



BALAMARA

RESOURCES LIMITED

**Annual Financial Report
30 June 2013**

ACN: 061 219 985

For personal use only



CORPORATE DIRECTORY

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Derek Lenartowicz
Milos Bosnjakovic
Michael Hale

Company Secretary

Daniel Kendall

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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 2013.

The financial year was a year of continued growth for Balamara within challenging market conditions. Consistent with the revised strategy from 2012 of becoming a growth-orientated international resource Company the board has made substantial progress via the successful acquisition of several new projects and the continued development of those already within the portfolio. These projects are in line with the core strategy to acquire quality assets at low cost with significant upside potential and to develop them quickly to a pre-production status, consistently adding more value along the way.

To date the Company has six projects within its portfolio, being the;

- Nowa Ruda Project – coking coal (Poland);
- Bogdan Project – copper exploration (Poland);
- Monty Project – base and precious metals (Montenegro);
- Vares Project – base and precious metals (Bosnia-Herzegovina);
- RSC Project – base metals (Bosnia-Herzegovina); and the
- Peelwood and Elsenora Projects – base metals and gold exploration (NSW, Australia)

The Board believes that the three projects in Montenegro and Bosnia should be consolidated into one Balkans strategy, as they all contain similar base and precious metals and are located near to each other. Further information on each project can be found in the operations report, commencing from page 6.

Throughout the year Balamara completed its in-fill drilling programmes at both the Brskovo and Visnjica deposits within the Monty Project (Montenegro). Drilling has commenced at Zuta Prla to complete this programme, with two holes completed and results expected shortly; drilling is underway on the remaining three holes at this deposit with results expected later in the year. The results thus far have been excellent, and an updated JORC resource was completed in January which led to over 53% of the Brskovo deposit transferred from the Inferred category to the Indicated category, and the inclusion of silver for the first time. This success was due to the drilling programme and the next JORC upgrade will include the remaining 7 holes at Brskovo along with results from Visnjica and Zuta Prla. This is expected by the end of the calendar year and Balamara will be targeting a significant transfer of Inferred to Indicated Resources as a key step to the commencement of mine planning and ultimately production.

A phase two drilling programme commenced at the Bogdan Project (Poland) midway through 2013 to test for the presence of a higher grade copper system. This programme is focused near to the previous Hole B4 on the western side of the concession closest to the KGHM operations. Two holes have been completed of this programme with results imminent; the board has agreed to put a halt on further drilling until these results are received and reviewed.

Consistent with the Company's strategy of targeting the acquisition of low cost and high quality assets with the potential to underpin the Company's growth as a mid-tier producer, a final tender document was submitted in January 2013 for the world class carbonated phosphate project in Togo, West Africa. This project has all the necessary elements for a tier one international resource project, namely significant size and scale, high grade product, shallow depths for low cost open pit mining and location near to existing infrastructure and a port facility. The Company remains one of three remaining parties in the bid for the project and it expects the tender process to be completed by the end of 2013.

During the year Balamara raised over \$4.5 million through successful share placements, primarily to the Company's major investor, Ample Skill Limited. A further \$5.26 million has been received post year end which will allow the Company to complete its current exploration programmes, along with commencement of activities at the Nowa Ruda Project, Poland. Ample Skill Limited now holds a 35% ownership in Balamara after underwriting the Rights Issue, which shows a strong vote of confidence in both the management team, and the strategic direction of the Company.

**MANAGING DIRECTORS REPORT (Continued)**

In July 2013 the Company secured a significant coking coal asset in Poland, the Nowa Ruda Project, which gives Balamara a tier one asset to focus on ahead. The board believes Poland to be an excellent destination for resource projects owing to both the low sovereign risk as well as the low operating costs environment. This asset was secured via the award of a concession and the Company is already making significant strides forward to develop Nowa Ruda with the ultimate intention being to bring that project back into production as quickly as possible.

The board's intention going forward is to focus on the development of its Tier One projects, whilst considering divesting all other assets within the Group in a manner that will benefit all shareholders. This will give management the maximum resources to deliver on its key projects where most return to shareholders ultimately lies. The first step in this divestment strategy was recently announced with a project farm-in agreement on Elsiehora, where the very successful Australian gold explorer, Alkane Resources, will be spending its cash over the next few years to continue to explore this project. Further news on divestment of non-core assets will likely follow in the next few months as Balamara presses forward with this strategy.

In conclusion, I would like to thank all shareholders for their support in what has been a most challenging year within the resources industry, and I underline your board's commitment to building Balamara into a rising star ahead within the ranks of mid-tier mining companies.

Mike Ralston

Managing Director
Balamara Resources Limited



OPERATIONS REPORT (Continued)

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

In July 2013, the Government of Poland has awarded the rights to explore and develop the Nowa Ruda Coal Project to Balamara's 100%-owned Polish subsidiary company, Coal Holdings 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.

The current Licence can be converted to a Mining Licence subject to the successful completion of a Feasibility Study. The Licence has been awarded directly from the Polish Government, with only a minor concession fee payable.

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.

The Project has considerable infrastructure in place, including extensive underground development, which includes:

- Production and ventilation shafts – the main shafts are in place but require regeneration work as they were capped and stripped of equipment; however the time and cost to bring these back to a ready state for production will be considerably less than developing completely new shafts;
- Horizontal underground development work, including cross-cuts and access drives between the two main deposits – this is important in terms of timing and cost savings, but also because this access may allow both of the main deposits to be mined simultaneously through one production shaft without having to sink another one elsewhere; and
- Surface infrastructure such as roads, rail, power and water are all available at the mine gate.

There are official Polish estimates of mineralization for both the Waclaw and Piast deposits and these are reported in this announcement as "foreign estimates" under ASX listing rule 5.10. These foreign estimates are obtained from official reports and annexes issued by the Polish Ministry of Mines and Ministry of Environmental Protection.

They are shown as two tables with Table 1 containing tonnages and coal quality in various categories and Table 2 containing coal tonnage versus various coal parameters.



Figure 1: Historic entrance to the Nowa Ruda coking coal mine (Piast deposit)

* Please refer to Competent Persons Statement on page 20.



OPERATIONS REPORT (Continued)

Table 1: Nowa Ruda Coal Project – tonnages and coal classifications (Polish system)*

Deposit	Tonnes (000's)	Coal (Polish Classification)	Coal Type
Waclaw Total	83,886		
C1	48,748		
including	4,895 4,584 9,889 5,297 11,005 13,078	type 32: gas-cannel coal type 33: gas coal type 34: gas-coking coal type 35: ortho-coking coal type 37: semi-coking coal type 41: anthracite coal	high grade thermal coal high grade thermal coal lower grade coking coal coking coal coking coal anthracite coal
C2	35,138		
including	3,374 595 10,815 10,680 9,093 581	type 32: gas-cannel coal type 33: gas coal type 34: gas-coking coal type 35: ortho-coking coal type 37: semi-coking coal type 41: anthracite coal	high grade thermal coal high grade thermal coal lower grade coking coal coking coal coking coal anthracite coal
Piast Total	22,636		
A + B	15,491		
including	2,766 12,725	type 35: ortho-coking coal type 37: semi-coking coal	lower grade coking coal coking coal
C1	1,373		
including	347 1,026	type 35: ortho-coking coal type 37: semi-coking coal	lower grade coking coal coking coal
C2	5,772		
including	1,404 4,368	type 35: ortho-coking coal type 37: semi-coking coal	lower grade coking coal coking coal
TOTAL	106,522		predominantly coking coal



Figure 2: Coking coal at Nowa Ruda

* Please refer to Competent Persons Statement on page 19.



OPERATIONS REPORT (Continued)

Table 2: Nowa Ruda Coal Project – tonnages and coal parameters*

Coal Deposit	Waclaw	Piast	Total
Tonnage (000's)	83,886	22,636	106,522
<u>Classifications:</u>			
including A + B		15,491	15,491
including C1	48,748	1,373	50,121
Including C2	35,138	5,772	40,910
Calorific value (kcal/kg)	6,523	6,500	6,518
Ash content (%)	18.35	31.23	21.09
Sulphur (total) (%)	1.09	0.7	1.01

**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.*

ASX listing rule 5.12 is concerned with the reporting of foreign estimates and specifies the additional information that must be provided in a market announcement that contains a foreign estimate.

This information was initially released to the ASX on 24 July 2013, and the supporting information in that announcement has not materially changed and therefore continues to apply. The Company is not in possession of any new information of data relating to the foreign estimate that materially impacts on the reliability of the estimates or the ability to verify the estimates as mineral resources or ore reserves in accordance with the JORC code.

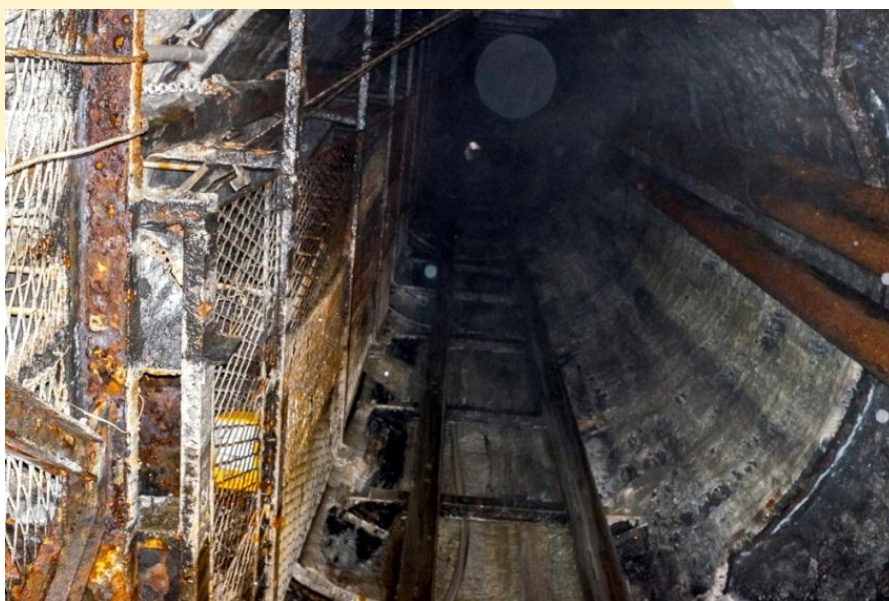


Figure 3: Existing production shaft at Piast

* Please refer to Competent Persons Statement on page 19.

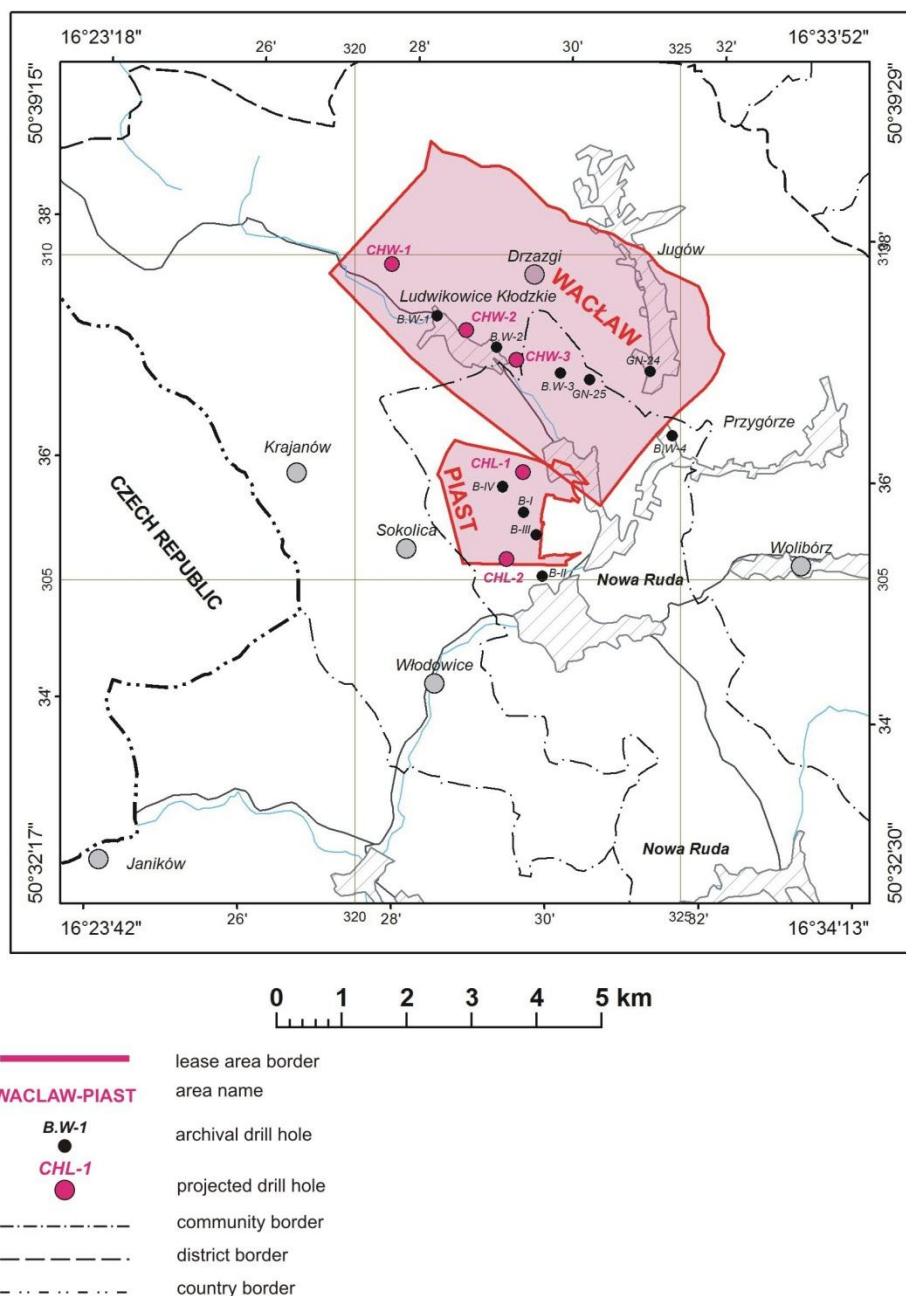


Figure 4: Coal Concessions in relation to the local district, including projected drill holes under Balamara's concession application.

NEXT STEPS

Balamara believes that there is an opportunity to redevelop Nowa Ruda back into production within a three year time period, subject to completing successful feasibility studies and securing funding.

The key steps for Balamara from this point to progress the Project towards production are:

1. Collation of the existing database and confirmatory drilling to deliver a JORC standard resource;
2. Bankable Feasibility Study ("BFS"), including permits and approvals;
3. Funding; and
4. Mine rehabilitation and re-commissioning of all plant and infrastructure.

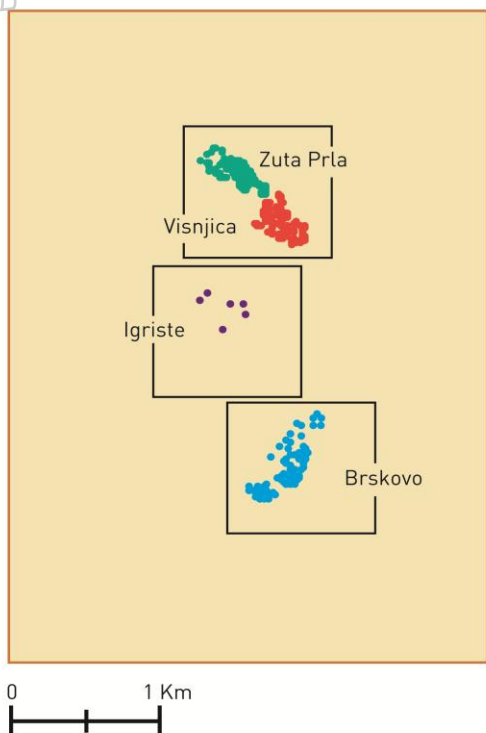


OPERATIONS REPORT (Continued)

Monty Project: zinc/lead/copper/silver project (100% owned; Montenegro)

The Monty Project is in the eastern part of Montenegro located near to the town of Mojkovac and approximately 100km from the capital city of Podgorica. Mojkovac is linked by rail and road between Podgorica and Belgrade, Serbia.

Montenegro (Monty) Project



The Monty Project comprises 5 deposits being Brskovo, Visnjica, Zuta Prla, Igriste and Razvrsje. Razvrsje and Igriste have little historical data and for that reason the company's primary focus for now remains with Brskovo, Visnjica and Zuta Prla.

Balamara received a 30 year exploration and mining lease of the Monty Project in late 2010 on favorable acquisition terms, and has since developed a JORC defined resource. Extensive drilling was undertaken throughout the year, which resulted in a JORC upgrade in January 2013. Further details are displayed in Table 3 below.

Figure 5: Four main ore bodies at the Monty Zinc-Lead-Silver Project, showing the overall footprint and their close proximity to one another.

On the back of excellent drilling results at Brskovo, the Company announced an updated JORC resource in January 2013, performed by Golder Associates:

Table 3: JORC Resource – Monty Project (Montenegro)

Ore Deposit	Tonnes (Mt)	Zn %	Pb %	Cu %	Ag g/t	Cut-Off's
Brskovo						
Indicated	1.32	3.88	3.28	0.29		2% Zn or 2% Pb
Inferred	1.19	3.79	3.05	0.33		2% Zn or 2% Pb
Total Brskovo	2.51	3.84	3.17	0.31		2% Zn or 2% Pb
*Including Inferred	1.63				16.51	2% Zn or 2% Pb
Zuta Prla	4.74	4.06	0.11	0.30		3% Zn
Visnjica	1.90	2.98	1.51	0.26		2% Zn
Total Weighted Ave	9.15	3.78	1.24	0.29		

* Within the 2.5 Mt of the main zinc-lead mineralised zone, there is a subset of Inferred silver mineralization containing 1.63Mt at 16.51g/t Ag. This subset is global within the 2% Pb or 2% Zn cut-off grade.

Additional high grade silver JORC resource outside the main zone:

	Tonnes (Mt)	Zn %	Pb %	Cu %	Ag g/t	Cut-Off's
Inferred	0.37	0.81	0.69	0.03	89.17	20g/t Ag

Golder has also identified further silver mineralization as indicated outside the main zinc-lead mineralized zone.

* Please refer to Competent Persons Statement on page 19.



OPERATIONS REPORT (Continued)

The key areas where value has been added in this new JORC report are as follows;

1. **A first JORC Indicated resource of 1.32Mt for Monty**, which gives Balamara more confidence in the overall resource and also provides the means to commence mine-planning ahead on this deposit. As the principal objective of the drilling programme was to reclassify Brskovo tonnes into the Indicated category the conversion of over half (53%) of total Brskovo tonnes is considered an excellent result.
2. **First JORC Inferred resource for silver**, being 1.6Mt at 16.5g/t within the main zone and a further 0.37Mt at 89.2g/t within the additional high grade silver zone as noted above.
3. **Higher contained metal; silver** – contained metal for silver in the two zones totalling 1.9m oz, previously there was nil reported.

The total Brskovo drilling programme covers 17 holes and this updated JORC resource contains data from only 10 of these holes as assayed to date. It is therefore likely that the Brskovo/Monty JORC will increment further, with more tonnes reclassified into the Indicated category, within the next JORC update.

Brskovo deposit

There are a variety of ore types and the major mineralised zones are the massive stratiform sulphides of ore body No.1 and ore body No.2. These are interpreted as being precipitations directly onto a sea floor.

Additionally there is disseminated and stockwork-disseminated mineralisation believed to be related to fault structures, while at the base of the major massive sulphides there is a variable amount of infill of fractures and fissures and these are interpreted as the feeders to the massive sulphide zones.

Some mineralisation also occurs as disseminated Pb-Zn sulphides within the matrix of detritus and tuffaceous materials. The major sulphides are pyrite, marcasite, sphalerite and galena. The minor sulphides are chalcopyrite, tetrahedrite, cinnabar and arsenopyrite. Gangue minerals are quartz and pyrite in the massive ores and sericite and chlorite in the altered rocks.

The Brskovo programme was completed during the year, with tables of results displayed in the following tables:

Hole ID	Northing	Easting	Elevation	Azimuth	Dip	Total Depth	Announced
DH1/11	4757318	7388313	1092.7	140	-62	210.6	20/07/2012
DH2/11	4757250	7388338	1093.9	140	-68	189.6	20/07/2012
DH3/12	4757234	7388287	1089.4	140	-55	190	23/11/2012
DH4/12	4757307	7388366	1091.9	138	-68	190	12/09/2012
DH5/12	4757236	7388239	1079.5	140	-50	197	19/12/2012
DH6/12	4757197	7388214	1079.1	140	-47	173	19/12/2012
DH7/12	4757317	7388314	1092.7	140	-44	200	19/12/2012
DH8/12	4757249	7388339	1094.2	140	-38	160	23/11/2012
DH9/12	4757233	7388288	1089.4	140	-30	179	23/11/2012
DH10/12	4757306	7388366	1091.9	140	-50	170	12/09/2012
DH11/12	4757216	7388443	1111.5	0	-90	145.5	28/02/2013
DH12/12	4757214	7388413	1113.9	0	-90	145	28/02/2013
DH13/12	4757138	7388375	1121.8	0	-90	130	5/08/2013
DH14/12	4757129	7388329	1124.6	0	-90	120	28/02/2013
DH15/12	4757129	7388329	1124.6	140	-55	125	28/02/2013
DH16/12	4757113	7388286	1124.2	140	-80	125	28/02/2013
DH17A-12	4757113	7388286	1124.2	140	-51	69	28/02/2013
DH17B-12	4757114	7388287	1124.2	140	-51	115	5/08/2013

Table 4: Drill hole locations and coordinates at the Brskovo deposit

* Please refer to Competent Persons Statement on page 19.



OPERATIONS REPORT (Continued)

Table 5: Table of material intercepts at the Brskovo deposit

Drill Hole		From	To	Interval	Cu (%)	Zn (%)	Pb (%)	Ag (g/t)
DH1-11		181.5	187	5.5	0.0028	0.0401	0.0283	507.7g/t
		146.5	152	5.5	0.0008	0.0718	0.0471	17.8g/t
		161	172	11	0.0021	0.0513	0.0344	14g/t
DH2-11		147	155	8	0.0029	0.0245	0.015	129.7g/t
	including	147	150	3	0.0061	0.0405	0.0274	337g/t
		94.5	113	18.5m	0.0029	0.0464	0.0367	14g/t
DH3-12		111	139	28	0.28	3.63	4.89	14.3
	including	117	129	12	0.48	5.12	7.3	20.4
DH4-12		115	126	11	0.06	2.86	3.83	10.8
	including	115	122	7	0.09	4.05	5.47	15.7
		134	152	18	0.19	2.71	3.75	12.5
	including	137	145	8	0.29	4.25	6.23	17.6
		161	170	9	0.25	1.74	2.43	340.4
	including	163	167	4	0.47	3.19	4.58	731.2
DH5-12		162	169	7	0.03	0.86	1.05	2.6
DH6-12		146	153	7	0.03	1.13	0.93	3.5
		159	164	5	0.81	4.27	6.49	90.9
	including	162	164	2	1.89	5.12	7.3	147.6
DH7-12		134	152	18	0.25	3.41	4.97	13.5
	including	140	147	7	0.53	5.75	8.32	24.8
		184	189	5	0.16	1.53	2.08	27.8
DH8-12		101	130	29	0.17	2.02	2.25	8.1
	including	110	117	7			5.19	17.6
		148	157	9	0.02	1.46	1.88	2.9
DH9-12		100	119	19			1.85	
	including	108	114	6	0.18	2.18	2.57	10.7
		153	160	7	0.13	1.54	2.07	4.9
DH10-12		109	130	21	0.18	2.59	3.04	10.2
	including	110	118	8	0.13	3.65	3.81	13
	also including	124	129	5	0.41	3.58	4.49	15.7
DH11-12		138	143	5	0.11	1.73	1.51	28.9
	including	142	143	1	0.46	2.72	2.04	124
DH12-12		87	95	8	0.15	2.03	2.08	8.6
		102	112	10	0.2	2.2	2.18	11.7
	including	105	108	3	0.49	3.72	3.52	22.1
		125	140	15	0.06	1.4	1.24	4.9
	including	133	140	7	0.06	2.21	1.74	6.8

* Please refer to Competent Persons Statement on page 19.



OPERATIONS REPORT (Continued)

Drill Hole		From	To	Interval	Cu (%)	Zn (%)	Pb (%)	Ag (g/t)
DH13-12		28	34	6	0.05	0.92	0.88	11.2
		66	77	11	0.18	3.26	2.62	10.7
	<i>including</i>	70	73	3	0.43	5.21	4.11	19.8
		83	92	9	0.04	1.29	1.13	3.9
		113	121	8	0.05	2.39	1.8	5.7
DH14-12		66	70	4	0.48	1.67	1.54	164.3
	<i>including</i>	66	68	2	0.94	2.77	1.84	305.9
		76	86	10	0.06	2.05	2	8.3
DH15-12		37	40	3	0.12	2.72	1.41	6.8
		74	90	16	0.21	2.9	2.21	11.1
	<i>including</i>	77	80	3	0.24	4.7	3.84	17.8
	<i>including</i>	84	88	4	0.53	4.81	3.27	18.7
		110	118	8	0.01	1.83	1.58	4.4
	<i>including</i>	113	116	3	0.01	3.01	2.02	5
DH16-12		98	105	7	0.2	2.62	1.97	13.1
	<i>including</i>	100	103	3	0.37	4.01	2.84	15.8
DH17A-12	<i>abandoned at 69m</i>	67	69	2	0.2	2.09	1.66	8.3
DH17B-12		66	86	20	0.14	1.92	1.98	9
	<i>including</i>	71	76	5	0.24	3.05	3.14	16
		89	91	2	0.02	1.92	1.38	4.3
		96	99	3	0.02	2.78	2.2	8.3
		104	106	2	0.28	1.22	0.86	178.6
	<i>including</i>	105	106	1	0.46	2.14	1.39	314

Figure 7: Inclined drilling at the Brskovo deposit



Figure 6: Vertical drilling at the Brskovo deposit



* Please refer to Competent Persons Statement on page 19.



OPERATIONS REPORT (Continued)

Visnjica deposit

Visnjica is located within 2km of Zuta Prla and is considered its south-eastern extension. Mineralisation is associated with two alkalized keratophyric strata separated by a volcano-sedimentary series of mostly sericite schists. A keratophyre is an extrusive volcanic of intermediate composition that has been extensively altered to albite.

Unlike at Zuta Prla there is no association of mineralisation with the dolomitic limestone. The upper volcanic extrusive hosts economic mineralisation whereas the lower volcanic is only sporadically mineralised. The main mineralised keratophyre strata are over 300m long, 200m down dip (essentially width) and ranges from 20 to 60m in thickness.

Drilling at the Visnjica deposit was also completed during the year, with a summary of the results displayed in the following tables.



Figure 8: Cutting the core prior to assay testing

Table 6: Drill hole locations and coordinates at the Visnjica deposit

Hole ID	Northing	Easting	Elevation	Azimuth	Dip	Total Depth	Announced
V01/12	4758719	7388216	1103.5	0	-90	95	5/08/2013
V002/12	4758826	7388221	1093.1	0	-90	130	28/02/2013
V003/12	4758754	7388193	1084.8	0	-90	88	28/02/2013
V004/12	4758712	7388265	1121.9	0	-90	95	28/02/2013
V005/12	4758694	7388392	1156.2	0	-90	110	28/02/2013
V006/12	4758720	7388374	1154.0	0	-90	95	28/02/2013
V07T/12	4758691	7388314	1133.9	0	-90	80	5/08/2013
V16/12	4758859	7388320	1139.5	0	-90	170	5/08/2013
V017/12	4758628	7388256	1102.2	0	-90	25	28/02/2013
V18T/12	4758836	7388290	1131.8	0	-90	150	5/08/2013
V20/12	4758889	7388290	1127.8	0	-90	180	5/08/2013

Table 7: Table of material intercepts at the Visnjica deposit

Drill Hole		From	To	Interval	Cu (%)	Zn (%)	Pb (%)	Ag (g/t)
V01-12		9	19	10	0.21	2.12	2.22	20.8
		25	26	1	0.21	1.94	1.33	28.3
		35	47	12	0.15	2.13	0.93	27.8
V02-12		20	38	18	0.13	1.81	1.36	18.5
	including	20	26	6	0.31	3.33	2.8	28.5
		44	62	18	0.16	1.98	0.91	27.5
	including	54	58	4	0.24	2.86	1.09	45
V03-12		7	21	14	0.24	2.14	1.24	36.6
	including	12	17	5	0.42	3.11	2	57.2

* Please refer to Competent Persons Statement on page 19.



OPERATIONS REPORT (Continued)

Drill Hole		From	To	Interval	Cu (%)	Zn (%)	Pb (%)	Ag (g/t)
V04-12		29	37	8	0.21	2.55	1.87	18.7
		42	73	31	0.21	2.11	1.01	31.2
	<i>including</i>	44	54	10	0.31	3.16	1.57	49.9
V05-12		40	44	4	0.16	1.95	2.65	15.2
V06-12		45	63	18	0.24	2.23	1.91	22.2
	<i>including</i>	49	54	5	0.4	3.42	3.13	30.1
		59	62	3	0.34	2.93	2.34	34.6
V07T-12		20	67	47	0.2	2.49	1.84	25.7
	<i>including</i>	32	40	8	0.26	3.26	2.67	26.6
	<i>and</i>	52	61	9	0.38	3.83	2.6	58.4
V16-12		102	118	16	0.15	1.56	0.82	20.7
		123	149	26	0.18	2.07	0.44	26.8
	<i>including</i>	133	140	7	0.24	2.58	0.64	42.9
	<i>and</i>	146	149	3	0.37	4.6	0.69	41.7
V17-12		3	8	5	0.07	1.06	0.64	9.86
		20	22	2	0.28	2.54	1.24	40.6
V18T-12		76	93	17	0.18	1.71	1.12	22
		96	138	42	0.17	1.84	0.7	33
	<i>including</i>	105	125	20	0.24	2.49	1.02	49
	<i>including</i>	105	112	7	0.32	3.1	1.06	53
V20-12		93	122	29	0.18	1.76	0.96	22
	<i>including</i>	94	103	9	0.19	2.08	1.89	18
		125	145	20	0.14	1.64	0.34	23
	<i>including</i>	128	137	9	0.19	2.14	0.46	31

Zuta Prla deposit

This deposit is located in the northern part of the ore field and occurs within the Middle Triassic Anisian dolomitic limestone and volcanics. There is considerable intercalation of carbonates within the volcanic material and a major part of the mineralisation is hosted by the dolomitic limestone. Unlike Brskovo a significant proportion of the ore apparently formed by replacement of carbonate by locally massive crystalline ore adjacent to fractures and fissures in the dolomitic limestone. There are also massive sulphide bodies and these are hosted by tuffaceous sediments and are interpreted as forming directly on the sea floor. These massive sulphides are variable in thickness but generally small and discontinuous and locally form fragmented zones due to post ore-deposition activity.

There are zones of stringers, short veins and stockworks that occur locally in the stratigraphic footwall and these are regarded as feeder zones to the more massive sulphide material. Ore-bearing conglomerate is a specific ore type at Zuta Prla and is formed by the accumulation of sub-rounded blocks of massive sulphide ore mixed with blocks of limestone and tuffaceous material in a matrix of limey and tuffaceous sediments.

This ore type is interpreted as having formed when primary ore blocks were mechanically disturbed and rolled down submarine slopes to mix with the limestone and tuffaceous material.

Zuta Prla contains a similar range of sulphide species to Brskovo but generally has higher concentration of sphalerite and lesser galena. All deposits in the Brskovo field have some association with mercury but this is particularly so with Zuta Prla. Locally it has high concentrations of mercury in the form of cinnabar bands.

* Please refer to Competent Persons Statement on page 19.



OPERATIONS REPORT (Continued)

From the original JORC Mineral Resource Report delivered by Golder Associates the Zuta Prla deposit contained over 50% of the overall tonnage for the Monty Project. This makes Zuta Prla an integral part of the Project and the current infill programme will be expected to convert a significant tonnage of Inferred Resource to the Indicated category.

Balamara also understands that there is increased potential for more substantial copper at Zuta Prla than the other two deposits already completed, and planning for the holes currently being drilled has taken this into consideration.

The initial drilling programme at Zuta Prla commenced in June 2013 with two drill rigs operating. The programme as planned comprises five holes for a total of 1,940m and is intended to test down-dip extensions to the Zuta Prla system. Two holes have already been completed with results expected shortly; drilling is underway on the remaining holes.



Figure 9: The local team setting up the drill rig at the Zuta Prla deposit

Razvrsje

This target lies within two kilometres of Zuta Prla and is considered the north-western extension. From historical information, the setting and style of the mineralisation is similar to Zuta Prla with mineralisation being hosted by both the keratophyre and the dolomitic limestone. The stratigraphic sequence consists of dolomitic limestone in the footwall overlain by a highly variable thickness of keratophyre (20m to 130m), followed by sericitic and siliceous schists and intercalated carbonate rocks in the hanging wall. The ore bodies are mostly irregular in shape and are generally concentrated near the contact between the footwall dolomitic limestone and the volcanics. The lower part of the volcanics contains a number of small irregular ore bodies within generally low grade disseminated mineralisation.

Igriste Deposit

The stratigraphic sequence is similar to Razvrsje with a lower sequence of dolomitic limestone overlain by keratophyre and volcano-sedimentary rocks. Mineralisation is located at the contact between the footwall keratophyre and the hanging wall volcanoclastics. The major mineralisation is 'stringer zone' mineralisation and consists of pipe-like mineralised bodies that are relatively low in grade. Massive sulphide occurs as relatively elongated lenses that are interbedded with cherts and tuffs. Only relatively preliminary exploration has been conducted at Igriste.

Varesh Project: zinc/silver project (100% owned; Bosnia-Herzegovina)

Balamara announced the acquisition of a second polymetallic project named the Varesh Project in September 2012, through the award of a tender for all associated rights over 25 years.

Varesh comprises a series of deposits all closely linked together in one area 30km north of Sarajevo, the capital city, and infrastructure such as roads, rail, power and water is available. The Varesh Project consists primarily of two advanced polymetallic deposits Veovace and Rupice; located along strike from each other and approximately ten kilometers apart.

Mineralisation is hosted by Middle Triassic sediments consisting largely of limestone and of dolomite-ankerite-siderite rocks which may be altered limestones. These are overlain by spilites, keratophyres, tuffs and chert and are transitional to the Upper Triassic. Mineralisation is located in this transition.

* Please refer to Competent Persons Statement on page 19.



OPERATIONS REPORT (Continued)

Mineralisation is regarded as broadly VMS in style but consists of high level breccias in addition to primary sulphide layers and lenses. The breccias include pieces of sandstone, dolomite, limestone and schist, so it forced its way up from below bringing with it some lower rocks. Barite with sulphides of lead and zinc occur in the form of layers and lenses. Ore bodies form layers and lenses from several meters thick to tens of metres thick within the host breccia.

Balamara had previously indicated that it sought an initial JORC resource for Varesh by end 2012 using drilling data inherited with the Project; however this was not possible due to a lack of density of silver assays conducted previously on the two main deposits. As a result of this Balamara will wait until the relevant drill core samples are located and assayed, or complete a drilling programme as may be required to deliver these samples ahead. As Varesh was acquired for its significant silver potential in conjunction with both zinc and lead Balamara believes it would be misrepresenting the project to produce a Varesh JORC report excluding silver.

Figure 10: Balkans regional area showing location of Varesh Project

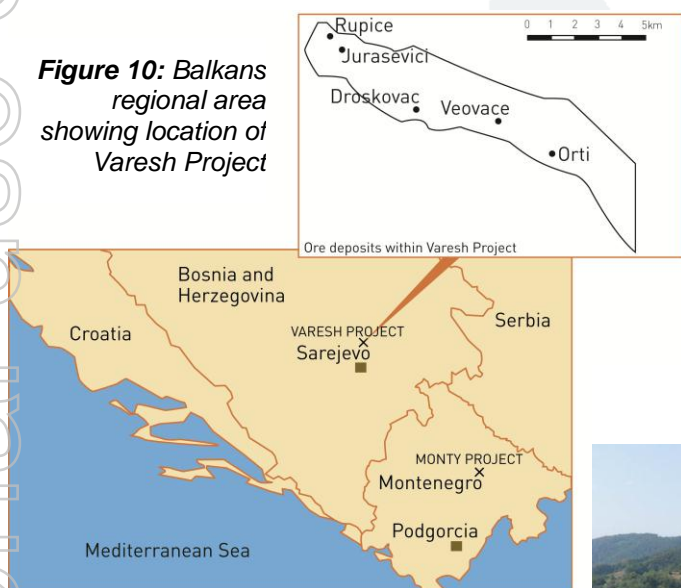


Figure 11: Landscape at the Varesh Project



RSC Project: zinc/silver project (100% owned; Bosnia-Herzegovina)

In March 2013, Balamara acquired a further Project in the Balkans region, known locally as the RAJKOVIĆI-SELIŠTE-ČELEBIĆI ore field, which Balamara will abbreviate to "RSC Project" ("RSC" or the "Project") – comprises an extensive area of over 50sqkm, and is located immediately across the Montenegrin border in the Srpska Republic, which is part of Bosnia-Herzegovina. Balamara owns 80% of local subsidiary Western Mining Doo which has been awarded the rights to explore the RSC Project.

The concession has had various forms of geological exploration over a 50-year period from the end of World War Two until late 1990's, resulting in the establishment of a large database of information on geology, chemical and mineralogical composition, and morphological types of lead and zinc ore.

In particular, exploration activities undertaken from 1988 to 1990 focused on:

- Detailed geological mapping within a profile of 6sqkm, close to the border with Suplja Stijena;
- 250m³ of exploration trenching;
- Significant chemical analysis of lead and zinc,
- Mineralogical analysis; and
- X-ray analysis.

* Please refer to Competent Persons Statement on page 19.



OPERATIONS REPORT (Continued)

Areas with strong exploration potential have been highlighted within these reports and Balamara has access to geological research data in order to assist with planning future drilling activities. Rock samples show evidence of many occurrences of high content of zinc, lead and silver.

Strategically, the RSC Project is of particular significance as it is located immediately adjacent to the Suplja Stijena mine, which has significant resources and reserves of zinc, lead and copper with some gold and silver.

Suplja Stijena was re-commissioned in mid-2010 as a very low cost zinc-lead mine producing around 1Mtpa ore, for approximately 17,000 tonnes of zinc and 5,000 tonnes of lead per annum.

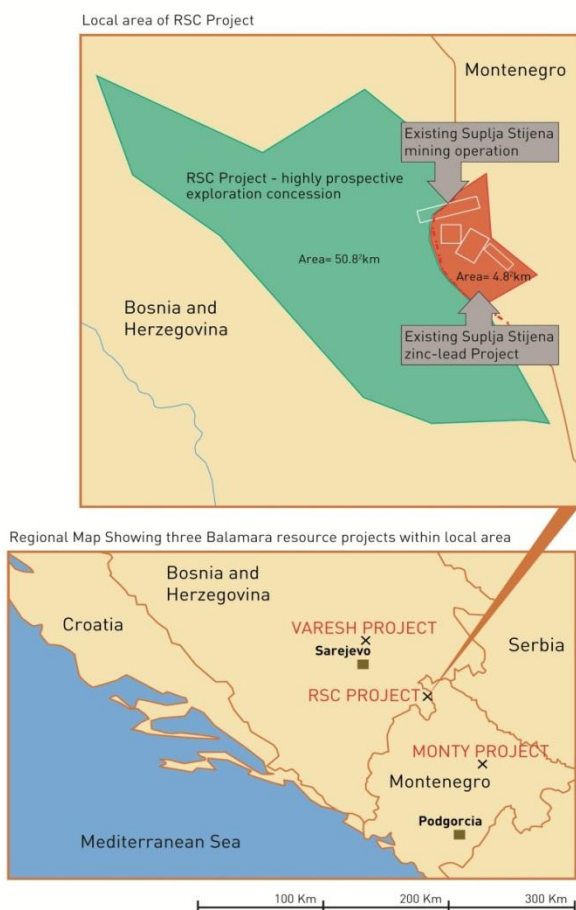


Figure 12: Location of the RSC Project adjacent to the operating Suplja Stijena zinc-lead mine in north-western Montenegro



Figure 13: Landscape at the RSC Project

Bogdan Project: copper/zinc/lead/silver (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 42km², 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 km². 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).

* Please refer to Competent Persons Statement on page 19.



OPERATIONS REPORT (Continued)

Balamara completed an initial exploration drilling programme in mid-2012 in order to provide evidence that the same *Kupferschiefer* mineralised zone which is mined by KGHM extends into the Bogdan tenement. So far every hole drilled by Balamara has confirmed that the *Kupferschiefer* extends into the Balamara lease.

A Phase Two drilling programme commenced in early 2013, which was designed to test for the presence of a higher grade copper system around Hole B4 in the western part of the concession, closest to existing KGHM operations. The first two holes in the current programme will test the area between Hole B4 and a historical KGHM hole which had mine-grade material. The KGHM hole is located just to the west of Balamara's lease boundary.

Drilling has completed on the first two-holes of the Phase Two programme, and assay results will be published to the ASX once received for both holes. Balamara will await these assay results prior to the commencement of drilling additional holes.

Hole B1:*

- Assay results from the first hole returned 2m at 2.39% lead (Pb), 0.42% copper (Cu) and 18.9 g/t silver (Ag) from 284 to 286m. Immediately below this intersection from 286 to 291m the sequence was also highly anomalous in copper and returned 0.11% copper (Cu) over this 5m interval.

Hole B2:*

- Assay results for Hole B2 returned lead-copper-silver mineralisation, with an intersection of 1m at 2.05% lead (Pb), 0.28% copper (Cu) and 10.6g/t silver (Ag). Approximately 10m of disseminated Pb (lead) mineralisation and 2m of disseminated sulphide mineralisation were intersected.

Hole B4:*

Assay results from the third hole (Hole B4) were returned in August, revealing a more extensive copper-dominant zone and providing a priority target for follow-up drilling. In the latest hole, copper mineral species have been identified visually in core over an 8.3m interval extending from 350.5m to 358.8m below surface with 8.5 metres at 0.36% copper (Cu), 11.6 g/t silver (Ag), including 1.3 metres at 0.60% copper (Cu) and 13.5 g/t silver (Ag).



Figure 14: The local team with the drill rig at the Bogdan Project

Peelwood and Elsenora Projects: copper-zinc-lead (100% owned; NSW, Australia)

Balamara Resources Limited is 100% owner of the exploration licences located in the Lachlan Fold Belt of Eastern New South Wales, Australia. The five exploration licences are: Peelwood (EL2934); Junction Point (EL6082); Elsenora (EL6767); Black Springs (EL6831) and Mount Costigan (EL6955).

In early 2012, the Company changed its strategy to focus on its Central European assets, and therefore there have been no significant exploration activities on the NSW assets during the year.

Competent Persons Statement:

The information in this report that relates to 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 2004 Edition of the "Australasian Code for Reporting on 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.

* Please refer to Competent Persons Statement on page 19.



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 2013.

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
Alastair Clayton (*Resigned 25 February 2013*)

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 quality assets at low cost with significant upside potential and to develop them quickly to a pre-production status, consistently adding more value along the way. The group currently has projects in Poland, Montenegro, Bosnia and NSW Australia. 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 Varesh zinc-silver project in Bosnia-Herzegovina;
- Released results of phase 1 drilling at Bogdan, along with the commencement of a phase 2 programme in early 2013;
- Completed the drilling programmes at the Brskovo and Visnjica deposits within the Monty Project, Montenegro, with excellent results;
- Acquired an 80% interest in the highly prospective RSC Project in Bosnia-Herzegovina, comprising over 50km² of land adjacent to the operating Suplja Stijena zinc mine;
- Released an updated JORC resource for Monty in early 2013, where:
 - 53% of total tonnes was converted from the Inferred to Indicated category at the Brskovo deposit; and
 - Silver was introduced into the JORC resource for the first time
- Final stage tender was submitted for the world class Togo Phosphate Project;
- Successfully raised \$4.6 million at 11 cents per share, whilst completing a fully underwritten Rights Issue post balance date to raise an additional \$5.26 million;

The comprehensive loss for the consolidated entity attributable to members was \$6,439,427 (2012: \$9,390,843).

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:

- During July 2013, the Company completed its fully underwritten renounceable rights issue ("Rights Issue"). Total proceeds of \$5,259,898 were received post balance date, via the issue of 70,131,977 shares at a price of 7.5 cents per share;
- On the 24th of July 2013, the Company was awarded the exclusive rights to the advanced Nowa Ruda coking coal project in Poland. The concession has been awarded to its wholly owned Polish subsidiary Coal Holdings. Further details of this Project can be found within the operations report commencing from page 6;
- 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 if executed, Balamara would have to pay back the monies received plus an 'interest' component. This agreement was terminated on 2 July 2013; refer to note 13 for additional details; and
- The Company commenced its divestment strategy of non-core assets, commencing with the Elsenora gold project, NSW Australia in early September 2013. A farm-in agreement has been signed with ASX-listed Alkane Resources Ltd, to whom can earn up to an 80% interest in the tenements by spending \$500,000 on exploration over three years, with a minimum \$250,000 spend over two years.

Other than the matter set out above, there has been no other matters or circumstances that has arisen since 30 June 2013 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



Derek Lenartowicz **BS Eng MSE (Executive Chairman)**

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 35 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 Bogdan and Nowa Ruda projects in Poland; owing to his close ties with that country.



DIRECTORS' REPORT (Continued)

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

Non-Executive Director of Conto Resources Limited

Former Directorships in the last three years (ASX listed)

None.



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 development of the Monty Project (Montenegro), as well as the recently acquired Vares and RSC Projects (Bosnia-Herzegovina).

Other current Directorships of listed entities

None

Former Directorships in the last three years (ASX listed)

None



DIRECTORS' REPORT (Continued)

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 accounting 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 studying to become a member of the Chartered Secretaries of Australia.

Meetings of Directors

The numbers of meetings of the company's board of directors held during the year ended 30 June 2013, and the numbers of meetings attended by each director were as follows:

Director	Number of Meetings	
	Eligible to attend	Attended
Mike Ralston	6	6
Derek Lenartowicz	6	6
Milos Bosnjakovic	6	5
Michael Hale	6	6
Alastair Clayton	4	4

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	700,000
Derek Lenartowicz	16,741,254	700,000
Milos Bosnjakovic	16,613,810	700,000
Michael Hale	2,500,000	-



DIRECTORS' REPORT (Continued)

Remuneration report (audited)

The directors are pleased to present your company's 2013 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.

	2013	2012	2011	2010	2009
<i>Net profit/(loss)</i>	(\$7,030,264)	(\$9,373,634)	(\$2,945,263)	(\$1,895,261)	(\$1,836,288)
<i>Working capital</i>	(\$1,068,075)	\$1,865,127	\$4,761,530	\$492,458	\$831,203
<i>Closing share price</i>	\$0.063	\$0.155	\$0.17	\$0.09	\$0.05
<i>\$ Change in share price</i>	(\$0.092)	(\$0.015)	\$0.08	\$0.04	(\$0.18)
<i>% Change in share price</i>	(59%)	(9%)	89%	80%	(78%)

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.

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 *Share-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	
	2013	2012	2013	2012	2013	2012
<i>Directors of Balamara Resources Limited</i>						
Mike Ralston	100%	100%	-	-	-	-
Derek Lenartowicz	100%	100%	-	-	-	-
Milos Bosnjakovic	100%	100%	-	-	-	-
Michael Hale	100%	100%	-	-	-	-
Alastair Clayton	100%	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 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.



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 previous financial year.

For the year ended 30 June 2012

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 (i)	231,667	-	231,667	20,850	-	886,726	1,139,243
Derek Lenartowicz (ii)	232,150	-	232,150	-	-	1,182,302	1,414,452
Milos Bosnjakovic (iii)	234,134	-	234,134	-	-	1,182,302	1,416,436
Non-Executive Directors							
Michael Hale (iv)	94,373	-	94,373	-	-	335,962	430,335
Alastair Clayton (v)	6,996	-	6,996	-	-	-	6,996
Totals	799,320	-	799,320	20,850	-	3,587,292	4,407,462

- (i) Includes fees as a Non-Executive Director from 1 July 2011 to 1 August 2011.
- (ii) These fees were paid to Voitek Pty Ltd, an entity associated with Mr. Lenartowicz.
- (iii) These fees were paid to MBL Construction Pty Ltd, an entity associated with Mr. Bosnjakovic.
- (iv) This amount also includes consulting fees paid to Mr. Hale for other professional services during the year amounting to \$48,933.
- (v) Appointed 15 May 2012.

*** 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.



DIRECTORS' REPORT (Continued)

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, <i>Managing Director</i>	On-going commencing 1 August 2011	\$272,500**	12 months base salary	-
Derek Lenartowicz, <i>Executive Chairman</i>	On-going commencing 30 March 2012	\$250,000	12 months base salary	-
Milos Bosnjakovic, <i>Executive Director</i>	On-going commencing 30 March 2012	\$250,000	12 months base salary	-
Michael Hale, <i>Non- Executive Director</i>	On-going commencing 1 May 2012	\$3,000 per month	n/a	-

* Base salaries are based on current agreements as at 30 June 2013, 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 26 August 2011, shareholders approved both the Balamara Director Share Plan, and the Balamara Employee Share Plan. 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 \$0.22 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.

There was only one issue to Key Management Personnel during the year, being to Alastair Clayton. To date, the following amount of shares were issued to key management personnel under the scheme;

Name	Grant Date	No Issued at grant date	No of options vested	Value at grant date	Amount vested	Expiry date
Mike Ralston	26/08/11	7,500,000	7,500,000	\$886,727	100%	26/08/15
Derek Lenartowicz	26/08/11	10,000,000	10,000,000	\$1,182,302	100%	26/08/15
Milos Bosnjakovic	26/08/11	10,000,000	10,000,000	\$1,182,302	100%	26/08/15
Michael Hale	22/06/12	2,500,000	2,500,000	\$335,962	100%	22/06/16
Alastair Clayton*	12/11/12	1,250,000	1,250,000	\$92,191	100%	12/11/16

* Mr Clayton has since resigned from the Board and has no rights to these shares unless the loan is repaid in full.

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.



DIRECTORS' REPORT (Continued)

4 Share-based compensation (Continued)

Share options

During the 2011 financial year, the following incentive options were issued to key management personnel as remuneration:

Name:	Grant date	No Issued at grant date	No of options vested	Value at grant date	Amount vested	Expiry date
Milos Bosnjakovic	19/05/11	700,000	700,000	159,767	100%	19/05/14
Mike Ralston	19/05/11	700,000	700,000	159,767	100%	19/05/14
Derek Lenartowicz	19/05/11	700,000	700,000	159,767	100%	19/05/14
Kevin Alexander	19/05/11	300,000	300,000	68,472	100%	19/05/14

At 30 June 2013, these options remain vested and exercisable. None of these options were exercised during the period. There have been no share options exercised during the period by key management personnel.

The consolidated entity does not have a policy on executives and directors hedging equity remuneration received.

(End of audited remuneration report)

Additional information

(a) Shares under option

At 30 June 2013 there were 4,900,000 ordinary shares under option (2012: 4,900,000) made up of:

- 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 \$20,499 (2012: \$20,675) 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.



DIRECTORS' REPORT (Continued)

(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 \$31,899 (2012: \$110,813) 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 31 of the annual report.

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

Mike Ralston
Managing Director
SUBIACO, 25 September 2013

25 September 2013

Balamara Resources Limited
The Board of Directors
Level 1, 350 Hay Street
SUBIACO, WA 6008

Dear Sirs,

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 2013, 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
- 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, Western Australia



CORPORATE GOVERNANCE STATEMENT

Balamara Resources Limited and the board of directors ("The Board") are committed to achieving and demonstrating the highest standards of 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.

Major corporate governance practices

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

The Board of Directors

The Board operates in accordance with the broad principles set out in its charter. The charter details the board's composition and responsibilities.

Composition

The Board's composition 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".

Mr Lenartowicz is the Executive Chairman of the Company and Mr Ralston is the Managing Director.

Board responsibilities

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;



CORPORATE GOVERNANCE STATEMENT (Continued)

Board responsibilities (continued)

- (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.

Commitment

The number of meetings of the board of directors held during the year ended 30 June 2013, and the number of meetings attended by each director is disclosed in the Directors' Report under the heading "Meetings of Directors".

Independent professional advice

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense.

Performance assessment – the Board and Senior Executives

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.

Remuneration

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.

Refer to the remuneration report within pages 24 to 29 for further details on director remuneration.

Trading in the company's 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.



CORPORATE GOVERNANCE STATEMENT (Continued)

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 2013:

- (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.

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.

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.

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'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.



CORPORATE GOVERNANCE STATEMENT (Continued)

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.

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.

Responsibilities

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.



CORPORATE GOVERNANCE STATEMENT (Continued)

Diversity policy (continued)

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

The Board may include in the annual report each year:

- The measurable objectives, if any, set by the board;
- Progress against the objectives; and
- The proportion of women employees in the whole organisation, at both a senior management level and board level.

Continuous disclosure and shareholder communication

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.



CORPORATE GOVERNANCE STATEMENT (Continued)

Continuous disclosure and shareholder communication (continued)

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.

Shareholders that have made an election receive a copy of the company's annual report by mail. Otherwise, the Annual Report is available on the company's website.

Non-compliance with ASX principles and recommendations

The company has not complied with the following ASX principles and recommendations:

Recommendation Ref	Notification of departure	Explanation for departure
1.3 2.6	Performance Evaluations	Formal evaluations of the Board, committees and executives did not occur during the year as set out above.
2.1	A majority of the board should be independent directors.	As stated above, the majority of the board was not independent. The Board considered that given the size and activities of the company, the current board was a cost effective and practical way of directing and managing the company. Although the board is not considered "Independent", Directors still exercise independence in decision making on behalf of the company.
2.2 2.3	The chair should be an independent director. The roles of chair and chief executive officer should not be exercised by the same individual.	The Company does have an Executive Chairman and has appointed a Managing Director. It is the Board's view that the size and complexity of the company does not warrant the appointment of an independent chairman at this point in time. This position will be reviewed as the company development matures.
2.4	The Board should establish a nomination committee.	Currently, the company has decided not to have a nomination committee given its size and scope. The Board, as a whole, serves to identify, appoint and review board membership through an informal assessment process and in consultation with the company's external professional advisors.
4.1 4.2 4.3	The Board should establish an audit committee. The audit committee should be structured so that it: (a) Consists only of non-executive directors (b) Consists of a majority of independent directors (c) Is chaired by an independent chair, who is not chair of the board; and (d) Has at least three members. The audit committee should have a formal charter	The directors do not consider the company's affairs are of such a size and complexity as to merit the establishment of a separate audit committee. Until this situation changes the full board will carry out any necessary audit committee functions.



CORPORATE GOVERNANCE STATEMENT (Continued)

Recommendation Ref	Notification of departure	Explanation for departure
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 risk.	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.
8.1	The Board should establish a remuneration committee	The directors do not consider the company's affairs are of such a size and complexity as to merit the establishment of a separate remuneration committee. Until this situation changes the full board will carry out any necessary remuneration committee functions.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2013

	Note	2013 \$	2012 \$
Interest revenue		45,839	169,215
Consultancy costs		(215,380)	(316,435)
Director & employee costs		(678,954)	(592,031)
Share-based payments	17	(165,739)	(3,810,675)
Other corporate expenses	6a	(1,198,215)	(908,434)
Professional services		(215,334)	(591,431)
Exploration costs expensed as incurred	12	(3,102,232)	(2,974,045)
Write-off of capitalised exploration expenditure	7	(1,424,150)	-
Convertible note settlement costs	15	-	(350,626)
Foreign exchange gain / (loss)		(76,099)	828
Loss before income tax expense		(7,030,264)	(9,373,634)
Income tax expense	5	-	-
Net Loss for the year		(7,030,264)	(9,373,634)
Other comprehensive income/(losses) for the year:			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation reserve		524,745	(79,017)
Total comprehensive loss for the year		(6,505,519)	(9,452,651)
Net loss is attributable to:			
Owners of Balamara Resources Limited		(6,964,396)	(9,314,299)
Non-controlling interests		(65,868)	(59,335)
		(7,030,264)	(9,373,634)
Total comprehensive loss is attributable to:			
Owners of Balamara Resources Limited		(6,439,427)	(9,390,843)
Non-controlling interests		(66,092)	(61,808)
		(6,505,519)	(9,452,651)
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company (cents per share):	23	(3.06)	(5.39)

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 2013

	Note	2013 \$	2012 \$
Current assets			
Cash and cash equivalents	8	433,442	1,942,835
Trade and other receivables	9	128,104	204,271
Other assets	10	318,398	130,895
Total current assets		879,944	2,278,001
Non-current assets			
Other assets	10	364,571	313,178
Plant and equipment	11	67,036	48,145
Exploration and evaluation assets	12	6,141,999	3,333,836
Total non-current assets		6,573,606	3,695,159
Total assets		7,453,550	5,973,160
Current liabilities			
Trade and other payables	13	1,948,019	412,874
Total current liabilities		1,948,019	412,874
Non-current liabilities			
Provisions	14	9,442	-
Total non-current liabilities		9,442	-
Total liabilities		1,957,461	412,874
Net assets		5,496,089	5,560,286
Equity			
Issued capital	16	56,012,446	49,763,911
Reserves	17	4,947,840	4,257,133
Accumulated losses		(55,346,141)	(48,408,793)
Capital and reserves attributable to owners of Balamara Resources Limited		5,614,145	5,612,251
Non-controlling interests	25	(118,056)	(51,965)
Total equity		5,496,089	5,560,286

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 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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Issued capital	Convertible note reserve	Share-based payments reserve	Foreign currency translation reserve	Accumulated losses	Total	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2011	46,877,911	40,444	578,350	(24,771)	(39,093,897)	8,378,037	-	8,378,037
Comprehensive income for the year								
Loss for the year	-	-	-	-	(9,314,299)	(9,314,299)	(59,335)	(9,373,634)
Foreign Currency Translation	-	-	-	(76,544)	-	(76,544)	(2,473)	(79,017)
Total comprehensive income for the year	-	-	-	(76,544)	(9,314,299)	(9,390,843)	(61,808)	(9,452,651)
Transactions with owners in their capacity as owners:								
Share based payments	56,000	-	3,810,675	-	-	3,866,675	-	3,866,675
Issue of shares, net of transaction costs	2,730,000	-	-	-	-	2,730,000	-	2,730,000
Termination of convertible loan note with La Jolla	-	(40,444)	-	-	-	(40,444)	-	(40,444)
Retained earnings and NCI on acquisition of subsidiary	-	-	-	-	(31,174)	(31,174)	9,843	(21,331)
Options exercised during the year	100,000	-	(30,577)	-	30,577	100,000	-	100,000
Balance at 30 June 2012	49,763,911	-	4,358,448	(101,315)	(48,408,793)	5,612,251	(51,965)	5,560,286

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 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Payments to suppliers and employees		(2,157,715)	(2,775,703)
Exploration expenditure		(2,688,246)	(2,963,224)
Interest received		45,839	169,215
Interest Paid		(40,859)	(20,184)
Net cash flows used in operating activities	22	(4,840,981)	(5,589,896)
Cash flows from investing activities			
Deposits (paid)/returned		(82,684)	(80,000)
Acquisition of plant and equipment		(16,801)	(40,084)
Acquisition of projects		(1,287,343)	(96,596)
Net cash flows used in investing activities		(1,386,828)	(216,680)
Cash flows from financing activities			
Proceeds from issue of share capital		5,108,020	3,100,000
Payment of share issue costs		(368,968)	(270,000)
Repayment of borrowings		(1,100,000)	(390,086)
Proceeds from borrowings		1,100,000	-
Net cash flows provided by financing activities		4,739,052	2,439,914
Net Increase/(decrease) in cash and cash equivalents		(1,488,757)	(3,366,662)
Cash and cash equivalents at beginning of the year		1,942,835	5,310,278
Exchange rate adjustment		(20,636)	(781)
Cash and cash equivalents at end of the year	8	433,442	1,942,835

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



NOTES TO THE FINANCIAL STATEMENTS

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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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 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 2012.

(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 2013 of \$7,030,264 (2012: \$9,373,634) and experienced net cash outflows from operating activities of \$4,840,981 (2012: \$5,589,896). At year-end the working capital position was a deficit of \$1,068,075 (2012: surplus \$1,865,127).

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.



NOTES TO THE FINANCIAL STATEMENTS

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 2013 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 is 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.



NOTES TO THE FINANCIAL STATEMENTS

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.



NOTES TO THE FINANCIAL STATEMENTS

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 |
| • MM Project doo (Bosnia & Herzegovina) | Bosnian Marks |
| • Coal Holdings 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.



NOTES TO THE FINANCIAL STATEMENTS

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.



NOTES TO THE FINANCIAL STATEMENTS

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.



NOTES TO THE FINANCIAL STATEMENTS

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 2013 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)	Financial Instruments	<p>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:</p> <ul style="list-style-type: none"> • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. <p>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.</p>	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The group has not yet made an assessment of the impact of these amendments.	1 July 2015



NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for group
AASB 10 (issued August 2011)	Consolidated Financial Statements	<p>Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:</p> <ul style="list-style-type: none"> • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the entity's returns from investee. • Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated. 	Annual reporting periods commencing on or after 1 January 2013	<p>When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the group does not have any special purpose entities.</p> <p>The 'Entity' does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.</p>	1 July 2013
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the group has not yet entered into any joint arrangements.	1 July 2013
AASB 13 (issued September 2011)	Fair Value Measurement	<p>AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the balance sheet or disclosed in the notes in the financial statements.</p> <p>Additional disclosures required for items measured at fair value in the balance sheet, as well as items merely disclosed at fair value in the notes to the financial statements.</p> <p>Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments.</p>	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.	1 July 2013
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to be settled under current standard) wholly within 12 months after the	Annual periods commencing on or	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities	1 July 2013



NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for group
2011)		end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	after 1 January 2013	will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.	
Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Surface Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 <i>Inventories</i> if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met.	Annual periods commencing on or after 1 January 2013	The group does not operate a surface mine. There will therefore be no impact on the financial statements when this interpretation is first adopted.	1 July 2013
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> . Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. At current the group does not have interest in any associates or joint ventures.	1 July 2013
AASB 2010-2 (issued June 2010)	Amendments to Australian Accounting Standards arising from the Reduced Disclosure Requirements	Entities classified as Tier 2 entities in AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> that currently apply full IFRSs as adopted in Australia are able to adopt the Reduced Disclosure Requirements.	Annual reporting periods beginning on or after 1 July 2013	The group is a 'Tier 2' entity and therefore eligible to apply the Reduced Disclosure Requirements of AASB 2010-2. The Reduced Disclosure Requirements are not mandatory for Tier 2 entities and the group has not yet made a decision about whether it will adopt the Reduced Disclosure Requirements in the future.	1 July 2013



NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for group
AASB 2012-5 (issued June 2012)	Amendments arising from Annual Improvements 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS 1, IAS 16 & IAS 32)	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no material impact.	1 July 2013
AASB 2012-6 (issued September 2012)	Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	Defers the effective date of AASB 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods beginning on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	1 July 2015

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 Project, 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.
2. During the period the Company entered into an agreement with AIM-listed Centurion Resources; a strategic investor to acquire 10% of North Mining, the subsidiary that holds the Monty Project. An amount of 375,000 was paid into North Mining throughout the year, to which an accrual has been raised at 30 June 2013 for, due to the cancellation of this agreement post year end. Refer to note 21 for additional details.



NOTES TO THE FINANCIAL STATEMENTS

2 Financial risk management (continued)

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:

	2013	2012
Foreign exchange sensitivity analysis:	\$	\$
Increase in AUD against foreign currencies by 10%	(29,433)	34,194
Decrease in AUD against foreign currencies by 10%	29,433	(34,194)

Interest rate risk

	Weighted average interest rate	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
2013 Consolidated:					
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)
Net financial assets		634,078	(200,000)	(1,478,438)	(1,044,360)

	Weighted average interest rate	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
2012 Consolidated:					
Financial assets			\$	\$	\$
Cash and cash equivalents	4.0%	1,838,183	-	104,652	1,942,835
Other assets	5.5%	250,699	-	151,266	401,965
Total financial assets		2,088,882	-	255,918	2,334,800
Financial liabilities					
Trade and other payables		-	-	(395,274)	(395,274)
Total financial liabilities		-	-	(395,274)	(395,274)

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:



NOTES TO THE FINANCIAL STATEMENTS

2 Financial risk management (continued)

	Increase/decrease in equity	
	2013	2012
Consolidated entity	\$	\$
+1%: (100 basis points), (2012: +1%)	6,341	19,495
- 1% (100 basis points), (2012: -1%)	(6,341)	(19,495)

The group does not hedge against interest rate risk.

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 2013.

(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 \$6.7 million before costs, with an additional \$5.26 million 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.



NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and judgements (continued)

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.

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 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

(ii) Segment assets - 30 June 2012

	Exploration Balkans region \$	Exploration Poland \$	Exploration Australia \$	Total \$
Segments assets	250,699	96,596	3,287,240	3,634,535

Reconciliation of segment assets to the balance sheet

Total reportable segment assets	3,634,535
Cash and cash equivalents	1,942,835
Trade and other receivables	216,750
Other assets	130,895
Plant and equipment	48,145
Total assets	5,973,160



NOTES TO THE FINANCIAL STATEMENTS

4 Segment information (continued)

(iii) Segment profit and loss

	Exploration Balkans region \$	Exploration Poland \$	Exploration Australia \$	Total \$
Reportable segment loss 2013	(2,324,297)	(618,539)	(1,583,546)	(4,526,382)
Reportable segment loss 2012	(924,679)	(617,075)	(1,398,007)	(2,939,761)

A reconciliation of reportable segment loss to operating loss before income tax is provided as follows:

	2013 \$	2012 \$
Total loss for reportable segment	(4,526,382)	(2,939,761)
Interest revenue	45,839	169,215
Foreign exchange gain / (loss)	(76,099)	828
Consultancy costs	(215,380)	(316,435)
Director & employee costs	(678,954)	(592,031)
Share-based payments	(165,739)	(3,810,675)
Other corporate expenses	(1,198,215)	(908,434)
Professional services	(215,334)	(591,431)
Exploration costs unallocated	-	(34,284)
Convertible note settlement costs	-	(350,626)
Loss before income tax from continuing operations	(7,030,264)	(9,373,634)

5 Income tax & deferred tax

(a) Income tax expense

	2013 \$	2012 \$
Current tax	-	-
Deferred tax	-	-
	-	-

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

	2013 \$	2012 \$
Loss from continuing operations before income tax expense	(7,030,264)	(9,373,634)
Tax at the Australian tax rate of 30% (2012: 30%)	(2,109,079)	(2,812,090)
Tax effect of amounts not deductible (allowable) in calculating taxable income:		
Over/(under) provision for tax loss in prior year	-	(341)
Share-based payments	49,722	1,143,203
Annual leave	6,123	(3,411)
Unrealised exchange loss	21,029	(248)
Expenses incurred on foreign projects	711,024	462,526
Allowable deductions	(74,734)	(54,386)
Tax losses not recognised	1,395,915	1,264,747
Income tax expense	-	-



NOTES TO THE FINANCIAL STATEMENTS

5 Income tax & deferred tax (continued)

	2013	2012
	\$	\$
(c) Unrecognised deferred tax assets		
The following deferred tax assets have not been brought to account:		
Tax losses - revenue	5,396,176	4,089,085
Temporary differences - exploration	(1,842,600)	(1,000,151)
Temporary differences - other	382,340	308,363
	3,935,916	3,397,297

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:

	2013	2012
	\$	\$
Exploration	(1,842,600)	(1,000,151)
Trade & other payables	6,123	(3,411)
Section 40-880 expenses	202,102	137,659
Tax loss carry-forward	5,570,291	4,263,200
	3,935,916	3,397,297

6 Expenses

(a) Other corporate costs	2013	2012
	\$	\$
ASIC, ASX & share registry fees	(95,340)	(99,491)
Depreciation	(26,460)	(14,742)
Insurance	(20,541)	(22,629)
Office rent and outgoings	(131,617)	(84,269)
Marketing and public relations	(74,725)	(110,048)
Printing and mail	(69,468)	(45,020)
Communication costs	(55,575)	(60,544)
Business development costs	(330,072)	(98,544)
Interest expense	(103,337)	(2,424)
Taxes (local and international)	(5,673)	(67,956)
Travel & Accommodation	(155,477)	(184,143)
Other administrative costs	(129,930)	(118,624)
	(1,198,215)	(908,434)
(b) Superannuation guarantee		
Included within director and employee costs	(37,508)	(44,796)
Included within exploration costs	(42,733)	(15,750)
	(80,241)	(60,546)

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 the amount capitalised in relation to the Elsienora Project NSW needed to be impaired by an amount of \$502,020. The carrying value of the Elsienora Project at 30 June 2013 is \$625,000. Furthermore EL 6081 (Single Tree Hill) was relinquished post balance date, and therefore a further amount of \$922,080 has been written off against the Peelwood Project.



NOTES TO THE FINANCIAL STATEMENTS

8	Cash and cash equivalents	2013	2012
		\$	\$
	Cash at bank	433,442	1,942,835
9	Trade and other receivables*		
	GST/VAT receivable	128,104	204,271
	<i>* Refer to note 2 for risk exposure</i>		
10	Other assets	2013	2012
		\$	\$
	Current:		
	Deposit for project due diligence	65,650	80,000
	Prepayments	250,778	50,895
	Other investments	1,970	-
		318,398	130,895
	Non-current:		
	Office bond	12,479	12,479
	Tenement bonds – Australia*	60,000	50,000
	Tenement bonds – Montenegro*	288,450	250,699
	Tenement bonds – Bosnia & Herzegovina*	3,642	-
		364,571	313,178

* These deposits are lodged with the respective governments, for the grant of the applicable exploration and mining leases. These amounts are to be used for land rehabilitation. As these deposits are in place for the groups exploration projects, they will be classified as non-current assets.

11	Plant and equipment	Computer equipment	Office furniture and fittings	Motor vehicles	Total
		\$	\$	\$	\$
	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
	Year ended 30 June 2012				
	Opening net book amount	10,912	11,972	-	22,884
	Additions – at cost	14,283	5,920	19,880	40,084
	Depreciation charge	(5,731)	(4,685)	(4,326)	(14,742)
	Foreign exchange adjustment	(170)	(126)	215	(81)
	Closing net book amount	19,295	13,081	15,769	48,145
	As at 30 June 2012				
	Cost	56,159	41,432	19,880	117,472
	Accumulated depreciation	(36,864)	(28,351)	(4,111)	(69,327)
	Net book amount	19,295	13,081	15,769	48,145



NOTES TO THE FINANCIAL STATEMENTS

12 Exploration and evaluation expenditure

	2013	2012
	\$	\$
Capitalised:		
Opening balance	3,333,836	3,237,240
Additions – Bogdan Project	-	96,596
Additions – Vares Project	4,035,784	-
Additions – RSC Project	196,529	-
Exploration and evaluation expenditure written off (note 7)	(1,424,150)	-
Closing balance	6,141,999	3,333,836

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;

Expensed as incurred:

Drilling costs	(1,330,032)	(1,033,178)
Assaying and analysis costs	(577,946)	(86,609)
Consultancy costs	(181,441)	(840,922)
Salaries and wages	(694,665)	(540,463)
Travel and accommodation	(159,365)	(191,852)
Other	(158,783)	(281,021)
	(3,102,232)	(2,974,045)

13 Trade and other payables

Trade payables	850,822	140,072
Other payables and accruals*	1,059,186	255,202
Annual leave payable	38,011	17,600
	1,948,019	412,874

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 if executed, Balamara would have to pay back the monies received plus an 'interest' component. This agreement was terminated on 2 July 2013, and an accrual for the unpaid monies has been included within other payables amounting to \$562,303; of this amount \$62,478 has been included in the income statement as an interest expense.

14 Provisions

Long service leave	9,442	-
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15 Convertible note

In July 2010 the Company secured up to an aggregate of US\$4m through an agreement to issue two consecutive convertible notes of US\$2m each. The finance was provided by La Jolla Cove Investments Inc. On 30 November 2010, the shareholders did not approve the issue of further convertible notes at the AGM, and therefore no further draw-downs could take place on the facility. The shareholders have however approved the allotment of shares upon the conversion of the convertible notes already issued.



NOTES TO THE FINANCIAL STATEMENTS

15 Convertible note (continued)

The debt instrument was officially closed out on 27 October 2011. All debt was fully repaid, along with a cancellation fee of \$350,626.

16 Issued Capital

	30 June 2013		30 June 2012	
	Number of shares	Value \$	Number of shares	Value \$
Movement in ordinary shares				
Opening balance	192,651,460	49,763,911	144,465,849	46,877,911
Placement Shares ¹	41,363,089	4,560,940	15,000,000	3,000,000
Share-based payments	330,000	36,300	385,238	56,000
Conversion of options	-	-	1,000,000	100,000
Director/employee share scheme ²	2,300,000	-	31,800,000	-
Asset acquisition ³	20,500,000	2,140,000	-	-
Impact from share consolidation	-	-	373	-
Capital raising costs	-	(488,705)*	-	(270,000)
Closing balance	257,144,549	56,012,446	192,651,460	49,763,911

* Of this amount, \$209,903 relates to the fully underwritten rights issue that was completed post balance date; refer to note 21 for further details.

1. **2013:** Relates to a number of placements conducted throughout the financial year at a price of 11 cents per share.
2012: Placement relates to newly secured cornerstone investor. This placement was made in 2 tranches, \$2m in April 2012 and the remaining \$1m in May 2012.
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 \$0.22 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 \$7,480,000 is receivable at 30 June 2013 (2012: \$6,996,000), 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 Vares Project, Bosnia & Herzegovina.

17 Reserves

	2013	2012
(a) Reserve balances	\$	\$
Share-based payments reserve	4,524,187	4,358,448
Foreign currency translation reserve	423,653	(101,315)
	4,947,840	4,257,133

(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 16(d).

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



NOTES TO THE FINANCIAL STATEMENTS

17 Reserves (continued)

(c) Movement in share-based payments reserve

(i) Reconciliation of options issued

Date	Details	Number of options	Amount \$
01/07/2011	Opening balance	3,400,000	578,350
16/09/2011	Conversion of \$0.10 options	(1,000,000)	(30,577)
09/05/2012	Issue of \$0.25 free attaching options with placement	2,500,000	-
30/06/2012	Balance	4,900,000	547,773
30/06/2013	Closing Balance	4,900,000	547,773

Set out below are the options on issue as at 30 June 2013:

Expiry date	Exercise price	Balance at start of period	Granted during the period	Exercised during the period	Expired/lapsed during the period	Balance unvested at period 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.

The loans are non-recourse and have a term of 4 years. The loan value is calculated at the higher of \$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).

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

Directors	Opening balance	Issued during the period	Disposed during the period	Repayments	Closing balance
No of shares	30,000,000	1,250,000*	-	-	31,250,000
Value of loan	\$6,600,000	\$275,000*	-	-	\$6,875,000
Share-based payment amount	\$3,587,292	\$92,191*	-	-	\$3,679,483

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



NOTES TO THE FINANCIAL STATEMENTS

17 Reserves (continued)

Employees	Opening balance	Issued during the period	Disposed during the period	Repayments	Closing balance
No of shares	1,800,000	1,050,000	(100,000)	-	2,750,000
Value of loan	\$396,000	\$231,000	(\$22,000)	-	\$605,000
Share-based payment amount	\$223,383	\$89,071	(\$15,523)	-	\$296,931

* These amounts relate to Alastair Clayton, whom has resigned from the Company. Mr. Clayton has elected not to purchase these shares as per the terms of the Director Share Plan, and these will therefore be removed/reversed once the shares are placed elsewhere.

(d) Calculation of share-based payments

Under the Balamara share plan approved by shareholders on 26 August 2011, 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;

	<i>Issue one</i>	<i>Issue two</i>
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

Under the Balamara share plan approved by shareholders on 26 August 2011, there were 4 issues made during 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 4 valuations throughout the year;

	<i>Issue one</i>	<i>Issue two</i>	<i>Issue three</i>	<i>Issue four</i>
Expected volatility (%)	150	150	140	130
Risk-free interest rate (%)	3.64	3.64	3.36	2.49
Exercise price	\$0.22	\$0.22	\$0.22	\$0.22
Share price at grant date	\$0.14	\$0.18	\$0.18	\$0.17
Fair value per option at grant date	\$0.12	\$0.16	\$0.15	\$0.13
Grant Date	26 Aug 11	2 Sept 11	18 Apr 12	22 June 12
Expiry date	26 Aug 15	2 Sept 15	18 Apr 16	22 June 16



NOTES TO THE FINANCIAL STATEMENTS

18 Related party disclosures

(a) Investments in controlled entities

	% Owned		Book value of Investments	
	2013	2012	2013 \$	2012 \$
Parent entity				
Balamara Resources Limited ¹			n/a	n/a
Controlled entities				
Isabella Minerals Pty Ltd ¹	100%	100%	1,836,401	1
Balkan Mining Pty Ltd ¹	100%	100%	1,092,547	1
Polish Investments Pty Ltd ¹	100%	100%	1	1
North Mining doo ²	100%	100%	-	1
Polmetal sp. z o.o. ³	85%	85%	-	183,041
Global Mineral Prospects sp. z o.o. ^{#3}	98%	98%	-	1,549
Western Mining doo ⁴	80%	-	-	-
MM Project doo ⁴	100%	-	-	-
Coal Holdings sp. z o.o. ^{#3}	100%	-	-	-
			2,928,949	184,594

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

(b) Key management personnel remuneration

	2013 \$	2012 \$
Short-term benefits	862,027	799,320
Post-employment benefits	22,500	20,850
Share-based payments	92,191	3,587,292
	976,718	4,407,462

Detailed remuneration disclosures are included in pages 24 to 29 of the directors' report.

(c) Key management personnel equity holdings

(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:

2013	Balance at the start of the year	Granted during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at year end
Directors					
Mike Ralston	700,000	-	-	700,000	700,000
Derek Lenartowicz	700,000	-	-	700,000	700,000
Milos Bosnjakovic	700,000	-	-	700,000	700,000
Michael Hale	-	-	-	-	-
Alastair Clayton	-	-	-	-	-
	2,100,000	-	-	2,100,000	2,100,000



NOTES TO THE FINANCIAL STATEMENTS

18 Related party disclosures (continued)

2012	Balance at the start of the year	Granted during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at year end
Directors					
Mike Ralston	700,000	-	-	700,000	700,000
Derek Lenartowicz	700,000	-	-	700,000	700,000
Milos Bosnjakovic	700,000	-	-	700,000	700,000
Michael Hale	-	-	-	-	-
Alastair Clayton	-	-	-	-	-
	2,100,000	-	-	2,100,000	2,100,000

(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:

2013	Balance at the start of the year	Market transactions	Issued under Balamara share plan*	Other changes during the year	Balance at the end of the year
Director					
Mike Ralston	8,200,000	300,000	-	-	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
Alastair Clayton	-	-	1,250,000	(1,250,000)^	-
	44,055,064	300,000	1,250,000	(1,250,000)	44,055,064

* These shares are untradeable until the corresponding loan amount is repaid. At 30 2013 June no repayments have been made.

^ Ceased to be a Director during the year.

2012	Balance at the start of the year	Market transactions	Granted as compensation during the year	Other changes during the year	Balance at the end of the year
Director					
Mike Ralston	-	700,000	7,500,000	-	8,200,000
Derek Lenartowicz	6,741,254	-	10,000,000	-	16,741,254
Milos Bosnjakovic	6,613,810	-	10,000,000	-	16,613,810
Michael Hale	-	-	2,500,000	-	2,500,000
Alastair Clayton	-	-	-	-	-
	13,355,064	700,000	30,000,000	-	44,055,064

(d) Other transactions with key management personnel

During both the current financial year, and the prior financial year, there have been no related party transactions between the group and its key management personnel, other than those items already disclosed within the remuneration report (pages 24 to 29), and the tables set out above in note 18(c).



NOTES TO THE FINANCIAL STATEMENTS

19 Remuneration of auditor

2013
\$

2012
\$

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

Entity	Description		
BDO Audit (WA) Pty Ltd	Audit and review of financial statements	35,390	57,899
MGI Perth	Under accrual for prior year-end audit	-	1,138
BDO Corporate Finance (WA) Pty Ltd [#]	Preparation of accountancy reports	13,338	68,114
BDO Corporate Tax (WA) Pty Ltd [#]	Preparation of tax returns and tax due diligence	18,561	42,699
		67,289	169,850

[#] 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

2013
\$

2012
\$

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

Within 1 year	101,950	75,703
Later than one year but not later than five years	16,870	89,390
Later than five years	-	-
	118,820	165,093
Representing:		
Non-cancellable operating leases	118,820	165,093

21 Events occurring after the balance date

Subsequent to balance date:

- During July 2013, the Company completed its fully underwritten renounceable rights issue ("Rights Issue"). Total proceeds of \$5,259,898 were received post balance date, via the issue of 70,131,977 shares at a price of 7.5 cents per share;
- On the 24th of July 2013, the Company was awarded the exclusive rights to the advanced Nowa Ruda coking coal project in Poland. The concession has been awarded to its wholly owned Polish subsidiary Coal Holdings. Further details of this Project can be found within the operations report commencing from page 6;
- 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 if executed, Balamara would have to pay back the monies received plus an 'interest' component. This agreement was terminated on 2 July 2013; refer to note 13 for additional details; and



NOTES TO THE FINANCIAL STATEMENTS

21 Events occurring after the balance date (continued)

- The Company commenced its divestment strategy of non-core assets, commencing with the Elsenora gold project, NSW Australia in early September 2013. A farm-in agreement has been signed with ASX-listed Alkane Resources Ltd, to whom can earn up to an 80% interest in the tenements by spending \$500,000 on exploration over three years, with a minimum \$250,000 spend over two years.

With exception to the above, there have been no other matters or circumstances that have arisen since 30 June 2013 that has significantly affected, or may significantly affect:

- The consolidated entity's operations in future financial years, or
- The results of those operations in future financial years, or
- 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	2013 \$	2012 \$
Loss for the year:	(7,030,264)	(9,373,634)
<i>Add back:</i>		
Share based payments	165,739	3,810,675
Depreciation	26,460	14,742
Write-off of capitalised exploration expenditure	1,424,150	-
Consultants paid via equity	-	56,000
Cancellation of La Jolla convertible note	-	(40,444)
Impact from unrealised foreign currency (gain)/loss	246	(79,845)
<i>Changes in operating assets and liabilities:</i>		
(Increase) / Decrease trade and other receivables	24,774	(38,351)
(Increase) / Decrease in other assets	(148,406)	(4,600)
Increase / (Decrease) in trade and other payables	696,320	65,561
Net cash outflow from operating activities	(4,840,981)	(5,589,896)

23 Loss per share

(a) Basic and diluted loss per share	2013 Cents	2012 Cents
Loss from continuing operations attributable to the ordinary equity holders of the Company	(3.06)	(5.39)
(b) Reconciliation of loss used in calculating loss per share	2013 \$	2012 \$
<i>Basic loss per share</i>		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(6,964,396)	(9,314,299)
<i>Diluted loss per share</i>		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(6,964,396)	(9,314,299)
(c) Weighted average number of shares used as the denominator	2013 Number	2012 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	227,927,917	172,780,236
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	227,927,917	172,780,236



NOTES TO THE FINANCIAL STATEMENTS

(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

	2013	2012
	\$	\$
Interests in:		
Issued capital	15,345	15,345
Reserves	(2,696)	(2,473)
Accumulated losses	(130,705)	(64,837)
	(118,056)	(51,965)

26 Parent entity disclosures

(a) Financial information

Financial position

Assets

Current assets	330,303	1,912,528
Non-current assets	5,716,856	5,263,426
Total assets	6,047,159	7,175,954

Liabilities

Current liabilities	1,129,543	348,755
Non-current liabilities	9,442	-
Total liabilities	1,138,985	348,755

Equity

Issued capital	56,012,447	49,763,911
Retained earnings	(55,628,460)	(47,295,161)
Reserves	4,524,187	4,358,448
Total equity	4,908,174	6,827,198

Financial performance

Loss for the year	(8,333,299)	(8,405,301)
Other comprehensive income	-	-
Total comprehensive income	(8,333,299)	(8,405,301)

(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	
	2013	2012	2013	2012	2013	2012	2013	2012
Office lease	62,016	62,016	-	62,016	-	-	62,016	124,032



DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 39 to 73 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 2013 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
25 September 2013

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 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 company and 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 consolidated entity'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 2013 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, successful exploration and subsequent exploitation of the consolidated entity's tenements and/or sale of non-core 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 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Brad McVeigh
Director

Perth, Western Australia
Dated this 25th day of September 2013



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 23 September 2013.

(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	115,422,279	35.13%
Derek Lenartowicz	16,741,253	5.10
MBL Constructions Pty Ltd <ATF MB Point Family Trust>	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	15,405	0.01
1,001 – 5,000	672,007	0.20
5,001 – 10,000	3,488,269	1.06
10,001 – 100,000	37,008,770	11.27
100,001- and over	287,329,743	87.46
Total	328,514,194	100.00

There were 288 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	115,422,279	35.22%
REMOSILIA HOLDINGS LTD	11,500,000	3.51%
MBL CONSTRUCTIONS PTY LTD	10,000,000	3.05%
DEREK LENARTOWICZ	10,000,000	3.05%
MICHAEL RALSTON & SHARON RALSTON	7,500,000	2.29%
CANTERBURY ENTERPRISES LIMITED	6,000,000	1.83%
MBL CONSTRUCTION PTY LTD	5,640,000	1.72%
ATTELOCIN HOLDING LTD	4,527,000	1.38%
DEREK LENARTOWICZ	4,241,254	1.29%
MR GUL CHANDIRAM MAHTANI & MR AVEEN GUL MAHTANI & MRS MANJIT KAUR	4,172,616	1.27%
VP VINHA PRIVADA LTD	4,075,000	1.24%
NJLH INVESTMENTS PTY LTD	3,093,744	0.94%
SUNLEA INVESTMENTS PTY LIMITED	2,949,952	0.90%
ASLAN INVESTMENT HOLDINGS PTY LTD	2,938,532	0.90%
DEREK LENARTOWICZ	2,500,000	0.76%
MICHAEL ANTHONY HALE	2,500,000	0.76%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,497,027	0.76%
IMPROMPTU ENTERPRISE	2,000,000	0.61%
AGGARIS INVESTMENTS LTD	1,985,000	0.61%
MR ANDREW MARK GILLESPIE	1,949,602	0.59%
TOTAL	205,492,006	62.68%
Balance of Register	123,022,188	37.32%
Grand TOTAL	328,514,194	100.00%

Unquoted equity securities

Options	Number on issue	Number of holders
Exercisable at 30 cents (exp 19/May/2014)	2,400,000	4
<i>Substantial option holders are:</i>		
MBL CONSTRUCTIONS PTY LTD	700,000	
MICHAEL RALSTON & SHARON RALSTON <THE RALSTON FAMILY TRUST>	700,000	
DEREK LENARTOWICZ	700,000	
KEVIN RAYMOND ALEXANDER	300,000	

Options	Number on issue	Number of holders
Exercisable at 25 cents (exp 9/May/2014)	2,500,000	1
<i>Substantial option holders are:</i>		
AMPLE SKILL LIMITED	2,500,000	



(e) Interests in Tenements

Tenement	Registered holder	Interest	Status	Project
Australian tenements - NSW				
EL 2934	Balamara Resources	100%	Exploration	Peelwood
EL 6082	Balamara Resources	100%	Exploration	Junction Point
EL6767	Balamara Resources	100%	Exploration	Elsienora
EL6831	Balamara Resources	100%	Exploration	Limerick
EL6955	Balamara Resources	100%	Exploration	Mount Costigan
Montenegrin concession - Monty				
Concession Agreement no. 01-3660/1	North Mining d.o.o.	90%*	Exploration	Monty project
Bosnian concession - Varesh				
Concession# 04-18-21389-1/13	MM Project d.o.o.	100%	Exploration	Varesh project
Bosnian concession - RSC				
concession# 07/310-169/13	Western Mining d.o.o	80%	Exploration	RSC Project
Polish licence- Bogdan				
Licence no. 5/2008/p	Polmetal Sp z.o.o.	100%	Exploration	Bogdan project
Polish licence- Nowa Ruda				
Licence no. 8/2013/p	Coal Holdings Sp z.o.o.	100%	Exploration	Nowa Ruda Project