



BALAMARA

RESOURCES LIMITED

ABN 84 061 219 985

**INTERIM FINANCIAL REPORT
31 DECEMBER 2015**



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CORPORATE DIRECTORY

Directors

Mike Ralston
Derek Lenartowicz
Piotr Kosowicz
Michael Hale

Company Secretary

Daniel Kendall

Auditors

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DIRECTORS' REPORT

Your Directors present their financial 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 period to the half-year ended 31 December 2015.

Directors

The names of the Directors of the Company in office at any time during the half-year or since the date of this report are noted below:

Derek Lenartowicz
Executive Chairman

Mike Ralston
Managing Director

Piotr Kosowicz
Executive Director

Michael Hale
Non-Executive Director

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

Results and Review of Operations

During the half-year ended 31 December 2015, the Group:

- Completed a revised Pre-Feasibility Study (PFS) at the Mariola thermal coal project, which led to an increase in NPV to US\$410M and a reduction in operating costs to US\$40.3p/t based on a change in mining method to Bord-and-pillar with continuous miners.
- Commenced a final two-hole in-fill drill program in January 2016 at Mariola to provide coal quality, geotechnical and hydrology information to assist with the Definitive Feasibility Study.
- Received the rights to the Mariola 2 coal concession located approximate to the Mariola project. Since acquisition, Balamara has:
 - Completed a maiden JORC Resource indicating an estimated resource of 66.4 million tonnes (30.4Mt indicated and 36Mt inferred); and
 - Completed a PFS with key information on the project being a NPV of US\$123M, with low up-front capital costs of US\$60M and low operating costs of US\$33 p/t.
- Executed a convertible loan agreement with major shareholder, Ample Skill Limited, for \$7million with a weighted average conversion price of \$0.047 per share.
- Commenced a 9-hole drill program at the Sawin project designed to provide adequate spacing to deliver an Indicated Resource, and ultimately a Reserve, as well as providing further information on coal quality, coal seam locations, and geotechnical and hydrology data. An updated JORC Resource is underway based on preliminary results, which will lead to a revised PFS based on more efficient mining equipment.
- Completed an unmarketable parcel share sale at \$0.03 per share, reducing administrative costs associated with maintaining a high level of shareholders



Events occurring after the reporting period

Funds received on the convertible loan agreement with Ample Skill Limited post balance date amounted to \$2,000,000, with a further \$2,000,000 outstanding under the current agreement.

With exceptions to those noted above, there have been no other matters or circumstances that have arisen since 31 December 2015 that have significantly affected, or may significantly affect:

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

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the Group's auditors, BDO Audit (WA) Pty Ltd, to provide the Directors with an independence declaration in relation to the review of the half-year financial report. This independence declaration forms part of the Directors' Report and is included on page 6.

Signed in accordance with a resolution of the Directors, made pursuant to Section 306(3) of the *Corporations Act 2001*, On behalf of the Directors.

Mike Ralston
Managing Director
SUBIACO
Date: 15 March 2015

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF BALAMARA RESOURCES LIMITED

As lead auditor for the review of Balamara Resources Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2016



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2015

	Note	31 December 2015 \$	31 December 2014 \$
Revenue			
Interest revenue		12,727	18,298
		<u>12,727</u>	<u>18,298</u>
Administrative expenses		(601,693)	(652,944)
Exploration costs expensed as incurred	6	(2,410,102)	(1,877,076)
Foreign exchange gain/(loss)		(614)	(531)
Director and employee costs		(456,567)	(283,952)
Share-based payments	10	(932,840)	-
Interest expense		(117,373)	-
Write-off of capitalised exploration expenditure		-	(96,596)
Consultancy costs		(305,761)	(16,114)
Professional services		(67,731)	(42,397)
		<u>(4,879,954)</u>	<u>(2,951,312)</u>
Loss before income tax expense		(4,879,954)	(2,951,312)
Income tax expense		-	-
Loss from continuing operations		<u>(4,879,954)</u>	<u>(2,951,312)</u>
Loss after income tax from discontinued operations		-	(12,851)
Loss for the half-year		<u>(4,879,954)</u>	<u>(2,964,163)</u>
Other comprehensive income/(losses) for the half-year			
<i>Items that may be realised through profit or loss:</i>			
Foreign currency translation reserve		259,248	(873,310)
Total comprehensive loss for the half-year		<u>(4,620,706)</u>	<u>(3,837,473)</u>
Net loss is attributable to:			
Owners of Balamara Resources Limited		(4,878,112)	(2,944,984)
Non-controlling interests		(1,842)	(19,179)
		<u>(4,879,954)</u>	<u>(2,964,163)</u>
Total comprehensive loss is attributable to:			
Owners of Balamara Resources Limited		(4,618,207)	(3,805,218)
Non-controlling interests		(2,499)	(32,255)
		<u>(4,620,706)</u>	<u>(3,837,473)</u>
The comprehensive loss for the period attributable to owners of Balamara Resources Limited arises from:			
Continuing operations		(4,620,706)	(3,775,014)
Discontinued operations		-	(62,459)
		<u>(4,620,706)</u>	<u>(3,837,473)</u>
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
		(0.70)	(0.80)
Basic and diluted loss per share attributable to the ordinary equity holders of the company (cents per share):			
		(0.70)	(0.80)

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 31 December 2015

	Note	31 December 2015 \$	30 June 2015 \$
Current assets			
Cash and cash equivalents	4	1,098,798	1,669,039
Trade and other receivables		277,398	221,893
Other assets	5	62,790	105,083
Total current assets		1,438,986	1,996,015
Non-current assets			
Other assets	5	65,782	72,479
Plant and equipment		78,666	79,523
Exploration and evaluation assets	6	10,836,128	10,705,051
Total non-current assets		10,980,576	10,857,053
Total assets		12,419,562	12,853,068
Current liabilities			
Trade and other payables	7	772,439	957,754
Borrowings	8	3,987,985	1,060,008
Total current liabilities		4,760,424	2,017,762
Non-current liabilities			
Provisions		32,201	30,302
Total non-current liabilities		32,201	30,302
Total liabilities		4,792,625	2,017,762
Net assets		7,626,937	10,805,004
Equity			
Issued capital	9	79,973,168	79,989,197
Reserves		2,218,702	491,605
Accumulated losses		(74,355,808)	(69,477,696)
Capital and reserves attributable to owners of Balamara Resources Limited		7,836,062	11,003,106
Non-controlling interests		(209,125)	(198,102)
Total equity		7,626,937	10,805,004

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2015

	Issued capital	Share-based payments reserve	Foreign currency translation reserves	Convertible note reserve	Reserve for transactions with NCI	Accumulated losses	Total	Non-controlling interest	Total equity
	\$	\$	\$		\$	\$	\$	\$	\$
Balance at 1 July 2015	79,989,197	646,696	(268,228)	190,755	(77,618)	(69,477,696)	11,003,106	(198,102)	10,805,004
Comprehensive income for the half-year									
Loss for the half year	-	-	-	-	-	(4,878,112)	(4,878,112)	(1,842)	(4,879,954)
Foreign currency translation	-	-	259,904	-	-	-	259,904	(656)	259,248
Total comprehensive loss for the half year	-	-	259,904	-	-	(4,878,112)	(4,618,208)	(2,498)	(4,620,706)
Transactions with owners in their capacity as owners:									
Share based payments	-	932,840	-	-	-	-	932,840	-	932,840
Value of conversion rights on convertible notes issued	-	-	-	534,353	-	-	534,353	-	534,353
Transaction costs relating to convertible note	(16,029)	-	-	-	-	-	(16,029)	-	(16,029)
Transactions with non-controlling interests	-	-	-	-	-	-	-	(8,525)	(8,525)
Issue of shares, net of transaction costs	-	-	-	-	-	-	-	-	-
Balance at 31 December 2015	79,973,168	1,579,536	(8,324)	725,108	(77,618)	(74,355,808)	7,836,062	(209,125)	7,626,937

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the half-year ended 31 December 2014

	Issued capital	Share-based payments reserve	Foreign currency translation reserves	Reserve for transactions with NCI	Accumulated losses	Total	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	62,649,240	2,155,724	719,294	(77,618)	(63,471,030)	1,975,610	(2,646)	1,972,964
Comprehensive income for the half year								
Loss for the half year	-	-	-	-	(2,944,984)	(2,944,984)	(19,179)	(2,964,163)
Foreign currency translation	-	-	(860,234)	-	-	(860,234)	(13,076)	(873,310)
Total comprehensive loss for the half year	-	-	(860,234)	-	(2,944,984)	(3,805,218)	(32,255)	(3,837,473)
Transactions with owners in their capacity as owners:								
Share based payments	75,135	-	-	-	-	75,135	-	75,135
Acquisition of Mariola Project	9,570,000	-	-	-	-	9,570,000	-	9,570,000
Transactions with non-controlling interests	-	-	-	-	(68,252)	(68,252)	68,252	-
Issue of shares, net of transaction costs	5,202,404	-	-	-	-	5,202,404	-	5,202,404
Balance at 31 December 2014	77,496,779	2,155,724	(140,940)	(77,618)	(66,484,266)	12,949,679	33,351	12,983,030

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



CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2015

	Note	Half-year 2015 \$	Half-year 2014 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,288,005)	(1,506,145)
Exploration expenditure		(2,684,329)	(1,278,273)
Interest received		12,727	18,298
Interest paid		-	(381)
Discontinued operations		-	(248,063)
<i>Net cash flows used in operating activities</i>		<u>(3,959,606)</u>	<u>(3,014,564)</u>
Cash flows from investing activities			
Payments for plant and equipment		(9,931)	(70,822)
Acquisition of subsidiary, net of cash acquired		-	(351,155)
Proceeds from sale of subsidiaries, net of cash foregone		-	(144,423)
<i>Net cash flows used in investing activities</i>		<u>(9,931)</u>	<u>(566,400)</u>
Cash flows from financing activities			
Proceeds from issue of share capital		-	5,483,919
Proceeds from Borrowings		3,500,000	-
Transaction costs		(105,000)	(240,513)
<i>Net cash flows provided by financing activities</i>		<u>3,395,000</u>	<u>5,243,406</u>
Net increase/(decrease) in cash and cash equivalents		(574,537)	1,662,442
Exchange rate adjustment		4,297	381
Cash and cash equivalents at beginning of the half-year		1,669,039	387,906
Cash and cash equivalents at end of the half-year	4	<u>1,098,798</u>	<u>2,050,729</u>

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. Statement of significant accounting policies

Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim half-year report does not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASIC.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below;

Changes in accounting policy

The Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015. A number of new or amended standards became applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Going concern

The Group has incurred a net loss after tax for the half-year ended 31 December 2015 of \$4,879,955 (2014: \$2,964,163) and experienced net cash outflows from operating activities of \$3,959,606 (2014: \$3,014,564). At period-end the working capital position was a deficit of \$3,321,438 (June 2015: deficit of \$21,747).

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. The Directors recognise that the Company will be dependent on various funding alternatives to meet these commitments, including share placements and/or other alternate methods of funding. If the Company is unsuccessful in securing additional funding, then it would need to scale back its current exploration and development programs.

However, if the group is unable to achieve the above, there is material uncertainty that may cast significant doubt about the group's ability to continue as a going concern.

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 executed \$7 million convertible loan agreement as disclosed in notes 8 and 13, the Group will have sufficient funds to meet its obligations as and when they fall due.

Should the group be unable to continue as a going concern it may be required to reduce its assets and discharge its liabilities at amounts different to those stated in the financial statements.

Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.



2. Segment information

Description of business segment

The reportable segments are based on aggregated operating segments determined by the similarity of the minerals targeted within that geographic location, 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 emerging coal producer in Poland, whilst remains the holder of some non-core zinc/lead/copper/gold 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 two reportable segments, as the sale of the Balkans projects was finalised during the period.

(i) Segment assets - 31 December 2015

	Poland Exploration \$	Australia Exploration \$	Total \$
Segments assets	10,211,128	685,000	10,896,128

Reconciliation of segment assets to the consolidated balance sheet

Total reportable segment assets	10,896,128
Cash and cash equivalents	1,098,798
Trade and other receivables	277,398
Other assets	68,572
Plant and equipment	78,666
Total Assets	12,419,562

(ii) Segment assets - 30 June 2015

	Exploration Poland \$	Exploration Australia \$	Total \$
Segments assets	10,080,051	685,000	10,765,051

Reconciliation of segment assets to the balance sheet

Total reportable segment assets	10,765,051
Cash and cash equivalents	1,669,039
Trade and other receivables	221,893
Other assets	117,562
Plant and equipment	79,523
Total assets	12,853,068

(iii) Segment profit or loss

	Poland Exploration \$	Australia Exploration \$	Total \$
Reportable segment loss Dec 2015	(2,381,971)	(28,131)	(2,410,102)
Reportable segment loss Dec 2014	(1,849,779)	(27,297)	(1,877,076)



2. Segment information (continued)

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

	31 December 2015	31 December 2014
	\$	\$
Total loss for reportable segment	(2,410,102)	(1,877,076)
Interest revenue	12,727	18,298
Administrative expenses	(601,693)	(652,944)
Director & employee costs	(456,567)	(283,952)
Consultancy costs	(305,761)	(16,114)
Professional services	(67,732)	(42,397)
Interest expense	(117,373)	-
Share-based payments	(932,840)	-
Exploration and evaluation expenditure written off	-	(96,596)
Unrealised foreign exchange gain/(loss)	(614)	(531)
Loss before income tax from continuing operations	(4,879,955)	(2,951,312)

3. Fair value of financial instruments

(a) Recurring fair value measurements

The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

(b) Fair values of financial instruments not measured at fair value

The following instruments are not measured at fair value in the balance sheet. If measured at fair value, they would have the following fair values at 31 December:

(i) 31 December 2015

	Carrying Amount	Fair Value
	\$	\$
Current Assets*		
Trade and other receivables	42,249	42,249
Other assets	94,917	94,917
	<u>137,166</u>	<u>137,166</u>
Current Liabilities*		
Trade and other payables	613,202	613,202
Borrowings	3,987,985	3,843,597
	<u>4,601,187</u>	<u>4,456,799</u>

(ii) 30 June 2015

Current Assets*		
Trade and other receivables	78,862	78,862
Other assets	133,194	133,194
	<u>212,056</u>	<u>212,056</u>
Current Liabilities*		
Trade and other payables	821,048	821,048
Borrowings	1,060,008	1,060,008
	<u>1,881,056</u>	<u>1,881,056</u>

*Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.



	31 December 2015 \$	30 June 2015 \$
4. Cash and cash equivalents		
Cash at bank	<u>1,098,798</u>	<u>1,669,309</u>
5. Other assets		
Current:		
Prepayments	60,957	30,226
Deposit for project due diligence	-	65,650
Other investments	1,833	9,207
	<u>62,790</u>	<u>105,083</u>
Non-current:		
Office bonds	5,782	12,479
Tenement bonds – Australia*	60,000	60,000
	<u>65,782</u>	<u>72,479</u>

*These deposits are lodged with the respective governments, for the grant of the applicable exploration and exploitation leases. As these deposits are in place for the entity's exploration projects, they will be classified as non-current assets.

6. Exploration and evaluation expenditure

Capitalised:

Opening balance	10,705,051	1,909,686
Additions – Mariola Project	-	10,155,067
Additions – Sawin Project	-	100,000
Exchange rate movements	131,077	(175,016)
Exploration and evaluation expenditure written off	-	(1,284,686)
Closing balance	<u>10,836,128</u>	<u>10,705,051</u>

In accordance with the Groups accounting policy, only acquisition costs are capitalised, whilst all other exploration and evaluation expenditure is expensed as incurred. Refer below for a summary of expenditure incurred;

	31 December 2015 \$	31 December 2014 \$
<i>Expensed as incurred:</i>		
Drilling costs	954,653	1,146,876
Assaying and analysis costs	68,171	181,683
Consultancy costs	429,314	93,934
Salaries and wages	570,188	309,636
Concession & other government fees	232,531	34,101
Travel and accommodation	143,526	50,315
Other	11,719	60,531
	<u>2,410,102</u>	<u>1,877,076</u>



	31 December 2015	30 June 2015
	\$	\$
7. Trade and other payables		
Trade payables	530,564	642,672
Other payables and accruals	126,387	222,127
Annual leave payable	115,487	92,955
	<u>772,439</u>	<u>957,754</u>

Trade and other payables are expected to be settled within 12 months. Management estimates that employees will turn over their annual leave within the next 12 months.

8 Convertible note

In January 2015 the Company secured \$4m via a convertible loan agreement, with its major shareholder Ample Skill Limited, with a further \$7m agreed in July 2015. The amount drawn down to 31 December 2015 amounted to \$7,000,000 (30 June 2015: \$3,500,000). The notes are unsecured, have an interest rate of 5% and convertible into equity of the parent entity, at the option of the holder, or repayable by the maturity date, being 31 January 2019 for the \$4m, and 28 July 2019 for the latter \$7m. The convertible note is presented in the balance sheet as follows;

Face Value of Notes Issued	7,000,000	3,500,000
Convertible note reserve – value of conversion rights	(725,108)	(190,755)
Liability component of transaction costs	(88,969)	-
Amount converted to issued capital	<u>(2,250,000)</u>	<u>(2,250,000)</u>
	3,935,923	1,059,245
Cumulative interest expense*	131,035	13,708
Interest paid	(11,918)	(11,918)
Interest payable	<u>(67,055)</u>	<u>(1,027)</u>
<i>Total Liability</i>	3,987,985	1,060,008

* Interest expense is calculated by applying the effective interest rate of 10.99% to the liability component.

The fair value as at 31 December 2015 of the convertible note liability recognised at amortised cost is \$3,843,597. Discounted cash flow models are used to determine the fair values of convertible notes at amortised cost. Discount rates used on the calculations are based on market interest rates existing at the end of the reporting period, consistent with those used within the recently completed pre-feasibility studies. The discount rate used at 31 December 2015 is consistent with 30 June 2015, being 10.3%.

9. Issued capital

	31 December 2015		30 June 2015	
	Number of shares	Value \$	Number of shares	Value \$
Movement in ordinary shares				
Opening balance	701,827,922	79,989,197	341,680,538	62,649,240
Placement Shares	-	-	66,500,000	5,483,919
Balamara Share Plan	-	-	3,250,124	175,135
Conversion of convertible note	-	-	75,397,260	2,261,918
Director/employee share scheme	-	-	-	231,500
Asset acquisition	-	-	215,000,000	9,570,000
Capital raising costs ¹	-	(16,029)	-	(382,515)
Closing balance	701,827,922	79,973,168	701,827,922	79,989,197

1. Transaction costs relating to the convertible notes



10. Share-based payments

(i) *Reconciliation of options issued*

Date	Details	Number of options	Amount \$
01/07/2014	Balance	-	-
22/12/2014	Free attaching options to Ample Skill Placement	15,000,000	-
30/06/2015	<i>Balance</i>	15,000,000	-
04/09/2015	Incentive options issued to Directors and employees <small>refer to note (10(iii))</small>	50,500,000	927,542
26/11/2015	Incentive options issued to employees <small>refer to note (10(iii))</small>	300,000	5,298
31/12/2015	Closing Balance	65,800,000	932,840

Set out below are the options on issue as at 31 December 2015:

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
22/12/2018	\$0.08	15,000,000	-	-	-	-	15,000,000
26/11/2018	\$0.10	-	50,800,000	-	-	-	50,800,000
		15,000,000	50,800,000	-	-	-	65,800,000

(ii) *Reconciliation of Director/employee share plan*

On 29 November 2013, 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 participant, 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 \$0.11 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 share plans approved by shareholders on 29 November 2013 overrides the prior share plan approved by shareholders on 26 August 2011. All shares issued under the original plan have been cancelled, and reissued under the terms of the new plan.

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	Other decrease	Repayments	Closing balance
No of shares	10,000,000	-	-	-	10,000,000
Value of loan	\$1,100,000	-	-	-	\$1,100,000
Share-based payment amount	\$646,696	-	-	-	\$646,696



10. Share-based payments (continued)

(iii) Calculation of share-based payments

During the period, incentive options were issued to Directors and Employees, aimed at motivating the senior management to increase shareholder wealth. The first issue was made in September 2015, with the latter in November 2015.

	<i>Issue one*</i>	<i>Issue two</i>
Expected volatility (%)	100	100
Risk-free interest rate (%)	2.20	2.20
Exercise price	\$0.05	\$0.10
Share price at grant date	\$0.03	\$0.04
Fair value per option at grant date	\$0.018	\$0.018
Grant date	4 Sept 15	26 Nov 15
Expiry date	4 Sept 19	26 Nov 18
No of Options	50,500,000	30,000
Total tranche value	\$927,542	\$5,298

*Issue one was later modified to reflect the same terms as Issue 2, however as the original valuation was higher, this is the valuation used for accounting purposes.

11. Related party transactions

During the period, options were issued to Directors and employees as described in note 10(iii). A total of 41,000,000 were issued to Key Management Personnel, amounting to \$753,054.

With exceptions to the above, there have been no other material changes to related parties since 30 June 2015.

12. Commitments and contingencies

There have been no other material changes in commitments or contingencies since 30 June 2015.

13. Events occurring after reporting period

Funds received on the convertible loan agreement with Ample Skill Limited post balance date amounted to \$2,000,000, with a further \$2,000,000 outstanding under the current agreement.

With exceptions to those noted above, there have been no other matters or circumstances that have arisen since 31 December 2015 that have significantly affected, or may significantly affect:

- (i) The Group's operations in future financial years, or
- (ii) The results of those operations in future financial years, or
- (iv) The Group's state of affairs in future financial years.



DIRECTORS' DECLARATION

In the opinion of the Directors:

- (a) the financial statements and notes of the Group as set out on pages 7 to 18:
 - (i) give a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date of the Group; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, as outlined in note 1.

This declaration is made in accordance with a resolution of the Directors made pursuant to Section 303(5) of the Corporations Act 2001.

Mike Ralston
Managing Director

SUBIACO
Date: 15 March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Balamara Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Balamara Resources Limited, which comprises the consolidated balance sheet as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Balamara Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, 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 review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Balamara Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon various funding alternatives to meet its commitments, including share placements and/ or other alternate methods of funding. These conditions, along with other matters as set out in Note 1, 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.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink. The first part of the signature is 'BDO' in a simple, blocky font. Below it, the name 'J Prue' is written in a cursive, flowing script.

Jarrad Prue

Director

Perth, 15 March 2016