



AlteraCapital

ABN 55 082 541 437

**FINANCIAL REPORT
FOR THE HALF-YEAR
ENDED 31 DECEMBER 2006**

DIRECTORS Bradley Abbott
Harjinder Kehal
Andrew Rule
Jeremy Shervington

SECRETARY Bradley Abbott

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AUDITORS **Stantons** International
Level 1
1 **Havelock** Street West Perth
Western Australia **6005**

BANKERS National Australia Bank
50 St Georges Terrace, PERTH

STOCK EXCHANGE The Company's shares are quoted on the **official** list
at the Australian Stock Exchange Ltd, ASX Code AEA,
but is currently suspended from trading.

SHARE REGISTRY Advanced Share Registry Services
110 Stirling **Hwy**, NEDLANDS

SOLICITORS Jeremy Shervington
Level 1, 2 Richardson Street
WEST PERTH

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Directors' Report

The directors hereby present the following report for the half-year ended 31 December 2006.

The names of the directors who held office during or since the end of the half-year are:

SIMON CATO (Resigned 8th August 2006)
WILLIAM JOHNSON (Resigned 8th August 2006)
VICTOR HO (Resigned 8th August 2006)

BRADLEY ABBOTT (Appointed 8th August 2006)
HARJINDER KEHAL (Appointed 8th August 2006)
ANDREW RULE (Appointed 8th August 2006)
JEREMY SHERVINGTON (Appointed 8th August 2006)

The Company is actively engaged in sourcing new opportunities for development by the company and which will add value to shareholders after having raised share capital of \$240,000 in August 2006.

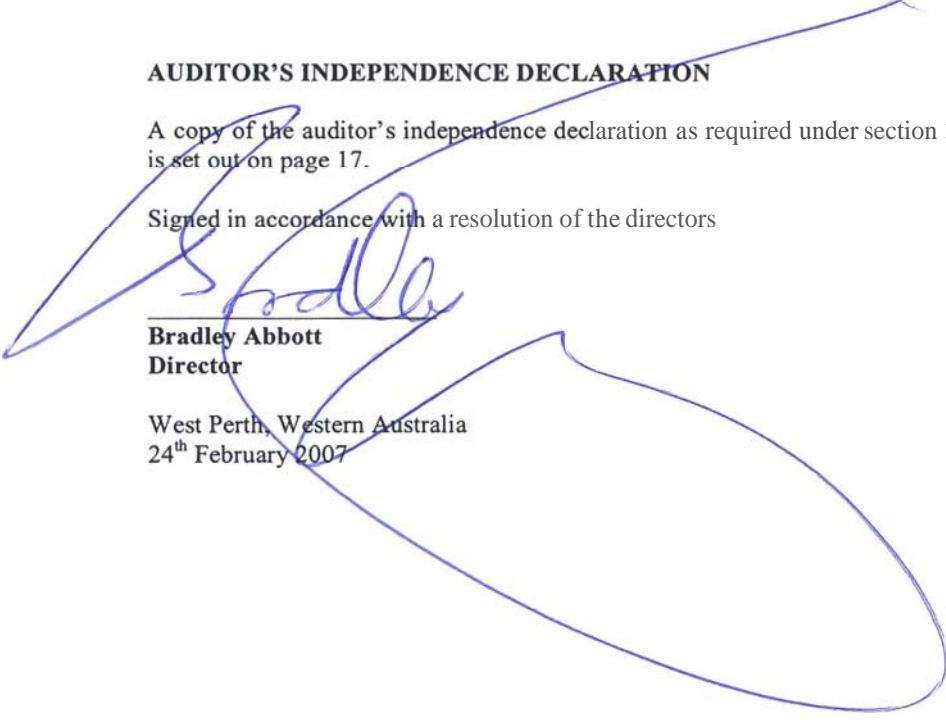
RESULTS OF OPERATIONS

The consolidated entity incurred an after tax operating loss for the half year ended 31 December 2006 of \$96,115 (half year ended 31 December 2005 profit of \$41,479).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

Signed in accordance with a resolution of the directors



Bradley Abbott
Director

West Perth, Western Australia
24th February 2007

Condensed Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

		<i>Notes</i>	
		2006	2005
		\$	\$
Continuing operations			
Revenue	3	1,410	18,120
Other expenses	3	97,525	(23,359)
Profit/(loss) from continuing operations before income tax		(96,115)	41,479
Income tax expense	5	-	-
Profit/(loss) after tax from continuing operations attributable to members		(96,115)	41,479
Earnings/loss per share (cents per share)			
- basic for earnings/loss for the half-year	4	(0.008) cents	0.07 cents
- dividends paid per share		Nil	Nil

Diluted earnings per share does not represent an inferior view of the economic entity's performance and is not disclosed for this reason.

The above income statement should be read in conjunction with the accompanying notes.

Condensed Balance Sheet

AS AT 31 DECEMBER 2006

Notes

	<i>As at</i> <i>31 December 2006</i>	<i>As at</i> <i>30 June 2006</i>
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	125,207	16,981
Trade and other receivables	1,510	5,128
Total Current Assets	<u>126,717</u>	<u>22,109</u>
TOTAL ASSETS	<u>126,717</u>	<u>22,109</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	5,000	64,591
Total Current Liabilities	<u>5,000</u>	<u>64,591</u>
TOTAL LIABILITIES	<u>5,000</u>	<u>64,591</u>
NET ASSETS/LIABILITIES	<u>121,717</u>	<u>(42,482)</u>
EQUITY		
Contributed equity	6 7,367,086	7,127,086
Reserves	20,314	-
Accumulated losses	(7,265,683)	(7,169,568)
TOTAL EQUITY/DEFICIENCY	<u>121,717</u>	<u>(42,482)</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	<i>Notes</i>	2006 \$	2005 \$
Cash flows from operating activities			
Payments to suppliers and employees		(85,253)	(450,489)
Receipts from customers		5,404	45,327
Interest received		1,410	-
Net cash outflows used in operating activities		<u>(78,439)</u>	<u>(405,162)</u>
Cash flows from investing activities			
Loans from other entities			38,000
Repayment of loans		(53,335)	-
Net cash flows (used in)/ from investing activities		<u>(53,335)</u>	<u>38,000</u>
Cash flows from financing activities			
Proceeds from return of capital		-	365,522
Proceeds from issue of shares		240,000	-
Net cash flows from financing activities		<u>240,000</u>	<u>365,522</u>
Net (decrease)/increase in cash and cash equivalents held		108,226	(1,640)
Cash and cash equivalents at beginning of the half year		16,981	11,845
Cash and cash equivalents at end of the half year		<u>125,207</u>	<u>10,205</u>

The accompanying notes form part of these financial statements.

Condensed Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

<i>31 December 2006</i>	Issued capital	Accumulated losses	Reserves	Total equity
CONSOLIDATED	\$	\$	\$	\$
At 1 July 2006 (62,018,213 Ord Shares)	7,127,086	(7,169,568)		(42,482)
Profit/(loss) for the period		(96,115)	-	(96,115)
Issue of Shares	240,000	-	-	240,000
Issue of Options		-	20,314	20,314
At 31 December 2006 (142,018,213 – Ord Shares) (52,500,000 – Options)	7,367,086	(7,265,683)	20,314	121,717

<i>31 December 2005</i>	Issued capital	Accumulated losses	Reserves	Total equity
CONSOLIDATED	\$	\$	\$	\$
At 1 July 2005 (62,018,213 Ord Shares)	7,591,114	(6,038,464)	-	1,552,650
Profit/(loss) for the period		(1,165,154)		(1,165,154)
Total income/expense for the period	7,591,114	(7,203,618)	-	387,496
Provision for return of capital		-	(464,029)	
At 31 December 2005 (62,018,213 Ord Shares)	7,591,114	(7,203,618)	(464,029)	(35,054)

Options Issued

(52,500,000 Unlisted options exercisable at 0.4 cents per share on or before 8/8/2011) 52,500,000

Condensed Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

1. CORPORATE INFORMATION

The financial report of Altera Capital Ltd (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 24th February 2007. Altera Capital Ltd is an unlimited company incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange, but are currently suspended.

The nature of the operations and principal activities of the Company are described in note 7 and the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Altera Capital as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Altera Capital 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.

(a) 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, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis.

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

(b) Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The directors believe that it is appropriate to prepare the accounts on the going concern basis because, they will continue to provide financial support for the Company and facilitate a further capital raising once a suitable project is selected.

Condensed Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

(c) Summary of significant accounting policies

The half-year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006.

(i) Exploration and development expenditure

Exploration and evaluation costs are expensed as incurred as an operating cost of the Company. Acquisition costs are carried forward where right of tenure of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities of the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period that the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated acquisition costs written off to the extent that they will not be recoverable in the future.

The costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of this stage.

(ii) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

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

Depreciation is calculated on a straight-line basis over the estimated **useful** life of the asset as follows:

Plant and equipment – over 3 to 10 years

(iii) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those **from** other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Condensed Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(iv) Cash and cash equivalents

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

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

(v) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(vi) Share-based payment transactions

The Company provides benefits to employees (including directors) of the Company in the form of **share-based** payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

These benefits are in the form of options and all issues of options to related parties are subject to shareholder approval.

The cost of these equity-settled transactions are measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial or black-scholes model.

In valuing equity-based transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Altera Capital ('market conditions').

Condensed Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-based transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(vii) Revenue

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

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(viii) Income tax

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

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

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Condensed Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(ix) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Condensed Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	31 December 2006 \$	31 December 2005 \$
3. REVENUE, INCOME AND EXPENSES		
Revenue, Income and Expenses from Continuing Operations		
REVENUE		
Sales Revenue	-	17,735
Sundry income	1,410	385
Total revenue	1,410	18,120
OTHER EXPENSES		
Directors Remuneration – share based payments	20,314	-
Administration and occupancy expenses	77,211	(23,359)
Total other expenses	97,525	(23,359)
	Cents	Cents
4. EARNINGS PER SHARE		
Basic profit/(loss) per share	(0.08)	0.07

Weighted average number of ordinary shares used in the calculation of basic loss per share is 124,875,356 (2005: 62,018,213). Options to purchase ordinary shares not exercised at 31 December 2006 have not been included in the determination of basic **profit/(loss)** per share.

5. INCOMETAX

No income tax is payable due to current year tax losses. No deferred tax asset is raised in respect of losses as it is not probable that any revenues will be earned to offset the losses. Losses from prior years are no longer available as a more than 50% change of ownership occurred.

6. CONTRIBUTED EQUITY

	31 December 2006 \$	30 June 2006 \$
<i>Ordinary shares</i>		
142,018,213 issued and fully paid shares (June 2006: 62,018,213)	7,367,086	7,127,086

During the period 80,000,000 ordinary shares were issued at 0.3cents each and 52,500,000 options exercisable at 0.4 cents each expiring on or before 8th August 2011.

7. SEGMENT INFORMATION

Altera Capital Ltd seeks to operate in mineral and energy exploration and investment in Australia.

Condensed Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

8. CASH AND CASH EQUIVALENTS

For the purposes of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following as at 31 December:

	2006	2005
	\$	\$
Cash at bank and in hand	5,207	10,205
Short-term deposits	120,000	-
TOTAL	125,207	10,205

9. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that were entered into with related parties for the half-years ended 31 December 2006 and 2005:

Related Party		Share based payments \$	Professional fees \$
Key management personnel of the Group:			
- Bradley Abbott	31/12/2006 31/12/2005	5,078	
	31/12/2006 31/12/2005		22,392 -
- Abbott's Pty Ltd - Accounting fees			
	31/12/2006 31/12/2005	5,078 -	2,138 -
- Andrew Rule – Consultants fees			
	31/12/2006 31/12/2005	5,078 -	13,750 -
- Jeremy Shervington – Legal fees			
	31/12/2006 31/12/2005	5,078 -	
- Harjinder Kehal			
	31/12/2006 31/12/2005	5,078 -	

Bradley Abbott is a Director of **Abbott's** Pty Ltd which has provided accounting services to the Company under normal terms and conditions.

10. Contingencies and Commitments

The company does not have any contingent liabilities as at the date of this report.

11. Subsequent Events

No matters or circumstances have arisen since the end of the half year period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Condensed Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

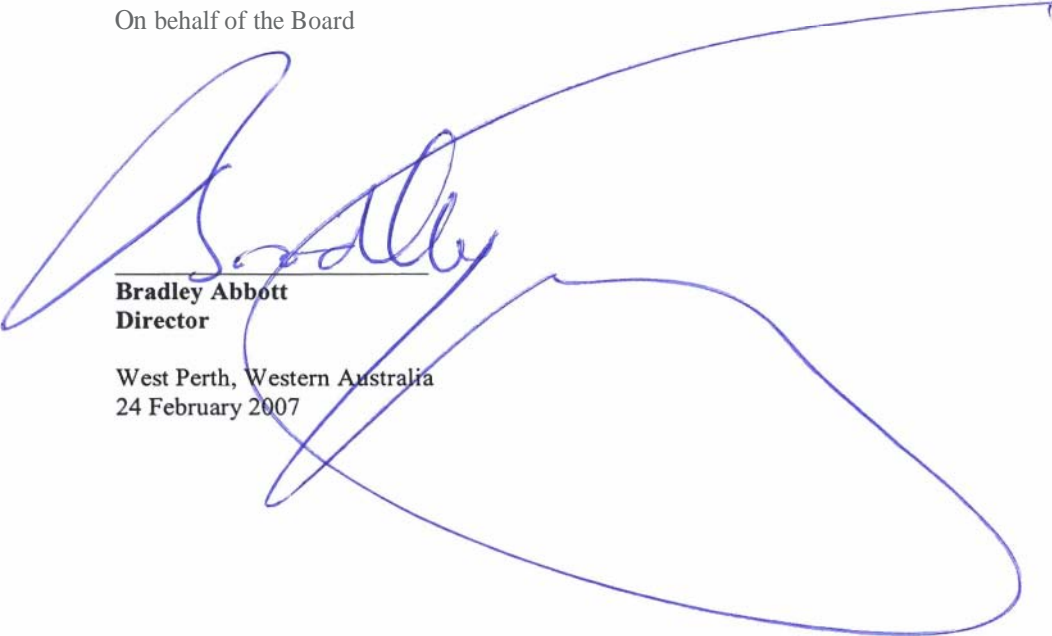
Directors' Declaration

In accordance with a resolution of the directors of Altera Capital Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) give a true and fair view of the financial position as at 31 December 2006 and by the performance for the half-year ended on that date of the Company; 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



Bradley Abbott
Director

West Perth, Western Australia
24 February 2007

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ALTERA CAPITAL LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Altera Capital Limited, 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 Company'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. As the auditor of Altera Capital 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. We confirm that the independence declaration required by the Corporations Act 2001, has been provided to the directors of Altera Capital Limited on **24 February 2007**.

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 Altera Capital Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the Company's financial position as at **31 December 2006** and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB **134** Interim Financial Reporting and Corporations Regulations **2001**.

Inherent Uncertainty Regarding Going Concern

Without qualification to the review opinion expressed above, attention is drawn to the following matter:

As referred to in note 1 to the financial statements, the financial statements have been prepared on a going concern basis.

At **31 December 2006** the Company had working capital of **\$121,717** and had incurred a loss for the period of **\$96,115**. The ability of the Company to continue as a going concern is dependent upon obtaining additional funds through successful capital raising,

In the event that the Company is not successful in raising additional funds, the Company may not be able to continue as a going concern.

STANTONS INTERNATIONAL
(An authorised audit company)



K Lingard
Director

West Perth, Western Australia
24 February 2007

Stantons International

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24 February 2007

Board of Directors
Altera Capital Limited
813 Wellington Street
WEST PERTH WA 6005

Dear Sirs

RE: ALTERA CAPITAL LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Altera Capital Limited.

As Audit Director for the review of the financial statements of Altera Capital Limited for the period ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)



Keith Lingard
Director