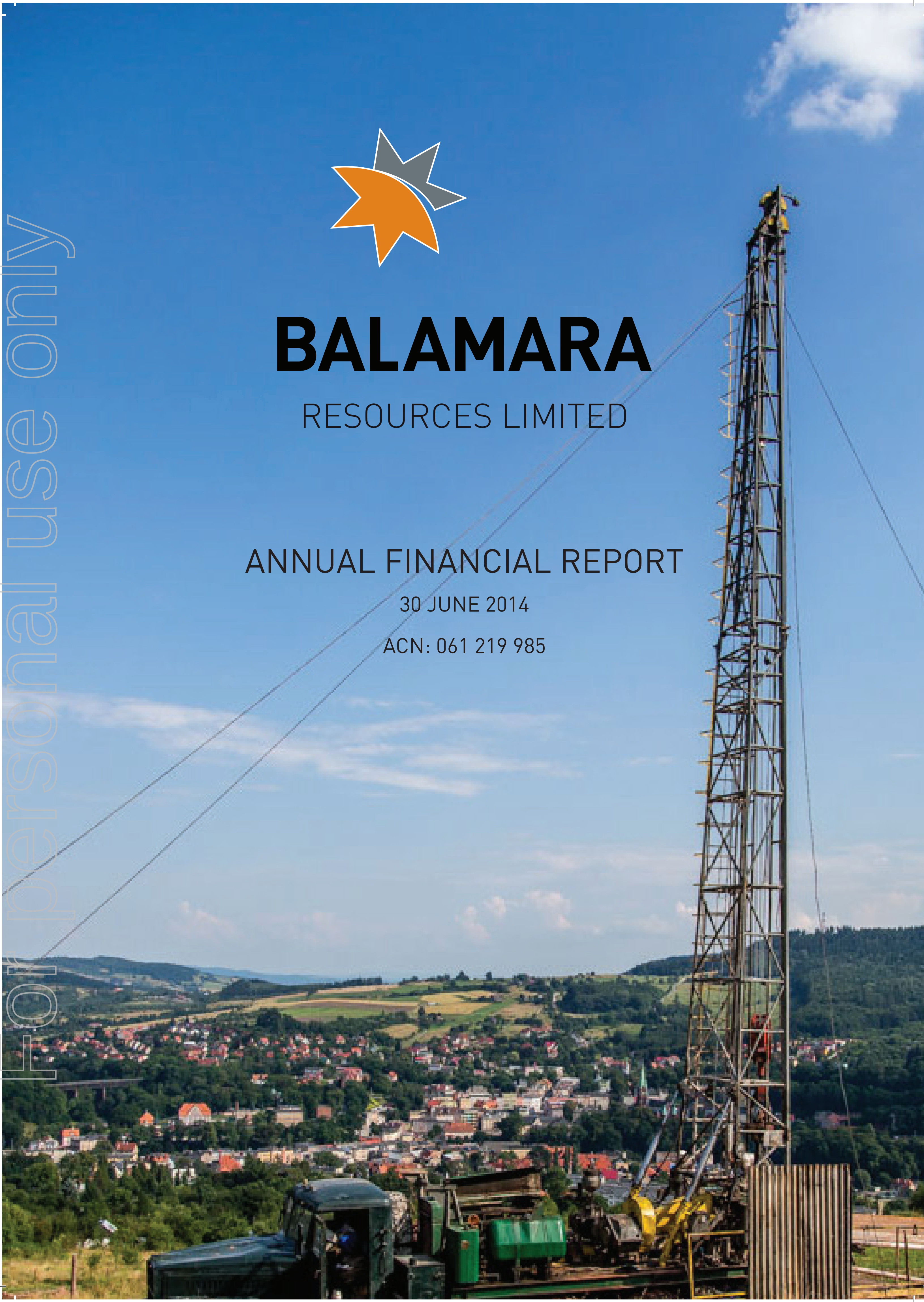
BALAMARA

RESOURCES LIMITED

ANNUAL FINANCIAL REPORT

30 JUNE 2014

ACN: 061 219 985



CORPORATE DIRECTORY

Directors

Mike Ralston
Derek Lenartowicz
Milos Bosnjakovic
Michael Hale

Company Secretary

Daniel Kendall

Auditors

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Share Registry

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Stock Exchange Listing

Securities of Balamara Resources Limited are listed on the Australian Securities Exchange (ASX).

ASX Code: BMB

Web site: www.balamara.com.au

ACN: 061 219 985

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MANAGING DIRECTORS REPORT

Dear Shareholders,

I am pleased to present Balamara Resources Annual Financial Report for the year ended 30 June 2014.

Once again the Company has progressed through one of the most challenging periods in the Australian resource market, with the combination of cyclical low international prices together with weak conditions for junior listed ASX companies driving down liquidity in particular and market support in general.

Nevertheless, despite these challenges, Balamara has emerged as a very much stronger and more robust organization, with a clear vision based upon a core strategy to develop three world class coal projects in Poland. These projects have been acquired to provide the Company with the necessary size, scale and quality that is required to deliver a genuine mid-tier mining house, replacing the smaller, exploration focused assets that Balamara had concentrated on previously. This distinction is very important to understand.

In July 2013 Balamara acquired the Nowa Ruda Project via award of exploration rights to the concession. This is a significant advanced coking coal asset that previously produced 1.25mtpa high quality hard coking coal over a long period before closing in 1996, and Balamara is confident it can bring Nowa Ruda back into production over the medium term for a relatively low capital cost. Initial calculations based on current benchmarked operating costs and coking coal sales prices indicate the potential for a high margin operation over a long mine life. With several coking plants in operation nearby in Lower Silesia the logistical cost of moving product to market will likely be low, which presents a further strong competitive advantage.

Balamara intends to advance Nowa Ruda substantially over the short term and lodge an application for a license to mine in 1H 2015. Assuming this is successful the Nowa Ruda Project will be ready for project funding and mine development thereafter.

However Balamara was not content to sit back developing Nowa Ruda alone within Poland as other valuable coal opportunities beckoned, and the Company applied for several other concessions over the year. In July 2014 the Company was awarded the exploration rights to a second large concession (13,000 hectares), an advanced thermal coal project called Sawin which is located in the Lublin Basin near to the world class operating thermal coal mine owned by Lubelski Wegeil Bogdanka SA ("Bogdanka"). Due to 30,000 meters of historical drilling and considerable associated data Balamara was immediately able to announce a significant quantity of coal at Sawin as a foreign estimate and this will be reported as a JORC standard resource by end 2014. From 2015 Balamara will drill out Sawin and commence with scoping and ultimately feasibility studies.

In addition to the above two projects Balamara has also introduced a third asset, the Mariola thermal coal project based in the Upper Silesian Basin, giving the Company representation in all three of the major hard coal basins in Poland, where most infrastructure and offtakers are located. 15% of Mariola was acquired for $1.6 million and the Company will seek to complete the acquisition of the remaining 85% via a merger of the Mariola parent company with Balamara by 4Q 2014. Mariola is another large, advanced high quality thermal coal project and Balamara considers this asset to be the mine that it can bring into production first, for the lowest capital cost, making it very valuable within the production funnel to deliver the next big coal producer in Poland.

Mariola will ultimately be one of the shallowest underground mines in Poland and both capital development and operating costs are expected to be low. Furthermore, Mariola is located immediately adjacent to an operating power station which has a requirement for additional thermal coal, which can provide facilities for mine waste, excess water and coal storage. These attributes combine to deliver a world class coal asset with significant value.

The development of these three quality coal assets through to production over the next few years will be the focus for the Company and as such Balamara has embarked on a divestment exercise over the past year to ensure that critical resources are channeled into the projects that can deliver the highest return on investment. As a result the original base metal assets under exploration in the Balkans region were sold to a third party investor in a $15 million cash sale, which is pending completion. Whilst this deal is still outstanding it has the potential to deliver the Company a game-changing quantum of cash to develop its assets moving forward.

MANAGING DIRECTORS REPORT (Continued)

The Togo phosphate tender which has occupied the flagship position for some time continued to move along slowly, with final stage tender offers submitted again in April 2014 and a series of meetings with the Government of Togo officials. Balamara assembled a tier-one consortium of substantial phosphate and fertilizer organizations to indicate its ability to deliver this project. Balamara does not know where this tender process will end, or how, but the necessity to win this project to provide a substantial asset to develop within the Company is no longer as critical now as it was previously, with the three large coal projects being delivered over the past twelve months.

Internally Balamara has continued to enjoy the support of a major shareholder that has provided significant funding to deliver upon the strategy, and the long term relationship with this shareholder will continue to add value. The Company enjoys a strong base of supporters who understand the long term vision of the board. As at September 2014 Balamara has substantial cash coming in via a recent US$5 million placement of shares and these funds will greatly assist development over the next financial year.

Balamara believes that the future is very bright with three exceptional projects that will all continue to develop strongly over the next year, and as their attributes become more visible via progress, by third party research, concept reports and feasibility studies, the overall market will become more aware of the considerable value proposition.

Poland remains a first class destination to develop resource projects, being one of the very few countries in the world that combines a low operating cost environment together with a low sovereign risk environment. Most countries have one or the other but having both is very rare, yet critical to successful development of resource projects.

I would like to take this opportunity to thank our loyal and hard-working team of employees, management and board, who operate 24/7 over several countries and continue to show the passion, commitment and skill in all they do. It is through their efforts, combined with the excellent support from loyal shareholders and friends, which will ultimately deliver Balamara as a quality mid-tier resource Company. We are entirely confident we are moving closer to that goal.

Mike Ralston

Managing Director
Balamara Resources Limited

OPERATIONS REPORT

Nowa Ruda: Coking coal project (100% owned; Poland)

In July 2013, the Government of Poland awarded the rights to explore and develop the Nowa Ruda Coal Project to Balamara's 100%-owned Polish subsidiary company, Coal Holding Sp z.o.o., providing an exciting opportunity for the Company to reposition itself as a significant mid-tier player in the international coal industry.

The Nowa Ruda Project is located in the Central Sudeten range within the Lower Silesian Coal Basin, close to the Czech Republic border. It consists of a single lease area covering two large, adjacent coal deposits – known as the Waclaw and Piast deposits. The project covers a surface land area of approximately 20sqkm and extensive key infrastructure including roads, rail, power and water is in place in this area.

Nowa Ruda was a substantial producing underground coal mine for a large part of the last century, before being placed on care and maintenance at the end of 1995 due to lower coking coal prices along with excessive and inefficient cost structures attached to the overall project; these structures were established by the Communist Government almost 50 years ago.

Balamara considers that the overall cost structures can be better managed by the Company operating this Project more commercially, and coupled with considerably higher prices for end-product as exists today this creates a significant opportunity for shareholders.

A 4,900m five Hole drilling programme commenced in late 2013, with the first two drill-holes at the Waclaw deposit completed, and drilling has commenced on the first two holes at the Lech deposit.

This drilling programme has four main objectives:

- To provide fresh data to convert the previously reported Foreign Estimate (*see Balamara ASX Announcement – 24 July 2013*) into a JORC standard resource, along with increasing the maiden JORC resource as detailed in Table 1 below;
- To provide fresh samples for updated coal quality analysis;
- To identify both of the main two coal seams (300 and 400 series) in each of the two deposits at previously understood depths and locations; and
- To consider any further coal tonnage that may be added to the existing known deposits.

An application has been lodged to drill a further two holes into the Lech deposit, increasing the total number of holes to be drilled at Nowa Ruda under the current programme to seven. These extra holes will provide closer spacing to enable an upgrade of the JORC Mineral Resource in early 2015, as well as providing further information relating to the major coal seams within the Lech deposit that Balamara will aim to mine first.

The Company has also commenced long-lead time Pre-Feasibility work at Nowa Ruda; with the objective of completing all of the necessary studies required to allow Balamara to submit an application for a licence to mine by the end of Q1 2015.

In particular, the environmental work associated with this licence application takes longer to complete and the Company would like to ensure that there are no delays in 2015 due to long-lead time items remaining outstanding. Initial mine planning and design work is also underway and is being worked on by local consultants in conjunction with Wardell Armstrong International ("WAI"). Balamara is comfortable that this work remains on schedule.

Figure 1: *Commencement of drilling at Nowa Ruda*

***** *Please refer to Competent Persons Statement on page 13.*

OPERATIONS REPORT (Continued)

Further to the Foreign Estimate reported last year, and announced to the ASX on 24 July 2013, experienced European coal consulting firm Wardell Armstrong International ("WAI"), have completed a maiden Coal Resource and separate Exploration Target*.

Table 1: Coal Quality Data for Nowa Ruda, as per historical data recently acquired by Balamara

Coal Category	Tonnes (Mt)	Sample Type	Moisture %	Volatiles %	Sulphur %	Ash %	Net Calorific Value (Kcal/kg)
Indicated	8.76	As Received	-	21.35%	0.73%	29%	
		Air Dried	1.10%	22.78%			
Inferred	14.3	As Received	-	21.35%	0.73%	29%	
		Air Dried	1.10%	22.78%			
Exploration Target **	112-161	As Received	1.3%-35% (9.4%)*	16%-26% (20%)*	0.3%-3% (0.94%)*	7%-65% (28%)*	2,800-7,100 (5,700)*
		Air Dried	0.3%-1.9% (1.02%)*	17%-27% (22%)*	0.4%-3% (1.16%)*	6%-58% (22%)*	2,900-8,000 (6,400)*

*****_Full range of values included for Exploration Target tonnage as required under JORC (2012) standard indicate the variety of coal types at Nowa Ruda. Balamara would be selectively mining particular coal seams with better quality coal parameters above. The coal quality data is based on samples taken from mine workings sampling points and surface boreholes. Data is available for samples as-received (i.e. before drying) and for samples subjected to air drying. The values for the Indicated and Inferred Resources are expressed as an average. The values for the Exploration Target are expressed as a range and the arithmetic mean of all the values used to make up the range has also been provided in brackets._

***The potential coal quality and quantity is conceptual in nature as there has been insufficient exploration to date to define a Coal Resource and it is uncertain if further exploration will result in the determination of a Coal Resource.*

Part of the coal is defined as an 'Exploration Target' because Balamara was not, at this stage, able to deliver all of the necessary drillhole information required under the stringent JORC (2012) Code despite the existence of a large historical database for the Nowa Ruda Project.

Coal parameters in the Exploration Target are expressed as a range and, in the case of the ash content, the range is quite high and has been skewed by a few very high results. If the arithmetic mean of the individual values within the range is considered then the figure is reasonable. Historical experience during the Polish mining operation at the Nowa Ruda Project indicates that 'washing' (upgrading) improved coal quality significantly by reducing the ash content to an average of 5.4% with a maximum ash content of 10.6%.

Figure 2: *Further drilling at Nowa Ruda*

***** *Please refer to Competent Persons Statement on page 13.*

OPERATIONS REPORT (Continued)

Mariola: Thermal coal project (15% owned; Poland)

Balamara secured an initial 15% interest in the Mariola Thermal Coal Project through a $1.6 million deal announced on 15 July, and due diligence is now progressing towards completion of a merger between Balamara and Carbon Investment, the private Polish company that owns the remaining 85% of Mariola. This will enable the Company to achieve 100% ownership of this Tier One thermal coal asset in the near future.

Mariola is an advanced, synergistic, coal Project in Poland that complements Nowa Ruda and the Company strategy of bringing advancing to a coal producer in Poland in the near future. The Project is located in the heart of the Upper Silesian Basin where most Polish thermal coal historically has been mined and where the majority of Polish thermal power stations are currently located.

Mariola has several attributes that are attractive to Balamara, namely:

- **Advanced status** – Carbon Investment is targeting first production at Mariola by the end of 2016, at least 12 months ahead of the targeted start-up date for Balamara's Nowa Ruda Project;
- **Size and scale** – a maiden JORC standard resource for Mariola is targeted by the end of Q3 2014, to be delivered by Wardell Armstrong;
- **High-grade thermal coal with low sulphur**, moisture and ash (post washing – based on historical reports);
- **Low anticipated CAPEX** to bring Mariola into production, subject to verification by a Feasibility Study;
- **Experienced management team** capable of progressing Mariola to production and therefore allowing Balamara's existing team to continue to focus on Nowa Ruda; and
- **Existing thermal power station** located approximately 2km from the Concession which has indicated a requirement for coal of the quality and grade that would be mined at Mariola.

Figure 3: *Existing Tauron-Sierzca power station, located immediately adjacent to the Mariola concession.*

Balamara is confident that Mariola will overlay synergistically with Nowa Ruda in terms of the planned development cycle of each project moving towards production. Furthermore, if Mariola, with a lower anticipated CAPEX, moves into production approximately 12 months ahead of Nowa Ruda and delivers substantial cash flow, this will greatly assist funding for Nowa Ruda.

***** *Please refer to Competent Persons Statement on page 13.*

OPERATIONS REPORT (Continued)

These advantages make Mariola highly attractive to Balamara and negotiations are underway to secure the remaining 85% equity in Carbon Investment. Balamara is confident it can complete the acquisition of Mariola once the initial JORC resource is completed by WAI, which will complete the technical due diligence on the asset and provide further evidence of value.

Sawin: Thermal coal project (100%)

During 2013, Balamara applied for several other Polish coal concessions that it believed might be complementary to its flagship Nowa Ruda Coking Coal Project. Subsequent to the end of the Quarter, the Company's 100%-owned Polish subsidiary, Global Mineral Prospects ("GMP"), was awarded exploration rights for an initial period of 3.5 years for the Sawin North concession, located in the highly prospective Lublin Coal Basin in south-eastern Poland.

Sawin is a large concession spanning an area of 13,200 hectares and comes with considerable data relating to exploration drilling conducted in the 1970s and 1980s by the Polish Government. This data provides evidence of significant coal deposits within Sawin that exist throughout the entire Lublin Basin, as underlined by both Lubelski Wegeil Bogdanka SA ("Bogdanka"), one of the most successful mining companies listed on the Warsaw Stock Exchange, and Prairie Mining Limited (ASX: PDZ), which has a JORC resource of 1.5 billion tonnes of high grade thermal coal, including coking coal.

The Sawin North concession is part of a larger historical Sawin project area and has a Foreign Estimate that was completed by the official Polish Geological Institute on behalf of the Ministry of Environment.

An estimated 1.387 billion tonnes (see Table 2)* of thermal coal occurs within Sawin North and is part of a larger 2.243 billion tonnes within the overall, historical Sawin concession area. These estimates are reported as Foreign Estimates under ASX listing rules 5.10 and 5.12. All coal has been classified as category C2 under the Polish system of classifying reserves and resources.

**It should be noted that:*

- *the Foreign Estimates are not reported in accordance with the JORC Code;*
- *A Competent Person has not yet done sufficient work to classify the foreign estimates as mineral resources or ore reserves in accordance with the JORC Code; and*
- *It is uncertain that following evaluation and/or further exploration work that these foreign estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code.*

Table 2: *Sawin North Coal Project – Foreign Coal Estimates under Polish system of classification*

Balance (MT) **	Off-Balance (MT)**	Total (MT)	Coal Types
530.8	856.2	1,387	31, 32, 33
			High grade thermal
Coal Parameters (average)			
Calorific Value Kcal/kg	6,488		
Dry Ash Content (%)	11.66%		
Total Sulphur (%)	1.64%		

*** Refer to additional notes within ASX announcement dated 21 July 2014 for detailed explanation of 'Balance' and 'Off-Balance' tonnes per Polish classification.*

The Company is not in possession of any new information relating to the Foreign Estimate that materially impacts on the reliability of the estimates or the Company's ability to verify the Foreign Estimates as coal resources/reserves in accordance with the JORC Code. Balamara confirms that the additional information provided in the ASX Announcement dated 21 July 2014 continues to apply, and has not materially changed.

***** *Please refer to Competent Persons Statement on page 13.*

OPERATIONS REPORT (Continued)

Strategic Development of Three Coal Projects

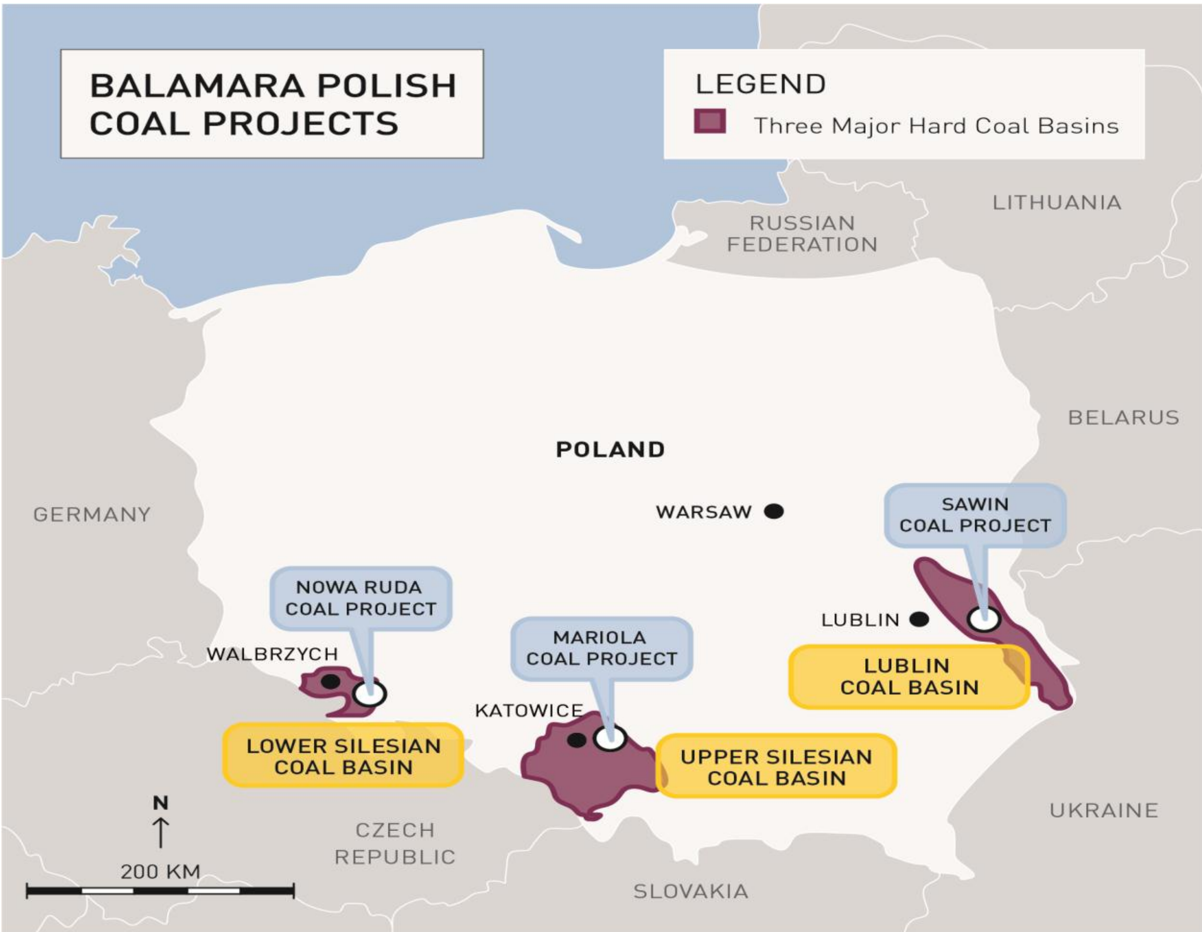

Figure 4: *Diversity of Balamara's coal projects located within all three major hard coal basins in Poland.*

Balamara has selected its three Polish coal assets for the advantages they have over many other coal assets in Poland, and also for their anticipated development timetable, which will provide a staged platform to transform Balamara from explorer to coal producer over the next few years in a way that minimises dilution for existing shareholders. Balamara sees the following staged approach as one potential solution to manage this development cycle to provide maximum benefit to shareholders and the minimum dilution along the way.

Stage One

- Establish JORC compliant Mineral Resources for the Nowa Ruda, Mariola and Sawin Projects.
- Complete Pre-Feasibility Studies for both Mariola and Nowa Ruda, with the objective of bringing Mariola into production approximately 12 months ahead of Nowa Ruda.
- Apply for licenses to mine on both Mariola and Nowa Ruda.
- Raise capital for Mariola to move into production.
- Commence production at Mariola as soon as practically possible.

Stage Two

- Finalise Feasibility Study at Nowa Ruda and license Nowa Ruda for production.
- Utilise Mariola cash flow to partly fund development of Nowa Ruda into production.
- Commence production at Nowa Ruda.
- Undertake Feasibility Study at Sawin, and ultimately license Sawin to mine.
- Continue ramp-up of Mariola Project.

Stage Three

- Sawin development and infrastructure.
- Sawin commences production.
- Nowa Ruda ramps up.

***** *Please refer to Competent Persons Statement on page 13.*

OPERATIONS REPORT (Continued)

Bogdan: Copper/zinc/lead/silver project (85% owned; Poland)

Located in the Upper Silesia region of South-Western Poland, close to the town of Lubin, Bogdan is a tenement of approximately 42km^2, immediately adjacent to one of Europe's largest copper and silver mines "KGHM Polska Miedz". The project was acquired in September 2011 via an 85% ownership in "Polmetal" a local polish company holding the Bogdan tenement.

Historically this area sits in a region that has produced over 20 million tonnes of copper over the past 40 years, most of it produced by KGHM. The area is defined by a large fault system that runs south-east and a vast tabular mineralised zone is associated with this fault, covering an area of some 200-300 km^2. KGHM have developed a mature, end-to-end mining and smelting operation in this region since the 1960's that has built it into one of the largest listed companies on the Warsaw Stock Exchange.

KGHM has resources reported at 1.16 billion tonnes grading 2.08% Cu and 59g/t Ag for a total of 24.1 million tonnes of copper and 63,740 tonnes of silver. KGHM produced over 550,000 tonnes of copper and over 40 million ounces of silver in 2011 for a reported operating profit of US$3.7 billion *(source: KGHM website; marketing report 2011).*

Holes B7 and B10 were completed over the European summer to depths of 542.2m and 615.1m respectively as part of the Phase Two follow-up diamond drilling program, targeting extensions to the copper intersected in Hole B4 in the second half of 2012. The most significant results for the recent holes, which intersected corresponding copper and lead zones, were:

Hole B7:

Lower copper zone:

- 4.85m @ 0.47% Cu and 10.2g/t Ag from 526.15m down-hole, including:
  - *0.5m @ 1.27% Cu, 44.3g/t Ag and 0.52% Pb from 526.15m*

Upper lead zone:

- 3.45m @ 0.89% Pb, 8.7g/t Ag from 522.7m

Hole B10:

Lower copper zone:

- 0.45m @ 0.40% Cu, 11.0g/t Ag from 588.25m down-hole; and
- 4.48m @ 0.17% Cu, 20.6g/t Ag from 591.52m down-hole

Upper lead zone:

- 2.9m @ 0.85% Pb, 5.8g/t Ag from 585.35m

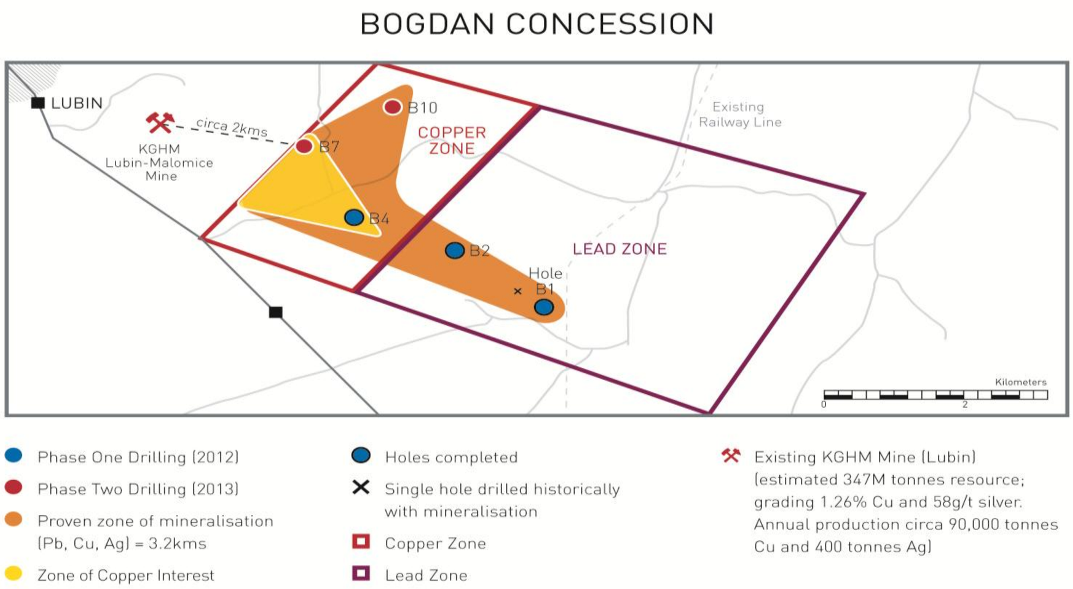

Figure 5: *Bogdan concession showing holes zone of mineralisation as well as the zone of interest for Balamara*

***** *Please refer to Competent Persons Statement on page 13.*

The Company also completed a JORC defined Exploration Target for each of the copper and lead zones, as detailed below:

Copper Exploration Target:	15.5Mt-19.0Mt at grade range 0.50%-0.60% Cu and 15.5-19g/t Ag, including smaller higher grade zone of 7.5Mt-9.2Mt at grade range 0.65%-0.80% Cu and 17-20g/t Ag. *
Lead Exploration Target:	14.0-17.5Mt at grade range 0.90-1.10% Pb, 0.30-0.40% Cu and 10.0-13.5g/t Ag, including a smaller higher grade zone of 2.6Mt at 2.0-2.5% Pb, 0.35-0.45% Cu and 18.9-20.0g/t Ag. *

***** (*The potential quantity and grade is conceptual in nature as there has been insufficient exploration to date to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The Exploration Target, which is based on actual drilling results, is stated above as a range of tonnes and grade of mineralised material and the copper target size was calculated from material that averages 0.5% Cu and/or 10g/t Ag over a minimum interval of 1.0m, while the lead target size was calculated from material that averages 0.5% Pb over 1m).*

Balamara is in the process of reviewing its strategy for the Bogdan Project, after taking into consideration its stated objective of focusing on Tier One resource opportunities and the requirement under the existing agreement to pay acquisition costs in order to continue with exploration activities.

The Company will consider a number of options to progress and realise value from the Bogdan Project, taking into consideration these encouraging drilling results and the Company's focus of Polish Coal. These options include securing a joint venture partner to progress the next phase of exploration and/or Balamara continuing exploration in its own right subject to the successful completion of the non-core Balkans Asset sale.

Peelwood: Zinc-copper-lead-silver project (80% owned; NSW Australia)

The Peelwood Project consists of the following exploration licences: Peelwood (EL2934); Black Springs (EL6831) and Mount Costigan (EL6955). In line with the Company's divestment strategy for its non-core assets, Balamara entered into a farm-in agreement with UK-listed CEB Resources in late 2013.

The key terms of the agreement are that CEB can earn up to a 49% of the Peelwood Project by spending $1.2 million in three tranches over the next 12 months.

In early 2014 an airborne electromagnetic survey was completed. The survey produced at least two strong targets that will be considered for future exploration under the terms of the JV Agreement signed between the companies in December 2013. Any further exploration will be subject to CEB Resources funding per stage two of the farm-in agreement.

Elsienora: Gold project (100% owned; NSW Australia)

Elienora consists of the exploration licences located in the Lachlan Fold Belt of Eastern New South Wales, Australia, being: Junction Point (EL6082) and Elsienora (EL6767). In September 2013, Balamara signed a farm-in agreement with Alkane Resources. The terms of the arrangement are that Alkane can earn up to an 80% interest in the Elsienora Project by spending $500,000 on exploration over three years, with a minimum of $250,000 to be spent over two years.

Since executing the agreement, Alkane has conducted exploration activity which included a systematic soil geochemical survey (572 samples) covering target areas north of the Elsienora Prospect. The sampling targeted those portions of the Cuddyong Formation thought prospective for McPhillamys-style gold mineralisation and orogenic gold targets.

***** *Please refer to Competent Persons Statement on page 13.*

Sale of non-core Balkans base metal assets

In February 2014 Balamara reached an agreement to sell its portfolio of non-core base metal assets in the Balkans region to a European consortium for a total of approximately $15.2 million cash, prior to transaction fees, providing an important boost to its growth strategy. This amount is made up of $14.5 million payable to Balamara for the acquisition of Balkan Mining Pty Ltd, and the balance being all development costs spent up to Completion to keep the Projects in good standing.

Balkan Mining Pty Ltd is the vehicle that houses the Company's three base metals projects located in the Balkans region (former Yugoslavia), the Monty, Varesh and RSC Projects.

To date the Buyer has been unable to meet its commitments to pay the acquisition fee and, as such, the deal remains outstanding pending the Buyer concluding internal matters to resolve this situation. Balamara hopes that this deal might conclude in the near term and is in regular contact with the Buyer. These projects are recorded on the balance sheet in accordance with AASB 5, classified as non-current assets held for sale.

Competent Persons Statement:

The information in this report that relates to Foreign Estimates, Exploration Results and Mineral Resources is based on information compiled by Mr Kevin Alexander. Mr Alexander is a full time employee of Balamara Resources Limited. Mr Alexander is a member of The Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists.

He has sufficient experience that is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to be qualified as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting on Foreign Estimates, Exploration Results, Mineral resources and Ore Reserves". Mr Alexander consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Balamara Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

The names of the directors of the company in office during the year and until the date of this report are as follows:

Mike Ralston
Derek Lenartowicz
Milos Bosnjakovic
Michael Hale

Note: *Directors held office for the entire period unless otherwise stated.*

Principal activities

The principal activities of the group are for the exploration of mineral resources and reserves, primarily in Central Europe. The core strategy is to acquire and advance quality projects of significant size and scale, in low cost and low sovereign risk environments, those being our Polish coal projects. The group currently has projects in Poland, Montenegro, Bosnia and NSW Australia, however the focus lies with coal in Poland. For a detailed review of the Group's Projects, refer to the operations report commencing on page 6.

Review and results of operations

During the year, the consolidated entity:

- Acquired the advanced Nowa Ruda Coking Coal Project in the lower Silesian basin, Poland;
- Entered into agreements to divest its non-core assets; namely the Peelwood Project, Elsienora Project and the Balkans Assets (Month/Varesh/RSC);
- Completed a maiden JORC resource at its Nowa Ruda Project based on historical data, and commenced a drilling programme to assist with increasing the JORC resource and assist with feasibility studies;
- Commenced long-lead time Pre-Feasibility work at Nowa Ruda;
- Released a maiden Exploration Target at its Bogdan copper/lead/zinc/silver project in Poland;
- Strengthened its consortium for the Togo Phosphate Project, submitted a final tender document and attended final stage discussions with the Togolese government. Balamara still remains one of three parties involved in this tender process;
- Completed an unmarketable parcel sale to significantly reduce the amount of shareholders of the Company, reducing administrative costs; and
- Successfully completed a Rights Issue for $5,259,898 via the issue of 70,131,977 shares at a price of 7.5 cents per share, along with a $1 million placement in May at 10 cents per share.

The comprehensive loss for the consolidated entity attributable to members was $12,515,642 (2013: $6,505,519).

Significant changes in the state of affairs

No significant changes in the state of affairs of the consolidated entity occurred during the financial year.

Dividends

No dividends were paid or proposed to be paid to members during the financial year.

DIRECTORS' REPORT (Continued)

Matters subsequent to the end of the financial year

Subsequent to balance date:

- On 15 July 2014, the Company acquired a strategic 15% equity position in Polish company Carbon Investment, the holder of the advanced Mariola Thermal Coal Project in the Upper Silesian basin, Poland. The acquisition has been made with both cash and equity, totally $1.67 million.
- On the 21st of July 2014, the Company was awarded the exclusive rights to the 132km^2 Sawin Thermal Coal Project in the Lublin basin, Poland. The concession has been awarded to its wholly owned Polish subsidiary Global Mineral Prospects; and
- The major shareholder, Ample Skill Limited, has agreed to a US$5 million placement, comprising 66.5 million shares at 8.0 cents per share. This transaction will be subject to shareholder approval which will be sought at the Annual General Meeting, likely to be held in early November 2014.

Other than the matter set out above, there has been no other matters or circumstances that has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

1. The consolidated entity's operations in future financial years, or
2. The results of those operations in future financial years, or
3. The consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Other than as described under Principal Activities and Matters Subsequent to the End of the Financial Year, the likely developments in the activities of the consolidated entity and the expected results of these operations have not been discussed in this report. Disclosure of the information would be likely to result in prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is subject to the usual environmental regulations that are applicable to mineral exploration.

Information on Directors

<u>Derek Lenartowicz ***BS Eng MSE*** **(Executive Chairman)**</u>

Appointed as an Executive Director on the 2nd of May 2007 and became the Executive Chairman from the 1st of August 2011.

Experience and expertise
Mr Lenartowicz is a Mining Engineer with considerable experience in developing and operating resource projects, most particularly in Australia where he has lived for the past 36 years, and in Poland, his country of birth. Most notably he was General Manager of BHP's Mt Keith Nickel Mine in Western Australia for 5 years, which is one of the largest nickel mines in Australia. In addition, he has held senior executive positions with View Resources and Syngas, both ASX listed resource companies.

Mr Lenartowicz's role at the company is to focus on strategic and technical matters, working closely with Mr Ralston. Mr Lenartowicz plays a hands-on role in the Company's projects in Poland; owing to his close ties with that country.

Other current Directorships of listed entities
None

Former Directorships in the last three years (ASX listed)
None

Mike Ralston (Managing Director)

Appointed as a Non-Executive Director on the 1 March 2011 and became the Managing Director effective from 1 August 2011.

Experience and expertise
Mr Ralston is a Chartered Management Accountant with extensive international experience. He has been directly involved in the resources sector in Australia since moving to Perth in 2004 and has been a Director and/or Chief Finance Officer for several ASX-listed resource companies in that time, including Terra Gold Resources, View Resources, Fireside Resources and most recently Kangaroo Resources. In his previous role, as Chief Financial Officer of Kangaroo Resources, Mr Ralston was an integral part of developing that business from a small shell company to a company with a market capitalisation of over $600 million within just two years, which was admitted into the ASX-300 in March 2012. He was directly involved with selling a majority position in Kangaroo Resources to a major listed Indonesian coal producer in 2011 before leaving to join Balamara.

Mr Ralston has an executive role at Balamara, with a key focus on all corporate and financial decisions. Responsibilities include delivery on strategy and objectives, marketing the Company and raising capital.

Other current Directorships of listed entities
None

Former Directorships in the last three years (ASX listed)
Non-Executive Director of Conto Resources Limited (Appointed 3 February 2011, resigned 22 April 2013)

Milos Bosnjakovic (Executive Director)

Appointed 2 June 2009

Experience and expertise
Mr Bosnjakovic is a lawyer by profession with strong links and network in the Balkan countries of the former Yugoslavia. He has been involved in the resources industry in Australia for over a decade and has considerable corporate experience within the industry. He has also built a successful construction business in Australia.

Mr Bosnjakovic plays a critical role in the management of the Balkans Assets; being the Monty Project (Montenegro) and the Varesh and RSC Projects (Bosnia-Herzegovina).

Other current Directorships of listed entities
None

Former Directorships in the last three years (ASX listed)
None

Michael Hale (Independent non-executive Director)

Appointed 12 April 2011

Experience and expertise
Mr Hale has a long held interest in Public Administration including service in the Cabinet Office for the State Government of Western Australia.
He has previously held elected positions with the governing bodies of the City of Perth and University of Western Australia. Mr Hale has over 35 years' experience in public administration and corporate governance, having served on various Boards and Committees.

Mr Hale plays the role of an independent Director; however he also played a role within the tender process for the Togo Phosphate Project.

Other current Directorships of listed entities
None

Former Directorships in the last three years (ASX listed)
None

Company Secretary

Mr Daniel Kendall was appointed as the joint Company Secretary on 11 January 2013, prior to taking full responsibility from the 5th of April 2013. Mr Kendall is also the Financial Controller of the Company, and has significant financial and governance experience within the resources sector.

Mr Kendall graduated with a Bachelor of Commerce (Accounting and Finance) from Curtin University and is a member of the Institute of Chartered Accountants Australia. Mr Kendall is also a member of the Governance Institute of Australia.

Meetings of Directors

The numbers of meetings of the company's board of directors held during the year ended 30 June 2014, and the numbers of meetings attended by each director were as follows:

Director	Number of Meetings	
	Eligible to attend	Attended
Mike Ralston	2	2
Derek Lenartowicz	2	2
Milos Bosnjakovic	2	2
Michael Hale	2	2

Other matters of board business have been resolved via circular resolutions of the directors, which are a record of decisions made at a number of informal meetings of the directors held to control, implement and monitor the company's activities throughout the year. There were no committee meetings held throughout the year, these issues are dealt with at each meeting of the directors.

Directors' interests
The relevant interest of each Director in the shares and options issued by the Company as notified by the Directors to the ASX in accordance with section 5205G(1) of the *Corporations Act 2001*, at the date of this report are as follows;

	Shares	Options
Mike Ralston	8,500,000	-
Derek Lenartowicz	16,741,254	-
Milos Bosnjakovic	16,613,810	-
Michael Hale	2,500,000	-

DIRECTORS' REPORT (Continued)

Remuneration report (audited)

The directors are pleased to present your company's 2014 remuneration report which sets out remuneration information for Balamara Resources Limited's non-executive directors, executive directors and other key management personnel.

Directors and key management personnel disclosed in this report:

Name	Position
Mike Ralston	Managing Director
Derek Lenartowicz	Executive Chairman
Milos Bosnjakovic	Executive Director
Michael Hale	Independent Non-Executive Director
Alastair Clayton (resigned 25 February 2013)	Independent Non-Executive Director

The Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration
3. Service agreements
4. Share-based compensation

1 Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward.

In considering the group's performance and benefits for shareholder wealth, the board takes regard of the following indices in respect of the current and previous four financial years.

	2014	*2013*	*2012*	*2011*	*2010*
Net profit/(loss)	($12,815,397)	($7,030,264)	($9,373,634)	($2,945,263)	($1,895,261)
Working capital	($8,931)	($1,068,075)	$1,865,127	$4,761,530	$492,458
Closing share price	$0.075	$0.063	$0.155	$0.17	$0.09
$ Change in share price	$0.012	($0.092)	($0.015)	$0.08	$0.04
% Change in share price	19%	(59%)	(9%)	89%	80%

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:
(i) Competitiveness and reasonableness;
(ii) Acceptability to shareholders;
(iii) Performance linkage / alignment of executive compensation;
(iv) Transparency; and
(v) Capital management.

The company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' wealth:

(i) Focuses on sustained growth in shareholder wealth; and
(i) Attracts and retains high caliber executives.

DIRECTORS' REPORT (Continued)

Alignment to program participants' interests:

(i) Rewards capability and experience; and
(ii) Provides a clear structure for earning rewards.

There are no set KPI's in relation to the above, therefore there is no direct link between remuneration and shareholder wealth.

Executive director and key management personnel
Fees and payments to executives reflect the demands which are made on them and their responsibilities. The executives' remuneration is reviewed annually by the board to ensure that executives' fees and salaries are appropriate and in line with the market. These fees are determined based on other similar sized companies within the industry, along with current market conditions. The company does not engage with remuneration consultants.

On 26 August 2011, shareholders approved the Balamara share plan, whereby shares have been issued to executives via a non-recourse loan. This issue is to incentivise the executives, refer to Section 4 *Share-based compensation* for further details.

Non-executive directors
Fees to non-executive directors are determined by the board and reviewed annually as appropriate and in-line with market expectations. There is no remuneration based on the financial performance of the company and consolidated entity. Mr Hale received shares under the Balamara share plan in June 2012 as an incentive; refer to Section 4 S*hare-based compensation* for further details. The amount of any fees payable to non-executive directors shall be determined by the directors provided that they shall not in any year exceed an aggregate amount of $300,000 as approved by Shareholders of the company on 17 November 2011.

Retirement allowances and benefits for directors
There have been no retirement or termination allowances, profit sharing, bonuses, or other performance related remuneration or benefits paid to directors during the financial year. The Company currently does not have any of these schemes in place.

2 Details of remuneration

The relevant proportions of remuneration that are linked to performance are those as follows;

Name	Fixed remuneration		At risk - STI		At Risk - LTI	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
Directors of Balamara Resources Limited						
Mike Ralston	36%	100%	-	-	64%	-
Derek Lenartowicz	28%	100%	-	-	72%	-
Milos Bosnjakovic	28%	100%	-	-	72%	-
Michael Hale	18%	100%	-	-	82%	-
Alastair Clayton	-	100%	-	-	-	-

Incentive shares have been issued in the current and past financial years under the Balamara Share Plan, to incentivise the board and senior management in growing the company, and in effect the share price of the company. These are however issued as remuneration and not linked to individual performance in any way.

DIRECTORS' REPORT (Continued)

2 Details of remuneration (continued)

The following table shows details of the remuneration received by the directors and the key management personnel of the group for the current financial year.

For the year ended 30 June 2014

	Short-term employment benefits				Post-employment benefits - Superannuation	Termination benefits	Share based payments ***	Total
	Salary & fees $	Bonuses $	Non-monetary benefits $	Total $	$	$	$	$
Executive Directors								
Mike Ralston	250,000	-	-	250,000	23,125	-	485,022	758,147
Derek Lenartowicz (i)	250,000	-	-	250,000	-	-	646,696	896,696
Milos Bosnjakovic (ii)	268,795	-	-	268,795	-	-	646,696	915,491
Non-Executive Directors								
Michael Hale	36,000	-	-	36,000	-	-	161,674	197,674
Totals	**804,795**	**-**	**-**	**804,795**	**23,125**	**-**	**1,940,088**	**2,768,008**

(i) These fees were paid to Voitek Pty Ltd, an entity associated with Mr. Lenartowicz.
(ii) These fees were paid to MBL Construction Pty Ltd, an entity associated with Mr. Bosnjakovic.

*** These Share-based payments relate to shares issued to directors and employees under the Balamara Director/Employee Share Plan. As these loans have not been repaid to date unless otherwise disclosed, an expense is recorded using the Black-Scholes option pricing model. Please refer to section 4 for further details.

At 30 June 2014 there was a payable owing to Mr Ralston to the amount of $21,975 (2013: $4,297) relating to annual leave. It is expected that 50% of this amount will be used within the next 12 months, and has been classified as a current liability on the consolidated balance sheet.

2 Details of remuneration (continued)

The following table shows details of the remuneration received by the directors and the key management personnel of the group for the previous financial year.

For the year ended 30 June 2013

	Short-term employment benefits				Post-employment benefits - Superannuation	Termination benefits	Share based payments ***	Total
	Salary & fees $	Bonuses $	Non-monetary benefits $	Total $	$	$	$	$
Executive Directors								
Mike Ralston	250,000	-	-	250,000	22,500	-	-	272,500
Derek Lenartowicz (i)	250,000	-	-	250,000	-	-	-	250,000
Milos Bosnjakovic (ii)	250,000	-	-	250,000	-	-	-	250,000
Non-Executive Directors								
Michael Hale (iii)	66,000	-	-	66,000	-	-	-	66,000
Alastair Clayton (iv)	41,662	-	-	41,662	-	4,365	92,191^	138,218
Totals	**857,662**	**-**	**-**	**857,662**	**22,500**	**4,365**	**92,191**	**976,718**

(i) These fees were paid to Voitek Pty Ltd, an entity associated with Mr. Lenartowicz.
(ii) These fees were paid to MBL Construction Pty Ltd, an entity associated with Mr. Bosnjakovic.
(iii) This amount also includes consulting fees paid to Mr. Hale for other professional services during the year amounting to $30,000 for services relating to the Togo phosphate project.
(iv) Resigned 25 Feb 2013.

^ Mr. Clayton has elected not to repay his loan, and is not entitled to the shares issued under the Director Share Plan. This amount will be reversed once the shares have been placed.

*** These Share-based payments relate to shares issued to directors and employees under the Balamara Director/Employee Share Plan. As these loans have not been repaid to date unless otherwise disclosed, an expense is recorded using the Black-Scholes option pricing model. Please refer to section 4 for further details.

3 Service agreements

On appointment to the board, all non-executive directors enter into a service agreement with the company in form of a letter of appointment. The letter summarises the board policies and terms, including remuneration. A summary of each non-executive directors terms can be found in the below table, among all other executives;

Name	Term of Engagement	Base Salary*	Termination benefit^	Other
Mike Ralston, *Managing Director*	On-going commencing 1 August 2011	$273,125**	12 months base salary	-
Derek Lenartowicz, *Executive Chairman*	On-going commencing 30 March 2012	$250,000	12 months base salary	-
Milos Bosnjakovic, *Executive Director*	On-going commencing 30 March 2012	$250,000	12 months base salary	-
Michael Hale, *Non-Executive Director*	On-going commencing 1 May 2012	$3,000 per month	n/a	-

* Base salaries are based on current agreements as at 30 June 2014, and include statutory superannuation where applicable.

** According to Mr Ralston's agreement, he was entitled to an increase of $50,000 at the earliest of six months or the date the Executive Chairman moved to a non-executive position. Per this, his salary would have increased to $300,000 on 1 February 2012; however Mr Ralston has not accepted this pay increase.

^ Termination benefits are based on termination by the company without reason.

4 Share-based compensation

On 29 November 2013, shareholders approved both the Balamara Director Share Plan, and the Balamara Employee Share Plan. At the same meeting, the prior plan approved by shareholders on 26 August 2011 was cancelled. A summary of the terms and conditions of the share plan are as follows;

- Employee/Director to receive an interest-free, non-recourse loan for the amount of shares offered by the Company,
- Shares are to be issued at lower of $0.11 or 20% discount to 5day VWAP prior to issue date,
- Repayment of the loan can be made at any time during the 4 year term,
- Shares cannot be traded until the loan is fully repaid.

As the loan is non-recourse, they are accounted for in accordance with AASB 2 as share-based payments, and calculated using the Black-Scholes option pricing model.

During the year, the following share issues were performed to key management personnel under the revised Balamara Share Plan;

Name	Grant Date	No Issued at grant date	No of options vested	Value at grant date	Amount vested	Expiry date
Mike Ralston	29/11/13	7,500,000	7,500,000	$485,022	100%	29/11/17
Derek Lenartowicz	29/11/13	10,000,000	10,000,000	$646,696	100%	29/11/17
Milos Bosnjakovic	29/11/13	10,000,000	10,000,000	$646,696	100%	29/11/17
Michael Hale	29/11/13	2,500,000	2,500,000	$161,674	100%	29/11/17

During the year, there have been:

- No modifications to share-based payments;
- No options exercised by key management personnel; or
- No options lapsing due to service conditions not being met.

For further details, including the inputs to the calculation of these share-based payments, refer to note 17.

5 Additional disclosures relating to key management personnel

(i) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director and executive of Balamara Resources Limited, including their related parties, are set out below:

2014	Balance at the start of the year	Granted during the year	Expired / lapsed / other	Exercised	Balance at the end of the year
Directors					
Mike Ralston	700,000	-	(700,000)[1]	-	-
Derek Lenartowicz	700,000	-	(700,000)[1]	-	-
Milos Bosnjakovic	700,000	-	(700,000)[1]	-	-
Michael Hale	-	-	-	-	-
	2,100,000	**-**	**(2,100,000)**	**-**	**-**

1. These options expired unexercised during the year, with a value of $159,767.

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each director and executive of Balamara Resources Limited, including their personally related parties, are set out below:

2014	Balance at the start of the year	Market transactions	Granted under Balamara share plan*	Other changes	Balance at the end of the year
Director					
Mike Ralston	8,500,000	-	-	-	8,500,000
Derek Lenartowicz	16,741,254	-	-	-	16,741,254
Milos Bosnjakovic	16,613,810	-	-	-	16,613,810
Michael Hale	2,500,000	-	-	-	2,500,000
	44,355,064	**-**	**-**	**-**	**44,355,064**

***** Prior plan shares were cancelled and re-issued under the amended share plan, as noted in section 4.

(End of audited remuneration report)

Additional information

(a) Shares under option

At 30 June 2014 there were no ordinary shares under option (2013: 4,900,000). The following share options had expired during the financial year:

- 2,400,000 options with an exercise price of 30 cents expiring 19 May 2014, and
- 2,500,000 options with an exercise price of 25 cents expiring 9 May 2014

(b) Insurance of officers

During the financial year the Company paid a premium of $21,470 (2013: $20,499) to insure the directors and officers of the company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

(c) Agreement to indemnify officers

The Company has entered into agreements to provide access to company records and to indemnify the directors of the company. The indemnity relates to any liability:

1. As a result of being, or acting in their capacity as, an officer of the company to the maximum extent permitted by law; and

2. for legal costs incurred in successfully defending civil or criminal proceedings.

No liability has arisen under these indemnities as at the date of this report.

(d) Proceedings on behalf of the Company

No person has applied to the court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under Section 237 of the *Corporations Act 2001*.

(e) Auditor

BDO Audit (WA) Pty Ltd is the appointed auditor of the Company, approved at the Annual General Meeting on 17 November 2011, and remains in office in accordance with Section 327 of the *Corporations Act 2001.* The auditor has not been indemnified under any circumstance.

(f) Non-audit services

During the year the group paid $24,150 (2013: $31,899) to a related entity of the auditor for non-audit services provided as outlined in note 19 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

(g) Auditors' independence declaration

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 25 of the annual report.

Signed in accordance with a resolution of the directors,
On behalf of the directors

Mike Ralston
Managing Director
SUBIACO, 12 September 2014

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DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF BALAMARA RESOURCES LIMITED

As lead auditor of Balamara Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Balamara Resources Limited and the entities it controlled during the period.

Brad McVeigh
Director

BDO Audit (WA) Pty Ltd
Perth, 12 September 2014

CORPORATE GOVERNANCE STATEMENT

Balamara Resources Limited and the board of directors ("The Board") are committed to achieving and demonstrating the highest standards of ethics, integrity, statutory compliance and corporate governance.

The directors are responsible to the shareholders for the performance of the company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the company is properly managed.

Day to day management of the company's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the board. These are reviewed on an annual basis.

Compliance with the corporate governance council recommendations

The Board endorses the ASX Corporate Governance Council's - Corporate Governance Principles and Recommendations, and has adopted corporate governance charters and policies reflecting those recommendations to the extent appropriate having regard to the size and circumstances of the company. Where the company has not adhered to the policies set out in its board charter for corporate governance it has stated that fact.

The corporate governance charters and policies adopted by the Board are available from the company's registered office and website www.balamara.com.au. In accordance with the recommendations of the ASX, information published on the company's website includes charters (for the board and its sub-committees (if in existence)), codes of conduct and other policies and procedures relating to the board and its responsibilities.

The table below reflects the Company's adherence to each of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (2nd Edition). All practices, unless otherwise stated, were in place for the entire year.

	Recommendation	Comply Yes / No	Reference / Explanation
Principle 1 – Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	1.1
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	1.3.9
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	1.1
Principle 2 – Structure the board to add value			
2.1	A majority of the board should be independent directors.	No	1.2
2.2	The chair should be an independent director.	No	1.2
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	No	1.2
2.4	The board should establish a nomination committee.	No	2
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	No	2
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	No	1.2

CORPORATE GOVERNANCE STATEMENT (Continued)

Recommendation		Comply Yes / No	Reference / Explanation
Principle 3 – Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: - The practices necessary to maintain confidence in the company's integrity - The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders - The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	4
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes	4
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes	4
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	4
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	4
Principle 4 – Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	No	2
4.2	The audit committee should be structured so that it: - Consists only of non-executive directors - Consists of a majority of independent directors - Is chaired by an independent chair, who is not chair of the board - Has at least three members.	No	2
4.3	The audit committee should have a formal charter.	No	2
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	No	2
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	1.3.3
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	1.3.3
Principle 6 – Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	1.3.10
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	1.3.10

	Recommendation	Comply Yes / No	Reference / Explanation
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	7
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	No	7
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	5
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	7
Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	No	2
8.2	The remuneration committee should be structured so that it: - Consists of a majority of independent directors - Is chaired by an independent chair - Has at least three members.	No	2
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	No	2
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	No	2

Major corporate governance practices

A description of the company's current corporate governance practices is set out below.

1. The Board of Directors

1.1 Role & Responsibilities of the Board

The Board's primary role is to govern the Company rather than to manage it. The key roles and responsibilities reserved for the Board and those delegated to senior management are set out in the Board Charter, a copy of which is disclosed on the Company's website.

In governing the Company, the Directors must act in the best interests of shareholders. The Board must also ensure that the Company complies with all of its contractual, statutory and legal obligations, including the requirements of any regulatory body.

In general, the Board is responsible for setting the strategic direction of the Company, establishing goals for management and monitoring the achievement of those goals. It also has the authority to determine all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary in order to carry out the strategic objectives of the Company.

CORPORATE GOVERNANCE STATEMENT (Continued)

The responsibilities of the Board include:

(i) Providing strategic guidance to the company including contributing to the development of and approving the corporate strategy;
(ii) Reviewing and approving business plans and financial plans including available resources and major capital expenditure initiatives;
(iii) Overseeing and monitoring organisational performance and the achievement of the company's strategic goals and objectives;
(iv) Compliance with the company's code of conduct;
(v) Progressing major capital works and other significant corporate projects including any acquisitions or divestments;
(vi) Monitoring financial performance including approval of the annual and half-year financial reports;
(vii) Appointment, performance assessment and, if necessary, removal of the directors;
(viii) Ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the chief geologist, along with the financial controller/company secretary;
(ix) Ensuring there are effective management processes in place and approving major corporate initiatives;
(x) Enhancing and protecting the reputation of the organisation; and
(xi) Overseeing the operation of the company's systems for compliance and risk management reporting to shareholders.

1.2 Board Composition

The Board's composition has not changed during the year. Consistent with the size of the company and its activities, the board currently comprises four (4) directors, one (1) of which, Mr Michael Hale, the Company considers meets the criteria set by the Corporate Governance Council to be considered to be independent directors. The Board's policy is that the majority of directors shall be independent, non-executive directors. Due to the size of the company and the stage of the company's development, the board does not consider it can justify the appointment of more independent non-executive directors, and therefore, the composition of the board does not currently conform to its policy and the best practice recommendations of the ASX Corporate Governance Council.

Details of the members of the board, their experience, expertise, qualifications, term of office and status are set out in the Directors' Report under the heading "Information on Directors".

In brief, an independent Director is a non-executive Director (i.e. is not a member of management) and:

- holds less than 5% of the voting shares of the Company and is not an officer of, or otherwise associated directly or indirectly with, a shareholder of more than 5% of the voting shares of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a Director of the Company;
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The materiality thresholds are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.

1.3 Board Policies

1.3.1 Conflicts of Interest

Directors must:

(a) disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and

(b) if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act 2001*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.3.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company. The number of meetings of the board of directors held during the year ended 30 June 2014, and the number of meetings attended by each director is disclosed in the Directors' Report under the heading "Meetings of Directors'".

1.3.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.3.4 Continuous Disclosure

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the company that a reasonable person would expect to have a material effect on the price of the company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The Company has a Continuous Disclosure Policy which is available for inspection on the Company's website.

1.3.5 Independent Professional Advice

The Board collectively and each Director has, subject to prior consultation with the Chairman or Managing Director, the right to seek independent professional advice at the Company's expense to assist them to carry out their responsibilities. A copy of such advice is to be made available to all members of the Board.

1.3.6 Related Party Transactions

Related party transactions include any financial transaction between a Director (and their associates) and the Company. Unless there is an exemption under the *Corporations Act 2001* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.3.7 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

(a) communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;

(b) giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;

(c) making it easy for shareholders to participate in general meetings of the Company; and

(d) requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.3.8 Trading in Company Shares

The company has established a policy concerning trading in securities by directors, senior executives and employees and has lodged this with the ASX. In summary, no directors, senior executives and employees may trade in the company's securities at any time when they are in possession of unpublished price sensitive information in relation to those securities. The security trading policy also provides details for closed periods in which trading is not permitted (subject to certain specific exceptions).

As required by the ASX Listing Rules, the company is to notify the ASX of any transaction conducted by any director in the listed securities of the company.
The Company has a formal Share Trading Policy in place and a copy of the policy is available for inspection on the Company's website.

1.3.9 Performance Assessment & Remuneration

The corporate governance policy provides that the board undertake an annual self-assessment of its collective and individual performance and formal evaluations of senior executives. The annual board assessment was carried out informally by the board, no formal assessments of senior executives were carried out during the year, however individual feedback was provided to all employees on their performance.

The remuneration report outlines the director remuneration arrangements of the company in accordance with the requirements of the *Corporations Act 2001* and the *Corporations Regulations 2001*. It also provides the remuneration disclosure required by AASB124 Related Party Disclosures.

The Company currently has three executive directors and one non-executive director that are remunerated at market rates for comparable companies for the time, commitment and responsibilities.

The Board determines the remuneration paid to directors having regard to market practices and the size and nature of the company and its operations, subject to the maximum aggregate remuneration approved by the shareholders at a general meeting. The amount paid to non-executive directors shall not in any year exceed an aggregate amount of $300,000 as approved by Shareholders of the company on 17 November 2011.

No formal performance assessments were taken place during the year on the Board and Executives. Refer to the remuneration report within pages 18 to 23 for further details on director remuneration.

1.3.10 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

(a) communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
(b) giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
(c) making it easy for shareholders to participate in general meetings of the Company; and
(d) requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. The Company has a Shareholder Communication Policy which is available for inspection on the Company's website.

2. Board committees

The Board's charter calls for the establishment of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. As at the date of this report, no committees have been established as the structure of the board, the size of the company and the scale of its activities allows all directors to participate fully in all decision making. When the circumstances require it, an audit committee, nomination committee, risk management committee and remuneration committee will be established and each committee will have its own charter approved by the board that will set the standards for the operation of the committees.

3. Code of conduct

The company has developed a statement of values and a code of conduct which has been fully endorsed by the board and applies to all directors and any employees if and when they are engaged. The code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the company's integrity.

In summary, the code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The directors are satisfied that the company has complied with its policies on ethical standards, including trading in securities.

4. Diversity policy

The Company and all its related bodies corporate have established a gender diversity policy as part of the overall corporate governance plan.

The Company recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.

The diversity policy does not form part of an employee's contract of employment with the Company, nor gives rise to contractual obligations. However, to the extent that the diversity policy requires an employee to do or refrain from doing something and at all times subject to legal obligations, the diversity policy forms a direction of the Company with which an employee is expected to comply.

Objectives
The diversity policy provides a framework for the Company to achieve:

- A diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- A workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- Improved employment and career development opportunities for women;
- A work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- Awareness in all staff of their rights and responsibilities with regards to fairness and respect for all aspects of diversity.

The diversity policy does not impose on the company, its directors, officers, agents or employees any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws in any State or Territory of Australia or of any foreign jurisdiction.

The Board's commitment
The Board is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Company and on the Board.

The Board is responsible for developing measurable objectives and strategies to meet the objectives of the diversity policy (***Measurable Objectives***) and monitoring the progress of the measurable objectives through the monitoring, evaluation and reporting mechanisms listed below.

The Board may also set Measurable Objectives for achieving gender diversity and monitor their achievement.

The Board will conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.

Strategies
The Company's diversity strategies include:

- Recruiting from a diverse pool of candidates for all positions, including senior management and the Board;
- Reviewing succession plans to ensure an appropriate focus on diversity;
- Identifying specific factors to take account of in recruitment and selection processes to encourage diversity;
- Developing programs to develop a broader pool of skilled and experienced senior management and Board candidates, including, workplace development programs, mentoring programs and targeted training and development;
- Developing a culture which takes account of domestic responsibilities of employees; and
- Any other strategies the Board develops from time to time.

Monitoring and evaluation
The Chairman will monitor the scope and currency of this policy.

The Company is responsible for implementing, monitoring and reporting on the Measurable Objectives.

Measurable Objectives if set by the Board will be included in the annual key performance indicators for the Managing Director and senior executives.

In addition, the Board will review progress against the objectives (if set) as a key performance indicator in its annual performance assessment.

Reporting
At 30 June 2014, the Company employed 24 employees and Directors within the group, of differing ages, ethnicities and cultural backgrounds. A large portion of these employees are local or nationals of the respective countries. The total workforce includes 8 females, or 33% of the total workforce. There are no females in senior management as yet, however this is considered reasonable given the size of the Company.

5. Corporate reporting

The managing director and the financial controller have made the following certifications as to the Financial Report for the reporting period ended 30 June 2014:

(i) that the Company's consolidated financial report is complete and presents a true and fair view, in all material respects, of the financial condition and operational results of the group; and

(ii) That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that system is operating efficiently and effectively in all material respects.

6. External auditors

The company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate; taking into consideration assessment of performance, existing value and costs.

It is the policy of BDO Audit (WA) Pty Ltd to:

1. rotate audit engagement partners on listed companies at least every five years; and

2. Provide an annual declaration of their independence to the company.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in note 19 to the financial statements.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Audit Report.

7. Risk assessment and management

The company risk management policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the company's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the code of conduct is required at all times and the board actively promotes a culture of quality and integrity.

The company's risk management policy and the operation of the risk management and compliance system are managed by the board. Control procedures cover management accounting, financial reporting, project appraisal, compliance and other risk management issues.

The company has a financial controller that work closely with the managing director on a daily basis and monitors material business risks. The Board also reviews business risks on a regular basis at board meetings and may call upon the use of consultants with the requisite experience and qualifications to advise on business risks and mitigation strategies.

The company's current activities expose it to minimal risk. However, as activities increase there may be further exposure to market, credit, and liquidity risks. The company currently has currency risk due to the nature of its foreign operations.

There is further commentary on financial risk management in note 2 of the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June

	Note	2014 $	2013 $
Interest revenue		56,181	45,839
Other income	6a	126,393	-
Consultancy costs		(410,459)	(215,380)
Director & employee costs		(880,459)	(678,954)
Share-based payments	17	(2,155,724)	(165,739)
Other corporate expenses	6b	(1,008,369)	(1,198,215)
Professional services		(132,268)	(215,334)
Exploration costs expensed as incurred	13	(4,165,392)	(3,102,232)
Write-off of capitalised exploration expenditure	7	(4,228,702)	(1,424,150)
Foreign exchange gain / (loss)		(16,598)	(76,099)
Loss before income tax expense		(12,815,397)	(7,030,264)
Income tax expense	5	-	-
Net Loss for the year		**(12,815,397)**	**(7,030,264)**
Other comprehensive income/(losses) for the year:			
Items that may be reclassified to profit or loss			
Foreign currency translation reserve		299,755	524,745
Total comprehensive loss for the year		**(12,515,642)**	**(6,505,519)**
Net loss is attributable to:			
Owners of Balamara Resources Limited		(12,649,076)	(6,964,396)
Non-controlling interests		(166,321)	(65,868)
		(12,815,397)	***(7,030,264)***
Total comprehensive loss is attributable to:			
Owners of Balamara Resources Limited		(12,353,434)	(6,439,427)
Non-controlling interests		(162,208)	(66,092)
		(12,515,642)	***(6,505,519)***
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company (cents per share):	23	(3.85)	(3.06)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET
As at 30 June

	Note	2014 $	2013 $
Current assets			
Cash and cash equivalents	8	387,906	433,442
Trade and other receivables	9	108,597	128,104
Other assets	10	100,977	318,398
		597,480	879,944
Assets classified as held for sale	11	721,966	-
Total current assets		**1,319,446**	**879,944**
Non-current assets			
Other assets	10	77,876	364,571
Plant and equipment	12	10,918	67,036
Exploration and evaluation assets	13	1,909,686	6,141,999
Total non-current assets		**1,998,480**	**6,573,606**
Total assets		**3,317,926**	**7,453,550**
Current liabilities			
Trade and other payables	14	998,179	1,948,019
		998,179	1,948,019
Liabilities directly associated with assets classified as held for sale	11	330,198	-
Total current liabilities		**1,328,377**	**1,948,019**
Non-current liabilities			
Provisions	15	16,585	9,442
Total non-current liabilities		**16,585**	**9,442**
Total liabilities		**1,344,962**	**1,957,461**
Net assets		***1,972,964***	***5,496,089***
Equity			
Issued capital	16	62,649,240	56,012,446
Reserves	17	2,797,400	4,947,840
Accumulated losses		(63,471,030)	(55,346,141)
Capital and reserves attributable to owners of Balamara Resources Limited		**1,975,610**	**5,614,145**

CONSOLIDATED BALANCE SHEET (CONTINUED)
As at 30 June

	Note	2014 $	2013 $
Non-controlling interests	25	(2,646)	(118,056)
Total equity		***1,972,964***	***5,496,089***

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Issued capital $	Share-based payments reserve $	Foreign currency translation reserve $	Reserve for Transactions With NCI $	Accumulated losses $	Total $	Non-controlling interest $	Total equity $
Balance at 1 July 2013	56,012,446	4,524,187	423,653	-	(55,346,141)	5,614,145	(118,056)	5,496,089
Comprehensive income for the year								
Loss for the year	-	-	-	-	(12,649,076)	(12,649,076)	(166,322)	(12,815,398)
Foreign Currency Translation	-	-	295,641	-	-	295,641	4,114	299,755
Total comprehensive income for the year	-	-	295,641	-	(12,649,076)	(12,353,435)	(162,208)	(12,515,643)
Transactions with owners in their capacity as owners:								
Share based payments	459,052	(1,820,690)	-	-	3,976,414	2,614,776	-	2,614,776
Issue of shares, net of transaction costs	6,177,742	-	-	-	-	6,177,742	-	6,177,742
Transactions with non-controlling interests	-	-	-	(77,618)	-	(77,618)	277,618	200,000
Expiry of options during the year	-	(547,773)	-	-	547,773	-	-	-
Balance at 30 June 2014	**62,649,240**	**2,155,724**	**719,294**	**(77,618)**	**(63,471,030)**	**1,975,610**	**(2,646)**	**1,972,964**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Issued capital	Share-based payments reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	$	$	$	$	$	$	$
Balance at 1 July 2012	49,763,911	4,358,448	(101,315)	(48,408,793)	5,612,251	(51,965)	5,560,286
Comprehensive income for the year							
Loss for the year	-	-	-	(6,964,396)	(6,964,396)	(65,868)	(7,030,264)
Foreign Currency Translation	-	-	524,968	-	524,968	(223)	524,745
Total comprehensive income for the year	-	-	524,968	(6,964,396)	(6,439,428)	(66,091)	(6,505,519)
Transactions with owners in their capacity as owners:							
Share based payments	36,300	165,739	-	-	202,039	-	202,039
Issue of shares, net of transaction costs	6,212,235	-	-	-	6,212,235	-	6,212,235
Retained earnings and NCI on acquisition of subsidiary	-	-	-	27,048	27,048	-	27,048
Options exercised during the year	-	-	-	-	-	-	-
Balance at 30 June 2013	**56,012,446**	**4,524,187**	**423,653**	**(55,346,141)**	**5,614,145**	**(118,056)**	**5,496,089**

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,862,909)	(2,157,715)
Exploration expenditure		(3,750,542)	(2,688,246)
Interest received		56,181	45,839
Interest Paid		(89,487)	(40,859)
Net cash outflows from operating activities	22	**(5,646,757)**	**(4,840,981)**
Cash flows from investing activities			
Deposits (paid)/returned		(37,374)	(82,684)
Acquisition of plant and equipment		(8,737)	(16,801)
Acquisition of projects		(762,969)	(1,287,343)
Net cash outflows from investing activities		**(809,080)**	**(1,386,828)**
Cash flows from financing activities			
Proceeds from issue of share capital		6,459,929	5,108,020
Payment of share issue costs		(56,814)	(368,968)
Repayment of borrowings		-	(1,100,000)
Proceeds from borrowings		-	1,100,000
Net cash inflows from financing activities		**6,403,115**	**4,739,052**
Net Increase/(decrease) in cash and cash equivalents		*(52,722)*	*(1,488,757)*
Cash and cash equivalents at beginning of the year		433,442	1,942,835
Exchange rate adjustment		7,186	(20,636)
Cash and cash equivalents at end of the year	8	**387,906**	**433,442**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents to the notes of the consolidated financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Balamara Resources Limited and the entities it controlled at the end of, or during the financial year.

(a) Basis of preparation

These general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Balamara Resources Limited is a for profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

These financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New amended standards adopted by the group

The following new standards are most relevant to the consolidated entity; *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities and AASB 13 Fair Value Measurement*. These new standards and other amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and is not likely to affect future periods.

(iii) Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost basis.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Going concern

The financial report has been prepared on the going concern basis of accounting which assumes that the group will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business. This includes expenditure on the Group's various exploration projects. In arriving at this position, the directors recognise the Company is dependent on various funding alternatives to meet these commitments, including share placements and divestment of its current asset portfolio.

The group has incurred a net loss after tax for the year ended 30 June 2014 of $12,815,397 (2013: $7,030,264) and experienced net cash outflows from operating activities of $5,646,757 (2013: $4,840,981). At year-end the working capital position was a deficit of $8,931 (2013: deficit $1,068,075).

The directors believe that at the date of signing the financial report they have reasonable grounds to believe that having regard to matters set out above, along with the recently completed Rights Issue as disclosed in note 21 '*events occurring after the balance date'*, the group will have sufficient funds to meet its obligations as and when they fall due.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Balamara Resources Limited (the Company) as at 30 June 2014 and the results of all subsidiaries for the year then ended. Balamara Resources Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50 per cent of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(c)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated of profit or loss and other comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received in recognised in a separate reserve within equity attributable to owners of Balamara Resources Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

1 Summary of significant accounting policies (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(d) Segment reporting

The group determines and presents operating segments based on the internal information that is provided to the board, whom are considered the group's chief operating decision maker.
Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(e) Foreign currency translation

(i) Functional and presentational currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Balamara Resources Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

1 Summary of significant accounting policies (continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each foreign subsidiary are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The functional currency of its foreign subsidiaries is as follows;

• North Mining doo (Montenegro):	Euro
• Polmetal Sp. z o.o. (Poland):	Polish Zloty
• Global Mineral Prospects Sp. z o.o. (Poland):	Polish Zloty
• Western Mining doo (Bosnia & Herzegovina)	Bosnian Marks
• Eastern Mining doo (Bosnia & Herzegovina)	Bosnian Marks
• Coal Holding Sp. z o.o. (Poland)	Polish Zloty

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods and disposal of other assets is recognised when the group has passed control of the goods or other assets to the buyer. Interest revenue is recognised using the effective interest method.

(g) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

1 Summary of significant accounting policies (continued)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Trade receivables

Trade receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

(j) Investments and other financial assets

Classification
The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iv) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Financial assets – reclassification
The group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Impairment
For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

1 Summary of significant accounting policies (continued)

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(i) Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in note 1(i).

(ii) Assets classified as available-for-sale
If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(k) Plant & equipment

Plant and equipment is shown at cost less accumulated depreciation and impairment losses (refer note 1(n)). Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated using the prime cost method with their estimated useful lives as follows:

Category	**Useful Life**
Office furniture & equipment	3-7 years
Motor vehicles	3-5 years
Computer equipment	1-3 years

(l) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units (CGUs) or groups of CGUs, expected to benefit from the synergies of the business combination.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

(m) Exploration and evaluation expenditure

Exploration and evaluation costs, excluding the cost of acquiring areas of interest, are expensed as incurred.

The acquisition cost is carried forward where the right of tenure of the area of interest is current and they are either expected to be recouped through sale or successful development and exploitation of the area of interest or the activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active significant operations in, or in relation to, the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written-off in the financial year the decision is made.

Exploration and evaluation assets are assessed and tested for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to CGU's to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

(n) Impairment of Assets

(i) Financial assets (including receivables)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the group on terms that the group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The group considers evidence of impairment for receivables and held-to-maturity investment securities at an individual asset level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets (other than Goodwill)
Non-financial assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The group assesses at each reporting date whether any objective indications of impairment are present. Where such an indicator exists, a formal assessment of recoverable amount is then made and where this is in excess of carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and 'value-in-use' ("VIU"). The VIU is the present value of the future cash flows expected to be derived from the asset or cash generating unit.

1 Summary of significant accounting policies (continued)

In estimating VIU, a pre-tax discount rate is used which reflects the current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial period which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Compound financial instruments
Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.
Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(q) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (Note 20). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, number of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(s) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Balamara Resources Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity attributable to the owners of Balamara Resources Limited.

(u) Loss per share

Basic loss per share ("LPS") is calculated by dividing the profit attributable to owners of the Company by the weighted number of shares outstanding during the year.

Diluted LPS adjusts the figures used in the calculation of basic LPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed or known to have been issued in relation to dilutive potential ordinary shares.

(v) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant tax office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below:

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for group
AASB 9 (issued December 2009 and amended December 2010 and June 2014)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The group has not yet made an assessment of the impact of these amendments.	1 July 2018

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for group
AASB 2014-4 (issued August 2014)	Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued May 2014)	Clarifies that use of revenue-based methods for calculating depreciation and amortisation is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of economic benefits embodied in the asset. This assumption is rebuttable for intangible assets and can be overcome in limited circumstances, for example, where revenue is established as the predominant limiting factor in the contract, such as a concession to explore and extract from a gold mine that expires when total cumulative revenue from extraction of gold reaches a certain dollar threshold.	Annual reporting periods commencing on or after 1 January 2016	When this standard is first adopted for the year ended 30 June 2017, there will be no impact on transactions and balances recognised in the financial statements because the group does not use revenue-based methods for depreciation or amortization.	1 July 2016
AASB 2014-3 (issued August 2014)	Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11(issued May 2014)	When an entity acquires an interest in a joint operation whose activities meet the definition of a 'business' in IFRS 3 *Business Combinations*, to the extent of **its** share of assets, liabilities, revenues and expenses as specified in the contractual arrangement, the entity must apply all of the principles for business combination accounting in IFRS 3, and other IFRSs, to the extent that they do not conflict with IFRS 11 *Joint Arrangements*. This means that it will expense all acquisition-related costs and recognise its share, according to the contractual arrangements, of: • Fair value of identifiable assets and liabilities, unless fair value exceptions included in IFRS 3 or other IFRSs, and • Deferred tax assets and liabilities that arise from the initial recognition of an asset or liability as required by IFRS 3 and IAS 12 *Income Taxes*. Goodwill will then be recognised as the excess consideration over the fair value of net identifiable assets acquired.	Annual reporting periods commencing on or after 1 January 2016	There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to acquisitions of interests in joint operations.	1 July 2016
AASB 2012-6 (issued September 2012)	Amendments to Australian Accounting Standards - Mandatory	Defers the effective date of AASB 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead,	Annual reporting periods beginning on or after	As comparatives are no longer required to be restated, there will be no impact on amounts recognised	1 July 2015

NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for group
	Effective Date of AASB 9 and Transition Disclosures	additional disclosures on the effects of transition are required.	1 January 2015	in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	
IFRS 15 (issued June 2014)	Revenue from Contracts with Customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	Annual reporting periods beginning on or after 1 January 2017	Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard. However as the entity does not have material revenue, no significant change is expected.	1 July 2017
AASB 2013-9 (issued December 2013)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Makes two amendments to AASB 9: • Adding the new hedge accounting requirements into AASB 9, and • Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. Under the new hedge accounting requirements: • The 80-125% highly effective threshold has been removed • Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable • An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure • When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI • When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and	Annual reporting periods beginning on or after 1 January 2018	The application date of AASB 9 has been deferred to 1 January 2018. The entity currently does not currently participate in any hedging, and therefore no significant change is expected.	1 July 2018

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for group
		subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI • Net foreign exchange cash flow positions can qualify for hedge accounting.			

2 Financial risk management

Risk management is carried out by the board of directors under policies approved by the board. The Board identifies and evaluates financial risks and provides written principles for overall risk management. The current activities of the group expose it to minimal financial risk, however, as activities increase there may be exposure to market, credit and liquidity risks.

The groups financial instruments are measured in accordance with the most appropriate accounting standards, discounted to its present value when settlement is expected to be greater than 12 months. At the reporting date, there were no differences between the carrying value and fair value of any financial instruments.

(a) Market risk

Market risk is the risk that changes in market prices such as equity prices, commodity prices, foreign exchange rates and interest rates will affect the income or the value of financial instruments of the group.

Price risk
The group is not exposed to equity securities price risk as there is no holding of investments in securities classified on the balance sheet as available-for-sale or at fair value through profit or loss. Furthermore, changes in commodity prices did not impact, nor are likely to impact the group in the short-term future as the company is still in the exploration/development phase.

Currency risk
As financing of foreign exploration activities is in Australian dollars, there is naturally a currency risk within the group, material examples during the period are outlined below:

1. During the period, extensive exploration was undertaken at the Monty Project, Montenegro and the Bogdan and Nowa Ruda Projects, Poland. The foreign currencies for these projects are respectively the Euro and Polish Zloty. Balamara transfers funds to its foreign subsidiaries on an as required basis, and therefore the fluctuating foreign exchange rates on these currencies may affect the amount payable in AUD terms.

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date based on historical information and market trends. Management's assessments of the possible changes in foreign exchange rates are between the ranges of 10% either way. The potential effect on post-tax loss and equity are as follows:

	2014	2013
Foreign exchange sensitivity analysis:	**$**	**$**
Increase in AUD against foreign currencies by 10%	96,076	(29,433)
Decrease in AUD against foreign currencies by 10%	(96,076)	29,433

2 Financial risk management (continued)

Interest rate risk

2014 Consolidated:	Weighted average interest rate	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets		$	$	$	$
Cash and cash equivalents	2.2%	332,702	-	55,204	387,906
Other assets	-	-	-	145,684	145,684
Total financial assets		332,702	-	200,888	533,590
Financial liabilities					
Trade and other payables	-	-	-	(934,088)	(934,088)
Total financial liabilities		-	-	(934,088)	(934,088)
Net financial assets		332,702	-	(733,200)	(400,498)

2013 Consolidated:	Weighted average interest rate	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets			$	$	$
Cash and cash equivalents	1.7%	345,628	-	87,814	433,442
Other assets	5.5%	288,450	-	131,262	419,712
Total financial assets		634,078	-	219,076	853,154
Financial liabilities					
Trade and other payables	5.6%	-	(200,000)	(1,697,514)	(1,897,514)
Total financial liabilities		-	(200,000)	(1,697,514)	(1,897,514)

The group has interest bearing financial instruments in the form of cash and cash equivalents; therefore the group's income and operating cash flows are subject to changes in the market rates.

The exposure of the group to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates, and the weighted average interest rates on classes of financial assets and financial liabilities, are as follows:

The risk of market changes in interest rates will not have a material impact on the profitability or operating cash flows of the group. If interest rates had moved at 30 June and all other variables held constant, the loss before tax and cash flows would be affected as illustrated in the following table:

	Increase/decrease in equity	
	2014	**2013**
Consolidated entity	**$**	**$**
+1%: (*100 basis points*), (2013: +1%)	3,327	6,341
- 1% (*100 basis points*), (2013: -1%)	(3,327)	(6,341)

The group does not hedge against interest rate risk.

2 Financial risk management (continued)

The carrying value of financial assets and financial liabilities recorded in the financial statements represent their respective fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements. Due to their liquid nature, the carrying amount of cash and cash equivalents is the fair value. Due to the short-term nature, the receivables and payables carrying amounts reflect the fair value.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group has the majority of its cash and cash equivalents with ANZ Banking Corporation; however the board does not determine this to be a risk as their credit rating per Standard & Poor's is a stable AA- . The group has no other exposure to credit risk at 30 June 2014.

(c) Capital risk management and liquidity risk

Capital is the funding required to continue the activities of the group. Capital risk is the risk that capital cannot be raised as and when required to fund the operations of the group. Liquidity risk is the risk that the group cannot meet its short-term financial obligations as and when they become due.

The group objective in managing capital is to safeguard the ability to continue as a going concern to provide a return to shareholders and reduce the cost of capital. In order to maintain the capital structure, the capital raisings have been undertaken.

The group manages liquidity risk by continuously monitoring forecast and actual cash flows and requirements for future capital raisings. The group has no committed credit lines available, which is appropriate given the nature of the operations. Surplus funds are invested in a cash management account.

The material liquidity risk for the group is the ability to raise equity in the future. Historically capital has been raised sufficiently to fund operations. During the financial year, the Company successfully raised over $6.4 million before costs, with an additional US$5 million agreed with the major shareholder post balance date.

Trade and other payables are expected to be settled within 30 days.

3 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The following critical accounting estimates and/or assumptions have been made during the preparation of the financial report:

Exploration and evaluation expenditure
These costs (other than the cost of acquiring the interests) continue to be expensed as incurred and not carried forward, to reduce the risk of uncertainty that the expenditure can be recouped through the sale or successful development and exploitation of the areas of interest. Management believe that there is no need to impair the acquisition costs, as it is likely that these will be recouped in the future via way production or sale of the assets.

Recognition of deferred tax assets
The group has not recognised a deferred tax asset for tax losses as the group does not believe it probable to be recovered by future taxable income in the short-term future.

Share-based payments
The group measures the cost of equity settled transactions with directors, employees, consultants and creditors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes valuation model; refer to note 17 for further details.

3 Critical accounting estimates and judgements (continued)

Non-current assets held for sale
In February 2014, the Company signed an agreement to sell its Balkans Assets, being the Monty/RSC/Varesh Projects, for $14.5million plus all development costs incurred on the project since 4 November 2013. Although the sale proceeds have been delayed due to funding issues from the Buyer, the Board still believes completion of this transaction is highly probable, and has therefore disclosed these subsidiaries, being North Mining, Eastern Mining and Western Mining, in accordance with AASB 5.

4 Segment information

Description of a business segment

In accordance with AASB 8, the reportable segments are based on aggregated operating segments determined by the similarity of the minerals targeted for the same jurisdiction, as these are the sources of the group's major risks and have the most effect on the rates of return.

Once reportable segments have been identified, all remaining segments that do not satisfy the thresholds are to be aggregated together to form an all other segments reporting segment. In accordance with *AASB 8 Segment Reporting*, corporate and administration activities are to be included in the 'other segments' reporting segment.

The group is an explorer for prospective zinc/lead/silver in Montenegro, copper/lead/silver and zinc with its Bogdan project in Poland, and zinc/lead/copper/gold with its tenements in New South Wales. The Board considers the entity from both a commodity type, and a geographical perspective, and at this stage just has the three reportable segments.

(i) Segment assets - 30 June 2014

	Exploration Balkans region $	Exploration Poland $	Exploration Australia $	Total $
Segments assets	-	96,596	1,873,090	1,969,686

Reconciliation of segment assets to the balance sheet

Total reportable segment assets	1,969,686
Cash and cash equivalents	387,906
Trade and other receivables	108,597
Other assets	118,854
Plant and equipment	10,918
Assets classified as held for sale	721,966
Total assets	**3,317,927**

(ii) Segment assets - 30 June 2013

	Exploration Balkans region $	Exploration Poland $	Exploration Australia $	Total $
Segments assets	4,524,404	96,596	1,873,090	6,494,090

Reconciliation of segment assets to the balance sheet

Total reportable segment assets	6,494,090
Cash and cash equivalents	433,442
Trade and other receivables	128,104
Other assets	330,878
Plant and equipment	67,036
Total assets	**7,453,550**

4 Segment information (continued)

(iii) Segment profit and loss

	Exploration Balkans region $	Exploration Poland $	Exploration Australia $	Total $
Reportable segment loss 2014	(5,950,538)	(2,169,139)	(274,418)	(8,394,095)
Reportable segment loss 2013	(2,324,297)	(618,539)	(1,583,546)	(4,526,382)

A reconciliation of reportable segment loss to operating loss before income tax is provided as follows:	2014 $	2013 $
Total loss for reportable segment	(8,394,095)	(4,526,382)
Interest revenue	56,181	45,839
Other income	126,393	-
Foreign exchange gain / (loss)	(16,598)	(76,099)
Consultancy costs	(410,459)	(215,380)
Director & employee costs	(880,459)	(678,954)
Share-based payments	(2,155,724)	(165,739)
Other corporate expenses	(1,008,368)	(1,198,215)
Professional services	(132,268)	(215,334)
Loss before income tax from continuing operations	**(12,815,397)**	**(7,030,264)**

5 Income tax & deferred tax

(a) Income tax expense

	2014 $	2013 $
Current tax	-	-
Deferred tax	-	-
	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2014 $	2013 $
Loss from continuing operations before income tax expense	(12,815,397)	(7,030,264)
Tax at the Australian tax rate of 30% (2013: 30%)	(3,844,619)	(2,109,079)
Tax effect of amounts not deductible (allowable) in calculating taxable income:		
Over/(under) provision for tax loss in prior year	-	-
Share-based payments	567,217	49,722
Annual leave	6,468	6,123
Unrealised exchange loss	4,364	21,029
Expenses incurred on foreign projects	2,358,299	711,024
Allowable deductions	(75,726)	(74,734)
Tax losses not recognised	983,997	1,395,915
Income tax expense	-	-

5 Income tax & deferred tax (continued)

(c) Unrecognised deferred tax assets

	2014 $	2013 $
The following deferred tax assets have not been brought to account:		
Tax losses - revenue	5,472,041	5,396,176
Temporary differences - exploration	(634,066)	(1,842,600)
Temporary differences - other	290,535	382,340
	5,128,510	**3,935,916**

Deferred tax assets have not been recognised as it is not probable that taxable income will be available against which the deferred tax deductions can be utilised, in respect of the following:

Exploration	(634,066)	(1,842,600)
Trade & other payables	6,468	6,123
Section 40-880 expenses	284,067	202,102
Tax loss carry-forward	5,472,041	5,570,291
	5,128,510	**3,935,916**

6 Other income & expenses

(a) Other income

	2014 $	2013 $
Research & development refund	77,315	-
Reversal of previously recorded liabilities	49,078	-
	126,393	**-**

(b) Other corporate costs

ASIC, ASX & share registry fees	(64,079)	(95,340)
Depreciation	(31,452)	(26,460)
Insurance	(32,223)	(20,541)
Office rent and outgoings	(222,658)	(131,617)
Marketing and public relations	(82,928)	(74,725)
Printing and mail	(27,783)	(69,468)
Communication costs	(77,756)	(55,575)
Business development costs	(84,350)	(330,072)
Interest expense	(2,009)	(103,337)
Taxes (local and international)	(65,702)	(5,673)
Sponsorship / donations	(38,319)	-
Travel & Accommodation	(171,988)	(155,477)
Other administrative costs	(107,122)	(129,930)
	(1,008,369)	**(1,198,215)**

(c) Superannuation guarantee

Included within director and employee costs	(26,901)	(37,508)
Included within exploration costs	(48,632)	(42,733)
	(75,533)	**(80,241)**

7 Write-off of capitalised exploration expenditure

In accordance with the group's accounting policy as disclosed in note 1(m), the acquisition costs for each tenement/concession is capitalised. The board has reviewed the recoverability of these costs, and determined that as no exploration was undertaken during the year on the Varesh Project, capitalised costs amounting to $4,228,702 should be written off. In the prior year the amount write-offs were made against the Elsienora Project ($502,000) and the Peelwood Project ($922,080).

NOTES TO THE FINANCIAL STATEMENTS

8 Cash and cash equivalents	2014 $	2013 $
Cash at bank	**387,906**	**433,442**

9 Trade and other receivables*

GST/VAT receivable	**108,597**	**128,104**

** Refer to note 2 for risk exposure*

10 Other assets

Current:		
Deposit for project due diligence	65,650	65,650
Prepayments	33,168	250,778
Other investments	2,159	1,970
	100,977	**318,398**
Non-current:		
Office bond	17,876	12,479
Tenement bonds – Australia*	60,000	60,000
Tenement bonds – Montenegro*	-	288,450
Tenement bonds – Bosnia & Herzegovina*	-	3,642
	77,876	**364,571**

* These deposits are performance bonds lodged with the respective governments, for the grant of the applicable exploration and mining leases. They have been classified as non-current assets held for sale at 30 June 2014.

11 Assets classified as held for sale

The assets classified as held for sale, and liabilities associated with those assets, are directly attributable to the sale of the Balkans Assets, signed in February 2014. Although the sale proceeds have been delayed, the assets are expected to be sold within the next six months. The Balkans Assets are made up of the subsidiaries North Mining, Eastern Mining and Western Mining, details as follows:

Assets classified as held for sale (at carrying value)

Trade and other receivables	75,043
Other assets	403,339
Exploration and evaluation assets	203,869
Plant and equipment	39,715
	721,966

Liabilities directly associated with assets classified as held for sale

Trade and other payables	**330,198**

12 Plant and equipment

	Computer equipment	Office furniture and fittings	Motor vehicles	Total
Year ended 30 June 2014	$	$	$	$
Opening net book amount	13,174	14,234	39,628	67,036
Additions – at cost	7,386	1,248	-	8,634
Classified as held for sale	(5,975)	(6,155)	(27,585)	(39,715)
Depreciation charge	(8,061)	(9,818)	(13,573)	(31,452)
Foreign exchange adjustment	1,115	3,770	1,530	6,415
Closing net book amount	**7,639**	**3,279**	**-**	**10,918**
As at 30 June 2014				
Cost	57,958	38,787	17,699	114,444
Accumulated depreciation	(50,319)	(35,508)	(17,699)	(103,526)
Net book amount	**7,639**	**3,279**	**-**	**10,918**
Year ended 30 June 2013				
Opening net book amount	19,295	13,081	15,769	48,145
Additions – at cost	1,534	6,101	36,326	43,961
Depreciation charge	(8,308)	(10,255)	(7,896)	(26,459)
Foreign exchange adjustment	653	5,307	(4,571)	1,389
Closing net book amount	**13,174**	**14,234**	**39,628**	**67,036**
As at 30 June 2013				
Cost	58,137	47,268	52,860	158,265
Accumulated depreciation	(44,963)	(33,034)	(13,232)	(91,229)
Net book amount	**13,174**	**14,234**	**39,628**	**67,036**

13 Exploration and evaluation expenditure

	2014 $	2013 $
Capitalised:		
Opening balance	6,141,999	3,333,836
Additions – Varesh Project	-	4,035,784
Additions – RSC Project	-	196,529
Classified as non-current assets held for sale	(203,869)	-
Exchange rate movements	200,258	-
Exploration and evaluation expenditure written off (*note 7*)	(4,228,702)	(1,424,150)
Closing balance	**1,909,686**	**6,141,999**

As outlined in note 1(m), only acquisition costs are capitalised, whilst all other exploration and evaluation expenditure is expensed as incurred. Refer below for a summary of expenditure incurred;

	2014 $	2013 $
Expensed as incurred:		
Drilling costs	(1,745,631)	(1,330,032)
Assaying and analysis costs	(373,438)	(577,946)
Consultancy costs	(677,416)	(181,441)
Salaries and wages	(785,026)	(694,665)
Acquisition of historical data	(240,003)	
Travel and accommodation	(271,171)	(159,365)
Other	(72,707)	(158,783)
	(4,165,392)	**(3,102,232)**

14 Trade and other payables

Trade payables	599,874	850,822
Other payables and accruals*	346,975	1,059,186
Annual leave payable	51,330	38,011
	998,179	**1,948,019**

Trade and other payables are expected to be settled within 12 months. Management estimates that 50% of the annual leave balance will be used within the next 12 months. Refer to note 2 for risk exposure.

* In February 2013, the Company secured a strategic partner for its Monty Project, Montenegro. Under the terms of the agreement, UK AIM-listed Centurion Resources PLC ("Centurion") paid £375,000 to Balamara for a 10% stake in its subsidiary North Mining, holder of the Monty Project. The agreement also had a cancellation clause, to which Balamara had to pay back the monies received plus an 'interest' component. An accrual for the unpaid monies was included within other payables in the prior year, amounting to $562,303.

15 Provisions

	2014 $	2013 $
Long service leave	**16,585**	**9,442**

16 Issued Capital

Movement in ordinary shares	30 June 2014 Number of shares	30 June 2014 Value $	30 June 2013 Number of shares	30 June 2013 Value $
Opening balance	257,144,549	56,012,446	192,651,460	49,763,911
Placement Shares[1]	80,131,977	6,259,898	41,363,089	4,560,940
Share-based payments	3,804,012	459,051	330,000	36,300
Conversion of options	-	-	-	-
Director/employee share scheme[2]	600,000	-	2,300,000	-
Asset acquisition[3]	-	-	20,500,000	2,140,000
Capital raising costs	-	(82,155)	-	(488,705)*
Closing balance	**341,680,538**	**62,649,240**	**257,144,549**	**56,012,446**

1. *2014:* Completion of $5.26 million Rights Issue in July 2013 at 7.5 cents, and $1million placement to major shareholder in March at 10cents.

   2013: Relates to a number of placements conducted throughout the financial year at a price of 11 cents per share.

2. These shares were issued in accordance with the director and employee share plans, approved by shareholders on 26 August 2011. These shares are issued via an interest-free loan, which is calculated at the higher of $0.11 (2013: $0.22) or a 20% discount to the VWAP of the 5 trading days prior to issue. At 30 June, no amounts have been received and thus these shares are not tradable. An amount of $3,668,500 is receivable at 30 June 2014 (2013: $7,480,000), however due to the nature of the plan; these transactions are effectively treated as options and recorded as share-based payments. Refer to note 17(c) for further details.

3. *2013*: Amount of shares issued as part payment for the acquisition of the Varesh Project, Bosnia & Herzegovina.

17 Reserves

(a) Reserve balances

	2014 $	2013 $
Share-based payments reserve	2,155,724	4,524,187
Transactions with non-controlling interests reserve (*note 17 (e)*)	(77,618)	-
Foreign currency translation reserve	719,294	423,653
	2,797,400	**4,947,840**

(b) Nature and purpose of reserves

The share based payments reserve arises from an issue of options as consideration for a service or an acquisition transaction, along with shares issued under the Balamara director/employee share scheme. Details on options issued, exercised and lapsed during the financial year, and options outstanding at the end of the reporting period is set out in note 17(c).

The foreign currency translation reserve is used to record exchange differences arising from the translation of balances in the foreign subsidiaries.

(c) Movement in share-based payments reserve

(i) Reconciliation of options issued

Date	Details	Number of options	Amount $
01/07/2012	Opening balance	4,900,000	547,773
30/06/2013	*Balance*	*4,900,000*	*547,773*
May 2014	Expired unexercised	(4,900,000)	(547,773)
30/06/2014	**Closing Balance**	**-**	**-**

Set out below are the options on issue as at 30 June 2014:

Expiry date	Exercise price	Balance at start of year	Granted during the year	Exercised during the year	Expired/ lapsed during the year	Balance unvested at year end	Balance vested and exercisable
09/05/2014	$0.25	2,500,000	-	-	(2,500,000)	-	-
19/05/2014	$0.30	2,400,000	-	-	(2,400,000)	-	-
		4,900,000	**-**	**-**	**(4,900,000)**	**-**	**-**

(ii) Reconciliation of director/employee share plan

On 26 August 2011, shareholders approved both the director and employee share plans. Under the plan, at the discretion of the board (subject to shareholder approval with directors) an amount of shares will be issued to the respective person, whereby they enter into an interest-free loan with the company to acquire the set amount of shares. These plans were amended on 29 November 2013, with shares under the prior plan cancelled, and new shares issued under the terms of the amended plan.

The loans are non-recourse and have a term of 4 years. The loan value is calculated at the higher of $0.11 (2013: $0.22) or a 20% discount to the volume weighted average price of 5 trading days at the time of issue.
The shares under the scheme cannot be traded until the loan is repaid, and the entitlement to the plan is lost once the director/employee is no longer an eligible participant (leaves the Company).

17 Reserves (continued)

The following table outlines the shares on issue under the Balamara Director Share Plan, and changes during the year:

Directors	Opening balance	Issued during the year*	Disposed during the year*	Repayments	Closing balance
No of shares	31,250,000	30,000,000	(31,250,000)	-	30,000,000
Value of loan	$6,875,000	$3,300,000	($6,875,000)	-	$3,300,000
Share-based payment amount	$3,679,483	$1,940,088	($3,679,483)	-	$1,940,088

The following table outlines the shares on issue under the Balamara employee Share Plan, and changes during the year:

Employees	Opening balance	Issued during the year*	Disposed during the year*	Repayments	Closing balance
No of shares	2,750,000	3,350,000	(2,750,000)	-	3,350,000
Value of loan	$605,000	$368,500	($605,000)	-	$368,500
Share-based payment amount	$296,931	$177,841	($296,931)	-	$177,841

***** As per the Annual General Meeting held on 29 November 2013, all shares under the prior plan were cancelled, and issued under the amended share plans.

(d) Calculation of share-based payments

Under the Balamara share plan approved by shareholders on 29 November 2013, there were 2 issues made during the current year to both directors and employees. Although the share plan relates to the issue of shares, the fact that the loan is non-recourse gives the holder an option over the loan, and thus shall be calculated as such, using the Black-Scholes option pricing model. The following table lists the inputs to the model used in the 2 valuations throughout the year;

	*Issue one**	*Issue two*
Expected volatility (%)	100	100
Risk-free interest rate (%)	3.46	3.46
Exercise price	$0.11	$0.11
Share price at grant date	$0.095	$0.093
Fair value per option at grant date	$0.065	$0.063
Grant Date	29 Nov 13	20 Dec 13
Expiry date	29 Nov 17	20 Dec 17

**Relates to all the shares that were cancelled/re-issued under the new plan.*

Under the Balamara share plan approved by shareholders on 26 August 2011, there were 2 issues made in the prior year to both directors and employees. Although the share plan relates to the issue of shares, the fact that the loan is non-recourse gives the holder an option over the loan, and thus shall be calculated as such, using the Black-Scholes option pricing model. The following table lists the inputs to the model used in the 2 valuations throughout the year;

17 Reserves (continued)

	Issue one	*Issue two*
Expected volatility (%)	130	115
Risk-free interest rate (%)	2.34	2.68
Exercise price	$0.22	$0.22
Share price at grant date	$0.115	$0.110
Fair value per option at grant date	$0.086	$0.074
Grant Date	26 Jul 12	12 Nov 12
Expiry date	26 Jul 16	12 Nov 16

(e) Transactions with non-controlling interests

In December 2013 a farm-in deal was signed with UK AIM-Listed Company CEB Resources PLC, to farm-in on the Peelwood Project. The first stage was $200,000 for a 20% interest in the subsidiary Peelwood Pty Ltd, which was completed during year.

	2014 $	**2013 $**
Carrying amount of non-controlling interests disposed	(277,618)	-
Consideration received from non-controlling interests	200,000	-
Difference recorded within the reserve	**77,618**	-

There were no transactions with non-controlling interests in 2013.

18 Related party disclosures

(a) Investments in controlled entities

	% Owned		**Book value of Investments**	
	2014	**2013**	**2014 $**	**2013 $**
Parent entity				
Balamara Resources Limited[#1]			n/a	n/a
Controlled entities				
Isabella Minerals Pty Ltd[#1]	100%	100%	1,836,401	1,836,401
Balkan Mining Pty Ltd[#1]	100%	100%	1,092,547	1,092,547
Peelwood Pty Ltd[#5]	80%	100%	1	1
North Mining doo[#2]	100%	100%	-	-
Polmetal sp. z o.o.[#3]	85%	85%	-	-
Global Mineral Prospects sp. z o.o.[#3]	98%	98%	-	-
Western Mining doo[#4]	80%	80%	-	-
Eastern Mining doo[#4]	100%	100%	-	-
Coal Holdings sp. z o.o.[#3]	100%	100%	-	-
			2,928,949	**2,928,949**

Balamara Resources has the right to acquire the additional 1 share (2%) for an amount of 10 Polish zloty, at any time up until 31 December 2020. On this basis, Global Mineral Prospects has been consolidated as if it were a wholly owned subsidiary.

1. Company incorporated in Australia
2. Company incorporated in Montenegro
3. Company incorporated in Poland
4. Company incorporated in Bosnia-Herzegovina. Previously named MM Project doo
5. Company incorporated in Australia. Previously named Polish Investments Pty Ltd

18 Related party disclosures (continued)

(b) Key management personnel remuneration

	2014 $	2013 $
Short-term benefits	804,795	862,027
Post-employment benefits	23,125	22,500
Share-based payments	1,940,088	92,191
	2,768,008	**976,718**

Detailed remuneration disclosures are included in pages 18 to 23 of the directors' report.

19 Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Company:

Entity	Description	2014 $	2013 $
BDO Audit (WA) Pty Ltd	Audit and review of financial statements	37,300	35,390
BDO Corporate Finance (WA) Pty Ltd#	Preparation Independent Experts Report	17,000	13,338
BDO Corporate Tax (WA) Pty Ltd#	Preparation of tax returns and tax due diligence	7,150	18,561
		61,450	**67,289**

Non-audit services include only those services provided post appointment of BDO Audit (WA) Pty Ltd as the Company's registered auditor, on 17 November 2011.

It is the Company's policy to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where the auditor is awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major material consulting projects.

20 Commitments

Lease commitments

	2014 $	2013 $
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	39,408	101,950
Later than one year but not later than five years	25,572	16,870
Later than five years	-	-
	64,980	**118,820**
Representing:		
Non-cancellable operating leases	**64,980**	**118,820**

21 Events occurring after the balance date

Subsequent to balance date:

- On 15 July 2014, the Company acquired a strategic 15% equity position in Polish company Carbon Investment, the holder of the advanced Mariola Thermal Coal Project in the Upper Silesian basin, Poland. The acquisition has been made with both cash and equity, totally $1.67 million.

21 Events occurring after the balance date (continued)

- On the 21st of July 2014, the Company was awarded the exclusive rights to the 132km^2 Sawin Thermal Coal Project in the Lublin basin, Poland. The concession has been awarded to its wholly owned Polish subsidiary Global Mineral Prospects; and
- The major shareholder, Ample Skill Limited, has agreed to a US$5 million placement, comprising 66.5 million shares at 8.0 cents per share. This transaction will be subject to shareholder approval which will be sought at the Annual General Meeting, likely to be held in early November 2014.

With exception to the above, there have been no other matters or circumstances that have arisen since 30 June 2014 that has significantly affected, or may significantly affect:

(i) The consolidated entity's operations in future financial years, or
(ii) The results of those operations in future financial years, or
(iii) The consolidated entity's state of affairs in future financial years.

22 Reconciliation of loss after income tax to net cash outflow from operating activities	**2014 $**	**2013 $**
Loss for the year:	(12,815,397)	(7,030,264)
Add back:		
Share based payments	2,155,724	165,739
Depreciation	31,452	26,460
Write-off of capitalised exploration expenditure	4,228,702	1,424,150
Consultants paid via equity	265,000	-
Impact from unrealised foreign currency (gain)/loss	309	246
Changes in operating assets and liabilities:		
(Increase) / Decrease trade and other receivables	(61,536)	24,774
(Increase) / Decrease in other assets	229,841	(148,406)
Increase / (Decrease) in trade and other payables	319,148	696,320
Net cash outflow from operating activities	**(5,646,757)**	**(4,840,981)**

23 Loss per share

(a) Basic and diluted loss per share	**2014 Cents**	**2013 Cents**
Loss from continuing operations attributable to the ordinary equity holders of the Company	(3.85)	(3.06)

(b) Reconciliation of loss used in calculating loss per share	**2014 $**	**2013 $**
Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(12,649,076)	(6,964,396)
Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(12,649,076)	(6,964,396)

(c) Weighted average number of shares used as the denominator	**2014 Number**	**2013 Number**
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	328,742,566	227,927,917
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	328,742,566	227,927,917

23 Loss per share (continued)

(d) Information concerning the classification of securities

The group is in a loss making position and it is unlikely that the conversion of options to ordinary share capital would lead to diluted earnings per share that shows an inferior view of earnings per share. For this reason, the diluted losses per share for the years ending 30 June are the same as basic loss per share.

24 Contingencies

There are no contingencies at the reporting date.

25 Non-controlling interests

	2014 $	2013 $
Interests in:		
Issued capital	292,963	15,345
Reserves	1,418	(2,696)
Accumulated losses	(297,027)	(130,705)
	(2,646)	**(118,056)**

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations:

Summarised balance sheet	**Peelwood Pty Ltd**		**Western Mining d.o.o.**		**Polmetal Sp. Z o.o.**	
	2014 $	**2013 $**	**2014 $**	**2013 $**	**2014 $**	**2013 $**
Current assets	1	-	18,536	63,375	25,176	191,593
Non-current assets	1,218,090	-	241,788	200,915	197,696	75,102
Total Assets	1,218,091	-	260,324	264,290	222,872	266,695
Current liabilities	-	-	163,916	3,437	11,462	271,854
Non-current liabilities	76,940	-	-	-	1,438,094	829,151
Total Liabilities	76,940	-	163,916	3,437	1,449,556	1,101,005
Net assets	1,141,151	-	96,408	260,853	(1,226,684)	(834,310)
Accumulated NCI	228,230	-	19,282	52,170	(186,166)	(129,796)
Summarised statement of comprehensive income						
Total loss for the year	(246,940)	-	(295,352)	(13,985)	(336,675)	(420,477)
Other comprehensive income / (loss)	-	-	36,567	23,463	(139,078)	(83,380)
Total comprehensive income/(loss)	(246,940)	-	(258,785)	9,478	(475,753)	(503,857)
Income/(loss) allocated to NCI	(49,388)	-	(51,757)	1,896	(71,363)	(75,578)
Dividends paid to NCI	-	-	-	-	-	-

25 Non-controlling interests (continued)

Summarised cash flows	**Peelwood Pty Ltd**		**Western Mining d.o.o.**		**Polmetal Sp. Z o.o.**	
	2014 $	**2013 $**	**2014 $**	**2013 $**	**2014 $**	**2013 $**
Cash outflows from operating activities	-	-	(150,857)	(25,867)	(512,792)	(312,395)
Cash outflows from investing activities	-	-	-	(175,457)	-	-
Cash inflows from financing activities	-	-	117,803	251,374	486,349	185,703
Net increase / (decrease) in cash and cash equivalents	-	-	(33,054)	50,050	(26,443)	(126,692)

26 Fair value measurement

To provide an indication of the reliability of inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows below:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group does not have any financial instruments carried at fair value, and consequently does not have any Level 1, Level 2 or Level 3 financial instruments. There were no transfers between Level 1, Level 2 or Level 3 during the current or previous period.

The Group also has a number of financial instruments which are not measured at fair value in the consolidated balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest payable is either close to current market rates or the instruments are short-term in nature.

27 Parent entity disclosures

(a) Financial information

Financial position		
Assets		
Current assets	708,422	330,303
Non-current assets	1,467,078	5,716,856
Total assets	**2,175,500**	**6,047,159**
Liabilities		
Current liabilities	216,008	1,129,543
Non-current liabilities	16,585	9,442
Total liabilities	**232,593**	**1,138,985**
Equity		
Issued capital	62,649,240	56,012,447
Accumulated losses	(63,517,056)	(55,628,460)
Reserves	2,155,724	4,524,187
Total equity	**1,942,907**	**4,908,174**
Financial performance		
Loss for the year	(11,757,785)	(8,333,299)
Other comprehensive income	-	-
Total comprehensive income	**(11,757,785)**	**(8,33,299)**

(b) Guarantees and commitments

The parent entity has not provided any guarantees in relation to the debts of its subsidiaries. The parent entity has the following commitments at 30 June:

	Within 1 year		2-5 years		> 5 years		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2014**	**2014**	**2013**
Office lease	-	62,016	-	-	-	-	-	62,016

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) The financial statements and notes set out on pages 35 to 71 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date, and

(b) There are reasonable grounds to believe that Balamara Resources Limited will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the relevant persons as required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.

Mike Ralston
Managing Director

Subiaco
12 September 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of Balamara Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Balamara Resources Limited, which comprises the consolidated balance sheet as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Balamara Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Balamara Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity and/or sale of assets. These conditions, along with other matters as set out in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Balamara Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh

Director

Perth, 12 September 2014

ASX Additional Information

Additional Information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The shareholder information was applicable as at 10 September 2014.

(a) Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number held	Percentage of quoted equity securities
Ample Skill Limited	125,971,956	35.26%
Derek Lenartowicz	16,741,253	5.10%
MBL Construction Pty Ltd	16,613,810	5.06%

(b) Voting Rights

Ordinary Shares

On a show of hands every member present at a meeting of shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to the options

(c) Distribution of Equity Security Holders

Category	Ordinary Fully Paid Shares	Percentage of quoted equity securities
1 – 1,000	14,628	0.00%
1,001 – 5,000	624,625	0.17%
5,001 – 10,000	3,167,498	0.89%
10,001 – 100,000	31,944,773	8.94%
100,001- and over	321,517,989	89.99%
Total	**357,269,513**	**100%**

There were 391 holders of less than a marketable parcel of ordinary shares.

(d) Equity Security Holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

SHAREHOLDER	Shares held	% of Issued capital
AMPLE SKILL LIMITED	125,971,956	35.26%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,316,997	5.97%
CITICORP NOMINEES PTY LIMITED	12,786,648	3.58%
CEB RESOURCES PLC	11,770,000	3.29%
MBL CONSTRUCTIONS PTY LTD	10,000,000	2.80%
DEREK LENARTOWICZ	10,000,000	2.80%
MICHAEL RALSTON & SHARON RALSTON	7,500,000	2.10%
BNP PARIBAS NOMS PTY LTD	6,524,191	1.83%
MBL CONSTRUCTION PTY LTD	5,640,000	1.58%
DEREK LENARTOWICZ	4,241,254	1.19%
NJLH INVESTMENTS PTY LTD	3,360,411	0.94%
ASLAN INVESTMENT HOLDINGS PTY LTD	2,938,532	0.82%
NEFCO NOMINEES PTY LTD	2,815,671	0.79%
DMG & PARTNERS SECURITIES PTE LTD	2,594,339	0.73%
DEREK LENARTOWICZ	2,500,000	0.70%
MICHAEL ANTHONY HALE	2,500,000	0.70%
MR GUL CHANDIRAM MAHTANI & MR AVEEN GUL MAHTANI & MRS MANJIT KAUR	2,380,000	0.67%
AGGARIS INVESTMENTS LTD	1,985,000	0.56%
KEVIN RAYMOND ALEXANDER	1,909,091	0.53%
MR JAMES VINCENT CHESTER GUEST	1,881,521	0.53%
TOTAL	**244,295,291**	**68.38%**
Balance of Register	**112,974,222**	**31.62%**
Grand TOTAL	**357,269,513**	**100.00%**

Unquoted equity securities

Nil

(e) Interests in Tenements

Tenement	Registered holder	Interest	Status	Project
Australian Tenements- NSW				
EL 2934	Peelwood	80%	Exploration	Peelwood
EL 6082	Isabella Minerals	100%	Exploration	Junction Point
EL 6767	Isabella Minerals	100%	Exploration	Elsieonora
EL 6831	Peelwood	80%	Exploration	Limerick
EL 6955	Peelwood	80%	Exploration	Mount Costigan
Monty Project - Montenegro				
Concession Agreement no. 03-3372	North Mining d.o.o.	100%	Exploration	Monty project
Varesh Project - Bosnia & Herzegovina				
Concession# 04-18-21389-1/13	Eastern Mining d.o.o.	100%	Exploration	Vareš project
RSC Project - Bosnia & Herzegovina				
concession# 07/310-169/13	Western Mining d.o.o	80%	Exploration	RSC Project
Bogdan Project - Poland				
Licence no. 5/2008/p	Polmetal Sp z.o.o.	85%	Exploration	Bogdan project
Nowa Ruda Project - Poland				
Licence no. 8/2013/p	Coal Holdings Sp z.o.o.	100%	Exploration	Nowa Ruda Project
Sawin Project - Poland				
Licence no. 23/2014/p	Global Mineral Prospects Sp z.o.o.	100%	Exploration	Sawin Project
Mariola Project - Poland				
Licence no. 23/2013/p	Carbon Investment Sp z.o.o.	15%	Exploration	Mariola Project