE 7. SHARE BASED PAYMENT

In November 2006 the shareholders of the company approved the issue of 1,000,000 share options to the directors. The exercise price of the options are \$1.10, the options expire on 19 December 2008. The fair value of the options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were issued. The following table lists the inputs to the model used for the half year ended 31 December 2006.

Expected volatility (%)	10
Risk free interest rate (%)	6.25
Days to expiry	730
Share price on grant date	\$1.05
Dividend yield	0

The estimated fair value of each option at grant date is \$0.1011.