BALAMARA

RESOURCES LIMITED

ABN 84 061 219 985

INTERIM FINANCIAL REPORT
31 DECEMBER 2013

CONTENTS

CORPORATE DIRECTORY

Directors

Mike Ralston
Derek Lenartowicz
Milos Bosnjakovic
Michael Hale

Company Secretary

Daniel Kendall

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Bankers

ANZ Banking Corporation
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Chatswood, NSW 2067

Registered Office

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Share Registry

Link Market Services Limited
Ground Floor, 178 St Georges Terrace
Perth WA 6000

Stock Exchange Listing

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

ASX Code: BMB

Web site: http://balamara.com.au

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 2013.

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

Milos Bosnjakovic
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 2013, the Group:

- Secured 100% ownership of an advanced coking coal project "Nowa Ruda" in Poland, with drilling underway and a JORC standard mineral resource statement expected shortly;
- Continued drilling within the Zuta Prla deposit of the Monty Project, Montenegro;
- Completed the second phase drilling programme at the Bogdan copper-silver project in Poland, resulting in a maiden JORC Exploration Target
- Commenced the divestment strategy of non-core assets, with key highlights including:
  - farm-in agreement signed with experienced gold explorer Alkane Resources Limited (ASX: ALK) to earn up to 80% of the Elsienora Project, NSW, by way of spending $500,000 on exploration works within 3 years; and
  - Farm-in agreement signed with UK AIM-listed Company CEB Resources PLC (AIM: CEB) to earn up to a 49% interest in the Peelwood base metals project, NSW by spending $1.2 million in three tranches over 12 months.
- Signed an MOU with Indian fertiliser group Nagarjuna Fertilisers and Chemicals "Nagarjuna" to join the consortium for the tender process with the Phosphate project in Togo, West Africa, whom will work with Balamara on all aspects relating to the development of the project, in the event that Balamara is successful in the tender process;
- Completed an unmarketable sale process resulting in the removal of 1,514 minority holders, which will result in a significant reduction the administrative costs associated with maintaining a large share register, such as printing/mailing costs and share registry expenses;
- Raised $5.26 million via a successful 3:11 renounceable rights issue, which was fully underwritten by the Company's major shareholder; and
- Incurred a comprehensive loss for the half-year totalling $5,701,778.

Events occurring after the reporting period

In February 2014, the Company entered into an agreement for the sale of its wholly owned subsidiary Balkan Mining Pty Ltd, being the holder of the Monty Project (Montenegro), the RSC and Varesh Projects (Bosnia-Herzegovina). The sale price for the assets is $14.5 million, with approximately a further $700,000 receivable at in relation to disbursements already paid by the Company to keep the projects in good standing up to Completion. The funds are expected to be received shortly.

With exceptions to those noted above, there have been no other matters or circumstances that have arisen since 31 December 2013 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: 10 March 2014

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Australia

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

As lead auditor for the review of Balamara Resources Limited for the half-year ended 31 December 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 review; and
- 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.

Brad McVeigh

Director

Perth, 10 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2013

	Note	31 December 2013 $	31 December 2012 $
Revenue			
Interest revenue		25,823	17,309
		25,823	17,309
Administrative expenses		(531,878)	(538,634)
Exploration costs expensed as incurred	6	(2,009,062)	(1,831,326)
Foreign exchange gain/(loss)		4,575	(2,906)
Director and employee costs		(413,386)	(338,813)
Share-based payments	9	(2,155,724)	(165,739)
Consultancy costs		(350,461)	(156,126)
Professional services		(73,461)	(156,994)
		(5,503,574)	(3,173,229)
Loss before income tax expense		(5,503,574)	(3,173,229)
Income tax expense		-	-
Loss for the half-year after income tax		(5,503,574)	(3,173,229)
Other comprehensive income/(losses) for the half-year			
Items that may be realised through profit or loss:			
Foreign currency translation reserve		(198,204)	69,907
Total comprehensive loss for the half-year		**(5,701,778)**	**(3,103,322)**
Net loss is attributable to:			
Owners of Balamara Resources Limited		(5,452,659)	(3,151,737)
Non-controlling interests		(50,915)	(21,492)
		(5,503,574)	**(3,173,229)**
Total comprehensive loss is attributable to:			
Owners of Balamara Resources Limited		(5,661,895)	(3,084,132)
Non-controlling interests		(39,883)	(19,190)
		(5,701,778)	**(3,103,322)**
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the company (cents per share):		(1.70)	(1.55)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note	31 December 2013 $	30 June 2013 $
Current assets			
Cash and cash equivalents	4	1,204,356	433,442
Trade and other receivables		247,106	128,104
Other assets	5	105,440	318,398
Total current assets		1,556,902	879,944
Non-current assets			
Other assets	5	390,510	364,571
Exploration and evaluation assets	6	5,841,926	6,141,999
Plant and equipment		71,952	67,036
Total non-current assets		6,304,388	6,573,606
Total assets		**7,861,290**	**7,453,550**
Current liabilities			
Trade and other payables	7	308,882	1,948,019
Total current liabilities		308,882	1,948,019
Non-current liabilities			
Provision for long service leave		15,400	9,442
Total Non-current liabilities		15,400	9,442
Total liabilities		**324,282**	**1,957,461**
Net assets		**7,537,008**	**5,496,089**
Equity			
Issued capital	8	61,599,419	56,012,446
Reserves		2,917,914	4,947,840
Accumulated losses		(56,822,386)	(55,346,141)
Capital and reserves attributable to the owners of Balamara Resources Limited		7,694,947	5,614,145
Non-controlling interests		(157,939)	(118,056)
Total Equity		**7,537,008**	**5,496,089**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2013

	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserves	Accumulated Losses	Total	Non-controlling Interest	Total Equity
	$	$	$	$	$	$	$
Balance at 1 July 2013	56,012,446	4,524,187	423,653	(55,346,141)	5,614,145	(118,056)	5,496,089
Comprehensive income for the half year							
Loss for the half year	-	-	-	(5,452,659)	(5,452,659)	(50,915)	(5,503,574)
Foreign currency translation	-	-	(209,236)	-	(209,236)	11,032	(198,204)
Total comprehensive loss for the half year	-	-	(209,236)	(5,452,659)	(5,661,895)	(39,883)	(5,701,778)
Transactions with owners in their capacity as owners:							
Share based payments	342,826	2,155,724	-	-	2,498,550	-	2,498,550
ESS share buy-back	-	(3,976,414)	-	3,976,414	-	-	-
Issue of shares, net of transaction costs	5,244,147	-	-	-	5,244,147	-	5,244,147
Balance at 31 December 2013	**61,599,419**	**2,703,497**	**214,417**	**(56,822,386)**	**7,694,947**	**(157,939)**	**7,537,008**

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 2012

	Issued Capital $	Share Based Payments Reserve $	Foreign Currency Translation Reserves $	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 half year							
Loss for the half year	-	-	-	(3,151,737)	(3,151,737)	(21,492)	(3,173,229)
Foreign currency translation	-	-	67,605	-	67,605	2,302	69,907
Total comprehensive income/(loss) for the half year	-	-	67,605	(3,151,737)	(3,084,132)	(19,190)	(3,103,322)
Transactions with owners in their capacity as owners:							
Share based payments	-	165,739	-	-	165,739	-	165,739
Issue of shares, net of transaction costs	5,868,476	-	-	-	5,868,476	-	5,868,476
Conversion of options	-	-	-	-	-	-	-
NCI on acquisition of subsidiary	-	-	-	-	-	-	-
Balance at 31 December 2012	**55,632,387**	**4,524,187**	**(33,710)**	**(51,560,530)**	**8,562,334**	**(71,155)**	**8,491,179**

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 2013

	Note	Half-year 2013 $	Half-year 2012 $
Cash flows from operating activities			
Payments to suppliers and employees		(996,458)	(1,140,445)
Exploration expenditure		(2,585,049)	(1,564,462)
Interest received		25,823	17,309
Interest paid		(88,593)	-
Net cash flows used in operating activities		**(3,644,277)**	**(2,687,598)**
Cash flows from investing activities			
Payments for plant and equipment		(8,875)	(4,838)
Payments relating to project acquisitions		(762,969)	(1,085,659)
Other investments		-	(2,990)
Net cash flows used in investing activities		**(771,844)**	**(1,093,487)**
Cash flows from financing activities			
Proceeds from issue of share capital		5,259,898	3,955,940
Share issue costs		(91,603)	(227,464)
Repayment of borrowings – convertible note		-	-
Net cash flows provided by financing activities		**5,168,295**	**3,728,476**
Net increase/(decrease) in cash and cash equivalents		752,174	(52,609)
Exchange rate adjustment		18,740	(15,046)
Cash and cash equivalents at beginning of the half-year		433,442	1,942,835
Cash and cash equivalents at end of the half-year	4	**1,204,356**	**1,875,180**

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 2013

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 2013 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 the ASX Listing Rules.

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 had to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013.

The affected policies and standards are:

- Principles of consolidation – new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*; and
- Accounting for employee benefits – revised AASB 119 *Employee Benefits*.

These changes in accounting policies have had no impact on the Group's financial statements.

Another new standard that is applicable for the first time for the December 2013 half-year report is AASB 13 Fair Value Measurement, where the additional disclosures have been included for items measured at fair value in the statement of financial position, as well as items disclosed at fair value in the notes to the financial statements. This standard has no material impact on the financial statements.

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 the event that the sale of projects noted in note 12 does not complete as planned, the Directors recognise that the Company will be dependent on various funding alternatives to meet these commitments, including share placements and divestment of its asset portfolio.

The Group has incurred a net loss after tax for the half-year ended 31 December 2013 of $5,503,574 (2012: $3,173,229) and experienced net cash outflows from operating activities of $3,644,277 (2012: $2,687,598). At year-end the working capital position was a surplus of $1,248,020 (June 2013: deficit of $1,068,075).

The Directors believe that at the date of signing the financial report they have reasonable grounds to believe that having regard to matters set out above, along with the recently executed sale agreement as disclosed in note 12, the Group will have sufficient funds to meet its obligations as and when they fall due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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 explorer for prospective zinc/lead/silver in Montenegro, copper/lead/silver and zinc with its Bogdan project and metallurgical coal with its Nowa Ruda project, both 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 - 31 December 2013

	Balkans Exploration $	Poland Exploration $	Australia Exploration $	Total $
Segments assets	4,246,415	96,596	1,873,090	6,216,101

Reconciliation of segment assets to the consolidated statement of financial position

Total reportable segment assets	6,216,101
Cash and cash equivalents	1,204,356
Trade and other receivables	247,106
Other assets	121,775
Plant and equipment	71,952
Total Assets	**7,861,290**

(ii) Segment assets - 30 June 2013

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

Reconciliation of segment assets to the balance sheet

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

(iii) Segment profit or loss

	Balkans Exploration $	Poland Exploration $	Australia Exploration $	Total $
Reportable segment loss Dec 2013	(1,020,337)	(932,602)	(56,123)	(2,009,062)
Reportable segment loss Dec 2012	(1,432,279)	(255,419)	(143,628)	(1,831,326)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

2. Segment information (continued)

A reconciliation of reportable segment loss to operating loss before income tax is provided as follows:	**31 December 2013 $**	**31 December 2012 $**
Total loss for reportable segment	(2,009,062)	(1,831,326)
Interest revenue	25,823	17,309
Administrative expenses	(531,878)	(538,634)
Director & employee costs	(413,386)	(338,813)
Consultancy costs	(350,461)	(156,126)
Professional services	(73,461)	(156,994)
Share-based payments	(2,155,724)	(165,739)
Unrealised foreign exchange gain/(loss)	4,575	(2,906)
Loss before income tax from continuing operations	**(5,503,574)**	**(3,173,229)**

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 statement of financial position. If measured at fair value, they would have the following fair values at 31 December 2013:

	Carrying Amount $	**Fair Value $**
Current Assets		
Trade and other receivables	17,358	17,358
Other assets	67,798	67,798
	85,156	85,156
Current Liabilities		
Trade and other payables	308,882	308,882

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 2013 $	**30 June 2013 $**
4. Cash and cash equivalents		
Cash at bank	1,204,356	433,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

5. Other assets

	31 December 2013 $	30 June 2013 $
Current:		
Prepayments	37,642	250,778
Deposit for Togo project - tender	65,650	65,650
Other investments	2,148	1,970
	105,440	318,398
Non-current:		
Office bonds	16,334	12,479
Tenement bonds – Australia*	60,000	60,000
Tenement bonds – Balkans*	314,176	292,092
	390,510	364,571

*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

	31 December 2013 $	30 June 2013 $
Capitalised:		
Opening balance	6,141,999	3,333,836
Additions – Bogdan Project	-	-
Additions – Varesh Project	-	4,035,784
Additions – RSC Project	-	196,529
Exploration and evaluation expenditure written off	-	(1,424,150)
Exchange rate movements	(300,073)	-
Closing balance	5,841,926	6,141,999

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 2013 $	31 December 2012 $
Expensed as incurred:		
Drilling costs	809,502	629,332
Assaying and analysis costs	117,627	437,518
Consultancy costs	434,776	181,940
Salaries and wages	378,204	380,964
Travel and accommodation	194,712	79,692
Other	74,241	121,880
	2,009,062	1,831,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	31 December 2013 $	30 June 2013 $
7. Trade and other payables		
Trade payables	130,761	850,822
Other payables and accruals	128,024	1,059,186
Annual leave payable	50,097	38,011
	308,882	1,948,019

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. Issued capital

	31 December 2013		30 June 2013	
Movement in ordinary shares:	**Number of shares**	**$**	**Number of shares**	**$**
Opening balance	257,144,549	56,012,446	192,651,460	49,763,911
Placement shares[1]	70,131,977	5,259,898	41,363,089	4,560,940
Share-Based Payments[2]	2,487,668	342,826	330,000	36,300
Director & employee share plan[3]	600,000	-	2,300,000	-
Asset acquisition	-	-	20,500,000	2,140,000
Capital raising costs	-	(15,751)	-	(488,705)
Closing balance	**330,364,194**	**61,599,419**	**257,144,549**	**56,012,446**

1. Issued per the fully underwritten renounceable rights issue completed during the period.
2. Shares have been issued in lieu of cash for services rendered, primarily relating to consultancy services and fees associated with the rights issue. This dollar amount includes the transfer of 1,250,000 shares from the Director Share Plan, given the departure of Alastair Clayton in 2013, which adds no further dilution to the Company.
3. These shares were issued in accordance with the Director and employee share plans, approved by shareholders on 29 November 2013. These shares are issued via an interest-free loan, which is calculated at the higher of $0.11 or a 20% discount to the VWAP of the 5 trading days prior to issue. At 31 December 2013, no amounts have been received and thus these shares are not tradable. Refer to note 9 for further details.

9. Share-based payments

(i) Reconciliation of options issued

Date	Details	Number of options	Amount $
01/07/2012	Balance	4,900,000	547,773
30/06/2013	*Balance*	*4,900,000*	*547,773*
31/12/2013	**Closing Balance**	**4,900,000**	**547,773**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

9. Share-based payments (continued)

Set out below are the options on issue as at 31 December 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 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	Disposed or cancelled during the period	Repayments	Closing balance
No of shares	31,250,000	30,000,000	(31,250,000)	-	30,000,000
Value of loan	$6,875,000	$3,300,000	($6,875,000)	-	$3,300,000
Share-based payment amount	$3,679,483	$1,904,088	($3,679,483)	-	$1,904,088

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

Employees	Opening balance	Issued during the period	Cancelled during the period	Repayments	Closing balance
No of shares	2,750,000	3,350,000	(2,750,000)	-	3,350,000
Value of loan	$605,000	$368,500	($605,000)	-	$368,500
Share-based payment amount	$296,931	$215,636	($296,931)	-	$215,636

(iii) Calculation of share-based payments

As the loan is non-recourse, the Directors and employees have no obligation to take up these shares and therefore these instruments shall be treated as share based payments where the fair value of the instruments are estimated as at the date of grant using the Black-Scholes calculation, taking into account the terms and conditions upon which the loans were granted. The following tables list the inputs to the model used in the valuations;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

9. Share-based payments (continued)

1 July 2013 to 31 December 2013:

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

1 July 2012 to 30 June 2013:

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

10. Related party transactions

At the Annual General Meeting held in November 2013, shareholders approved the amendments to the Balamara employee and Director share plans, to which consisted of the cancellation of all prior plan shares on issue, and the re-issue of plan shares under the amended rules. This information is further presented in note 9 above.

With exceptions to the above, there have been no material changes to related parties since 30 June 2013.

11. Commitments and contingencies

There have been no other material changes in commitments or contingencies since 30 June 2013.

12. Events occurring after reporting period

In February 2014, the Company entered into an agreement for the sale of its wholly owned subsidiary Balkan Mining Pty Ltd, being the holder of the Monty Project (Montenegro), the RSC and Varesh Projects (Bosnia-Herzegovina). The sale price for the assets is $14.5 million, with approximately a further $700,000 receivable at in relation to disbursements already paid by the Company to keep the projects in good standing up to Completion. The funds are expected to be received shortly.

With exceptions to those noted above, there have been no other matters or circumstances that have arisen since 31 December 2013 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.

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 2013 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: 10 March 2014

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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 statement of financial position as at 31 December 2013, 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 2013 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 2013 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 the future successful raising of necessary funding through equity and/or sale of assets. These conditions, along with other matters as set out in Note 1, 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

BDO

Brad McVeigh
Director

Perth, 10 March 2014