ASX/MEDIA RELEASE

31 August 2010

2010 PRELIMINARY FINAL REPORT – FINAL DIVIDEND

Katana Capital Limited (ASX: KAT) ("Katana Capital") is pleased to report its FY 2010 prelim inary final report and declare a final FY 2010 fully franked dividend of 1.25 cents per share.

Highlights FY 2010

- Investment Income $8.398m
- NPAT $5.308m
- NTA per share $0.94
- Total Net Assets $38.112m
- Cash reserves $7.448m

Please find attached:

(i) Shareholder update from the Company's Fund Manager

(ii) Preliminary Final report FY 2010

Timetable for Final Dividend – 1.25 cents per share fully franked

31 August 2010	Announcement to market
16 September 2010	Ex-dividend date
22 September 2010	Record Date
4 October 2010	Payment Date

- ENDS -

For more information about Katana Capital Limited, please contact:

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Or visit: www.katanacapital.com.au

Katana Capital Limited
30 June 2010 Investment Report

Overview

Katana Asset Management Ltd as manager ('Manager') for Katana Capital Limited ('Company') is pleased to attach a report on the performance of the Company's portfolio for the 12 months to June 30th 2010.

Performance Summary

The 2010 financial year heralded a welcome return to profitability, and the Manager was delighted with the performance of the fund throughout this period. In percentage terms, the portfolio yielded a gross investment return of 24.54% before operating expenses and tax. The Company's stated benchmark - the All Ordinaries index – returned 9.55% over the same period. This is a significant relative out performance of 157%.

Katana Capital Ltd listed in December 2005. Since listing, the Manager has outperformed the All Ordinaries index during each and every financial year. During this 5-year period, the Manager has produced an average gross investment return of 10.71% pa versus 0.07% pa for the All Ordinaries index. **This is an excellent achievement, yielding an average out performance of 72%per annum.**

Year Ending	Katana Gross Investment Return	All Ords Index	Out Performance
2006	9.95%	6.90%	44.20%
2007	49.03%	25.36%	93.34%
2008	-6.41%	-15.49%	58.62%
2009	-23.57%	-25.97%	9.24%
2010	24.54%	9.55%	156.96%
Average	**10.71%**	**0.07%**	**72.47%**

2010 Financial Year Review

The All Ordinaries index entered the 2010 FY at 3,948 and rallied solidly from that level – particularly during the first quarter of the new financial year. During April 2010, the index tested the 5,000 level, before retreating to close the month at 4,833. This was still a sizeable increase of 22% from the beginning of the financial year, and came on the back of the 30%+ rally already experienced from the March 2009 low.

It was relatively clear at the time that the market had rallied too far too fast, and that the local and international stimulus packages were generating an artificial level of demand and indeed perceived demand. In one swift stroke, investor sentiment had moved from oblivion to perfection: stocks were suddenly priced for perfection and earnings forecasts were overly optimistic and in many instances clearly unattainable.

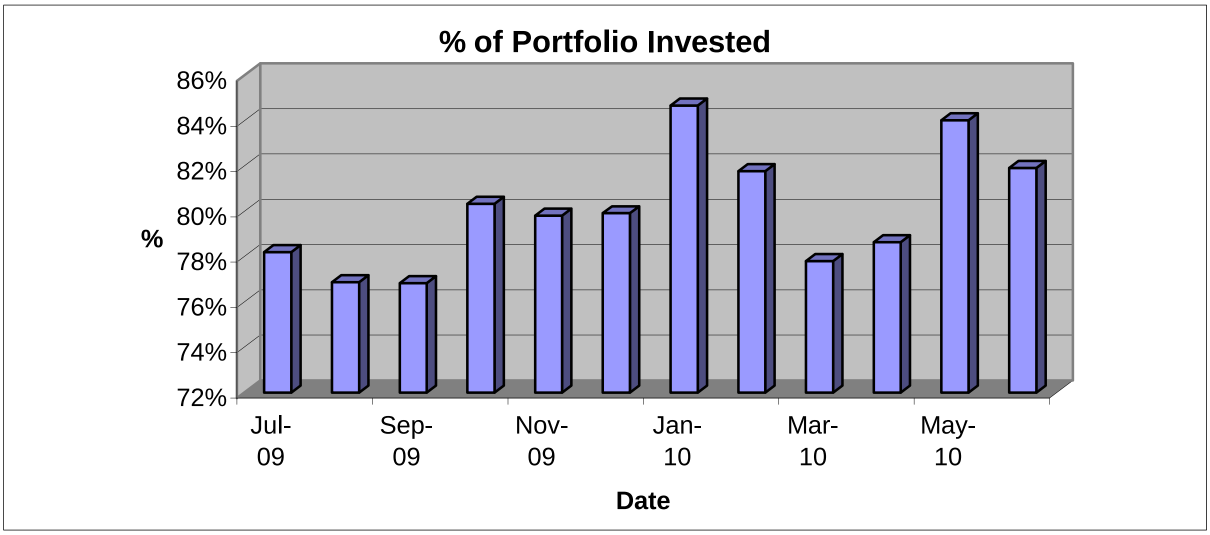
During May and June 2010, a number of concerns came to the fore, as sentiment increasingly turned negative.

First and foremost, there was a growing realisation that the situation throughout much of Europe was substantially worse than previously believed, and indeed on most levels substantially worse than the United States. Greece stepped up to the edge of the sovereign debt default abyss, as the more robust nations frantically calculated whether it would be cheaper to rescue Greece (and if necessary Spain, Ireland, Portugal et al) or rescue their respective banking systems in the event that Greece was left to default. In the end the cards were always going to land in Greece's favour. However it was not before investors around the globe were given a clear insight into the precarious and unsustainable imbalances that have mushroomed throughout much of Europe under the umbrella of a common currency.

By comparison, problems with the other two major global economies were much more sedate and much less newsworthy! However, there was nonetheless an occasional procession of articles and commentaries highlighting the dangers to growth in China and the lack of sustainability with the recovery in the US. More recently, the latter theme has emerged as the major area of concern.

The resulting impact was that the market retreated 10.5% over these 2 months. Fortunately, the Fund was able to continue its outperformance during this period due to its above average weighting in cash and cash equivalents.

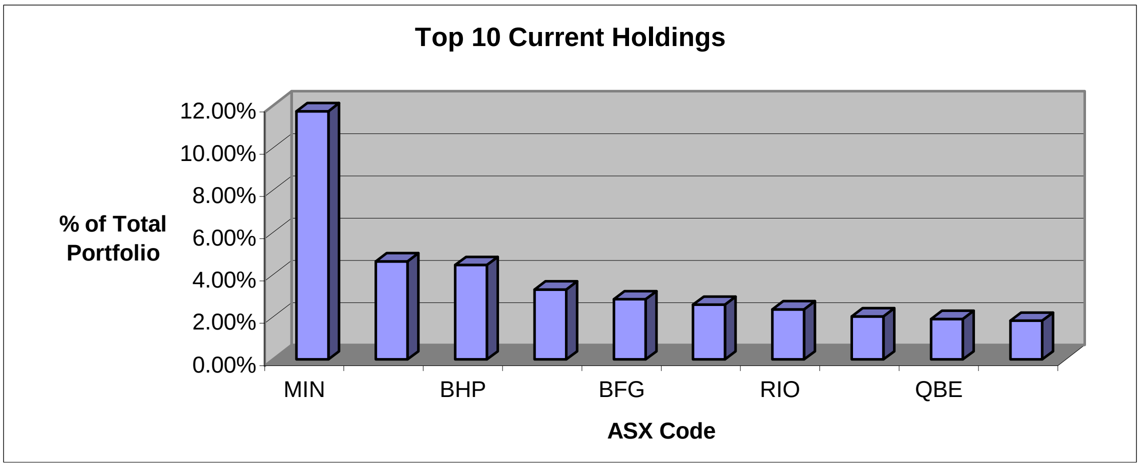
As at the close of the 2010 financial year, cash reserves totalled approximately 20% of the value of the portfolio.



As at the end of the financial year there were 72 companies in the portfolio. This diversification continued to assist the Manager to reduce the overall risk to the portfolio. Over the 2011 financial year however, the Manager is looking to reduce the number of stocks in the portfolio to closer to 60.

The Fund's single largest position remains a substantially overweight holding in Mineral Resources Limited (MIN). MIN has grown to almost 12% of the portfolio, predominantly through its continued out-performance. The Manager has resisted the temptation to reduce this holding, due to the very high level of confidence in both the MIN management and the company's future growth potential. Indeed, according to the Manager's analysis, during the 2011 financial year, we are likely to witness MIN's highest growth in earnings to date - both in absolute and relative terms.

The Manager's continuing bias towards the resource sector contributed to the Fund's out performance over the All Ordinaries index. The Manager believes that the resource sector and the resource-servicing sector will continue to provide investors with superior returns. Long term Chinese economic growth continues to be driven by the ongoing urbanisation and industrialisation of the rural population. This stance is demonstrated by the Manager's weightings in not only BHP Billiton Limited, but also Woodside Petroleum Limited, GCS Limited and RIO Tinto Limited.



Outlook

It seems a lifetime ago for some investors, but the Investment Managers at Katana remember well the 16th of September 2008. It was a Tuesday, and it was the day that the world almost lost its banking system.

Of course that was all predicated by the collapse of Lehman Brothers – the 4th largest financial institution in the US, with assets under control of $US600bn. As a result of this near death experience, every major central/reserve bank, government and pseudo government agency took unprecedented steps to resuscitate the global financial system. And to their credit, the dramatic stimulus injections, purchases of toxic assets and rapid lowering of interest rates, were able to rescue the financial system in the face of enormous headwinds.

If we fast-forward nearly 2 years, we find ourselves in a situation with a number of worrying characteristics:

- Firstly, the strong fiscal measures taken to resuscitate our economies have largely run their course and are drawing to a close
- The effects are starting to wear off, yet the underlying intrinsic demand has not sufficiently recovered
- Due to substantially higher levels of sovereign debt, there is limited capacity to safely extend or increase these measures.

Sovereign debt levels have rapidly spiralled out of control, with Government debt to GDP approaching 80% in Germany and France, 90% in the US and in excess of 190% in Japan. Further measures of debt to GDP are even more concerning, with one measure of total debt to GDP in the US sitting at almost 370%. In short we are experiencing the potential for sovereign defaults in Europe, the realistic threat of a double dip recession in the US, and the oversupply of housing in China.

Against this backdrop, it would be easy to be overly negative. However there are some strong counter-balancing arguments:

- Global interest rates are at record low levels:
  a. This significantly reduces the cost of doing business for almost every company in existence: lower expense = higher profits
  b. By reducing the cost of capital, low interest rates also reduce the investment threshold for new projects, and over the medium term will stimulate greater business activity, ceteris paribus
- We are witnessing the industrialisation of the two most populous nations in existence; this is likely to be a multi-generational event that will stimulate global activity for decades to come.
- Corporations, superannuation funds and private investors alike are sitting on substantial cash reserves.
- After taking into account tax and inflation, the real rate of return on most bonds and cash products, is negative or close to. This is not a natural place for funds to reside.
- The debt markets – whilst still some way from 'normal' – have thawed, and financing is available for robust ventures.
- Much negativity has now been priced into equity valuations, meaning the risk-return equation is now more favourable.
- The normal capital-replacement cycle – which has existed since the invention of the steam engine – is running its course, and drawing us all closer to the next round of capital expenditure.

So where does that leave us? In short, whilst the Manager acknowledges the potential for a 'substantial, cataclysmic' style event, it believes that the more likely outcome is that the Australian market (at least) will find itself oscillating between these two strong themes.

Accordingly, in the foreseeable future the Manager will look to:

- Add to equity holdings by progressively reducing cash towards approximately 10% in line with any move towards the 4,000 level.
- Progressively increase the cash weighting closer to 30%+ in line with any move towards the 5,000 level.

As a final note on the macro outlook, the Manager continues to believe that Australia's proximity to the emerging powerhouse economies of Asia (including India), combined with our relatively low debt profile and advanced business practices, place us as one of the very best places to invest for the foreseeable future.

The Manager's investment themes still include energy, (via thermal coal, liquefied natural gas, uranium and oil), funds management businesses, and industrial stocks that have strong cash flows, pricing power and robust business models.

Corporate

The performance of the Katana Fund has been quite exceptional under rather challenging conditions. However the Manager and Board alike have been actively looking for ways to reduce the gap between the underlying net tangible asset (NTA) backing and the price at which the shares trade.

To achieve this, the Fund undertook a more aggressive share buyback during the 2010FY, and will continue to do so. Currently, stock is being repurchased almost daily and cancelled – much of it at a substantial discount to the NTA. Over time, this will serve to both improve the liquidity and exit price for those looking to sell, as well as increase the underlying value for all new and remaining shareholders.

On the 29th of July, the Fund also announced that it would move towards paying dividends on a quarterly basis. It is hoped that this will increase the attractiveness of the shares to income-focussed investors. Additionally, this will increase the frequency with which the company will buyback shares on market to satisfy shareholders who have registered under the dividend reinvestment program (DRP).

It is also worth noting that In June of this year legislation was passed removing the profits test and introducing the liquidity test as the criteria that a company must meet in order to pay a dividend. In essence this means that bouts of stock market weakness will no longer preclude the Company's ability to pay a dividend. During the GFC the old legislation curtailed Katana from paying a dividend even though the company had surplus cash holdings. This change -coupled with the quarterly dividend schedule - should help provide a steady income stream to shareholders.

On a different and final note, the Manager is delighted to be able to make an announcement in respect of the Performance Bonus for the 2010FY. By way of background, in the normal course of events, 85% of the performance bonus is paid to the investment managers, and 15% to the staff in order to attract and retain the very best people. It is with much pride however that the Manager is able to inform all shareholders that the Investment Manager's have voluntarily chosen to forgo their performance bonus owed for substantially out-performing the market index. This amounts to a saving and benefit of in excess of $800,000 for all shareholders.

Brad Shallard Rom ano Sala Tenna

Investment Managers
Katana Asset Management Limited

Appendix 4E

Full Year Report

30 June 2010

Katana Capital Limited

ACN 116 054 301

Results for announcement to the market

Financial Results	Movement	June 2010 $	June 2009 $
Revenue from ordinary activities	531%	8,398,416	1,331,716
Profit/(loss) from ordinary activities after tax attributable to members	NA	5,308,691	(7,711,901)
Net profit/(loss) for the period attributable to members	NA	5,308,691	(7,711,901)

Dividends	Amount per Ordinary Security	Franked amount per security
2010 final dividend	1.25 cents	100%
2009 final dividend	Nil -	

Record date for determining entitlements to final dividends	22 September 2010

Net Tangible Asset Backing	**June 2010**	**June 2009**
Net tangible asset backing per ordinary security	$0.94	$0.82

KATANA CAPITAL LIMITED
PRELIMINARY FINAL REPORT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	2010 $	2009 $
Investment Income		
Investment Income	6,887,065	-
Dividend Income	1,135,699 1,	158,598
Interest Income	375,652	173,118
Total Investment Income	8,398,416 1,	331,716
Investment loss	-	11,801,269
Expenses		
Administration 34	0,761	344,965
Directors' fees and expenses	170,500	188,666
Performance fee	139,500	-
Legal and professional fees	92,033	83,029
Manager's fees	497,511	395,395
Total expenses	1,240,305 1,	012,055
Profit/(loss) before income tax	7,158,111 (	11,481,608)
Income tax (expense)/credit attributable to operating profit	(1,849,420)	3,769,707
Net Profit/(loss) attributable to members of Katana Capital Limited	5,308,691	(7,711,901)
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	5,308,691 (	7,711,901)
Basic earnings/(loss) per share (cents per share)	12.89	(18.53)

KATANA CAPITAL LIMITED
PRELIMINARY FINAL REPORT
CONDENSED BALANCE SHEET
AS AT 30 JUNE 2010

	2010 $	2009 $
Current Assets		
Cash and cash equivalents	7,488,659	7,073,483
Receivables	227,537	777,191
Financial assets held for trading	30,675,449	24,051,056
Current tax receivable	-	30,567
Other assets	87,194	61,591
Total Current Assets	38,478,840 3	1,993,888
Non Current Assets		
Deferred tax assets	834,334	2,683,755
Total Assets	39,313,174 3	4,677,643
Current Liabilities		
Trade and other payables	1,197,133	440,356
Financial liabilities	-	54,200
Dividend payable	3,316	3,316
Total Current Liabilities	1,200,449 49	7,872
Net Assets	38,112,725 3	4,179,771
Equity		
Issued Capital	39,526,993	40,081,234
Option Premium Reserve	101,100	101,100
Retained Earnings	(1,515,368)	(6,002,563)
Total Equity	38,112,725 3	4,179,771

KATANA CAPITAL LIMITED
PRELIMINARY FINAL REPORT
CONDENSED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2010

	2010 $	2009 $
Cash flows from operating activities		
Proceeds on sale of financial assets	49,304,572 3	7,762,881
Payments for purchases of financial assets	(47,934,000) (	36,458,449)
Payments to suppliers and employees	(1,059,688) (	1,048,933)
Interest received	372,080 17	1,851
Dividends received	1,100,965 1,	238,382
Other revenue	2,002 2	4,727
Tax refund	4,982 2	8,588
Net cash flows from operating activities	1,790,913 1,	719,047
Cash flows from financing activities		
Dividends paid	(821,496) (	420,401)
Payments for share buy back	(554,241) (	77,036)
Net cash flows used in financing activities	(1,375,737) (	497,437)
Net increase in cash held	415,176 1,	221,610
Cash and cash equivalents at beginning of the year	7,073,483 5,	851,873
Cash and cash equivalents at end of the year	7,488,659 7,	073,483

KATANA CAPITAL LTD

KATANA CAPITAL LIMITED
PRELIMINARY FINAL REPORT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	$	$	$	$
	Issued capital $	**Option premium reserve $**	**Retained earnings $**	**Total $**
Balance at 1 July 2008	40,158,270	101,100	2,126,186	42,385,556
Profit /(loss)for year	-	-	(7,711,901)	(7,711,901)
Total recognised income/(loss) for the year	--		**(7,711,901)**	**(7,711,901)**
Buy back of shares	(77,036)	-	-	(77,036)
Dividends provided for or paid	-	-	(416,848)	(416,848)
Balance at 30 June 2009	40,081,234	101,100	(6,002,563)	34,179,771

	$	$	$	$
	Issued capital $	**Option premium reserve $**	**Retained earnings $**	**Total $**
Balance at 30 June 2009	40,081,234	101,100	(6,002,563)	34,179,771
Profit /(loss)for year	-	-	5,308,691	5,308,691
Total comprehensive income/(loss) for the year	-	-	(693,872)	5,308,691
Buy back of shares	(554,241)	-	-	(554,241)
Dividends provided for or paid	-	-	(821,496)	(821,496)
Balance at 30 June 2010	39,526,993	101,100	(1,515,368)	38,112,725

KATANA CAPITAL LIMITED
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

	30/06/10 Number	30/06/09 Number
EARNINGS PER SHARE		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	41,177,638	41,620,466

There are no dilutive securities on issue as at 30 June 2010.

EVENTS AFTER BALANCE SHEET DATE

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

ISSUED CAPITAL

	2010		2009	
Movement in shares on issue	**Number**	**$**	**Number**	**$**
Balance at beginning of period	41,494,313	40,081,234	41,684,800	40,158,270
Share Buy Back	(791,194)	(554,241)	(190,487)	(77,036)
Balance at end of the period	40,703,119	39,526,993	41,494,313	40,081,234

	2010		2009	
Movement in options on issue	**Number**	**$**	**Number**	**$**
Balance at beginning of period	1,000,000	-	1,000,000	-
Expiry	(1,000,000)	-	-	-
Balance at end of the period	-	-	1,000,000	-

SEGMENT INFORMATION

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

CONTINGENT ASSETS & LIABILITIES

There are no contingent liabilities or contingent assets as at 30 June 2010.

KATANA CAPITAL LTD

Annual meeting

The annual meeting will be held as follows:

Place	To be advised
Date	To be advised
Time	To be advised
Approximate date the [+]annual report will be available	16 October 2010

Compliance Statement

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

Identify other standards used

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

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

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

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

5 The entity has formally constituted audit committee.

Sign here:

Date: 31 August 2010

Print name: Gabriel Chiappini
Company Secretary