BALAMARA
RESOURCES LIMITED

ABN 84 061 219 985

INTERIM FINANCIAL REPORT
31 DECEMBER 2012

CONTENTS

CORPORATE DIRECTORY

Directors

Derek Lenartowicz
Milos Bosnjakovic
Mike Ralston
Michael Hale

Company Secretary

Jerry Monzu
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 2012.

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

Alastair Clayton – *resigned 25 February 2013*
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 2012, the group:

- Acquired 100% of the Varesh zinc-silver project in Bosnia, being the second project in Central Europe with an extensive mining history and complimenting the Balkans strategy;
- Completed a successful metallurgical drilling program at the Monty Project in Montenegro, to deliver samples for laboratory test work to understand the most favourable concentrate recovery of all metals. This work will be integral to plant design and therefore to the entire feasibility study;
- Continued drilling on the flagship Monty Project, generating excellent results;
- Updated the JORC resource at Monty, with approximately 53% of the total tonnes converted from the Inferred to Indicated category at the main Brskovo deposit, and with silver introduced for the first time. A further resource upgrade is expected by the end of March 2013, with the addition of the further six hole at Brskovo and six holes and Visnjica assayed and released to the ASX on 28 February 2013;
- Completion of stage one drilling at Bogdan Copper Project (Poland) in July, and stage two expecting to commence in March 2013 with permitting recently approved;
- Balamara remains short-listed as one of three parties in the tender process to acquire the significant Phosphate Project in the West African country of Togo, with the final tender document submitted in January 2013;
- Addition of two strategic partners added to the consortium for the Togo tender, adding significant experience and capability. MOU's have been signed with ASX-listed Minemakers, and significant listed Indian phosphoric acid producer, Deepak Fertilizer and Petrochemicals Limited;
- Further \$3.95million cash raised via the placement of shares at 11 cents to sophisticated investors, with its cornerstone investor taking their stake to 19.9%; and
- Incurred a comprehensive loss for the half-year totalling \$3,103,322.

Events occurring after balance date

During the period, Balamara acquired 100% of the Varesh zinc-silver project in Bosnia-Herzegovina. As part consideration, an amount of 20,500,000 shares valued at $2,140,000 were payable at 31 December 2012. This has been accounted for within the statement of financial position as issued capital, and subsequently issued on 16 January 2013. Refer to notes 3 and 5 for additional details.

On 14 February 2013, Balamara secured a strategic partnership with AIM-listed resource company Centurion Resources Limited (AIM: CEN) to support the continued development of the Balkans strategy, in particular the flagship Montenegro base metals project (Monty).

Under the terms of the agreement, Centurion will be issued with new shares giving it a 10% holding in the current wholly-owned subsidiary North Mining (owner of Monty project) for a total consideration of £375,000 ($575,000).

Alastair Clayton, whom was a non-executive director of the Company up until 25 February 2013, is also the CEO of Centurion Resources Limited.

On 26 February 2013, Balamara's major shareholder, Ample Skill Limited, has confirmed its continued support in the Company by again boosting their holding to 19.9% on a fully dilutive basis inclusive of options held. The placement will comprise 5.5 million shares at 11 cents per share, to raise $605,000 before costs. This placement will settle in late March.

With exceptions to those noted above, there have been no other matters or circumstances that have arisen since 31 December 2012 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
(i) 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: 8 March 2013

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

8 March 2013

The Directors
Balamara Resources Limited
Level1, 350 Hay Street
Subiaco WA 6008

Dear Sirs

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 2012, 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

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2012

	Note	31 December 2012 $	31 December 2011 $
Revenue			
Interest revenue		17,309	112,626
		17,309	112,626
Administrative expenses		(538,634)	(585,906)
Exploration costs expensed as incurred		(1,831,326)	(905,431)
Foreign exchange gain/(loss)		(2,906)	8,205
Director and employee costs		(338,813)	(570,527)
Share-based payments	6	(165,739)	(3,459,723)
Consultancy costs		(156,126)	(212,990)
Professional services		(156,994)	(168,112)
Convertible note settlement costs	4	-	(350,626)
		(3,173,229)	(6,245,110)
Loss before income tax expense		(3,173,229)	(6,132,484)
Income tax expense		-	-
Loss for the half-year		(3,173,229)	(6,132,484)
Other comprehensive income/(losses) for the half-year			
Items that may be realised through profit or loss:			
Foreign currency translation reserve		69,907	(55,346)
Total comprehensive loss for the half-year		**(3,103,322)**	**(6,187,830)**
Net loss is attributable to:			
Owners of Balamara Resources Limited		(3,151,737)	(6,128,134)
Non-controlling interests		(21,492)	(4,350)
		(3,173,229)	**(6,132,484)**
Total comprehensive loss is attributable to:			
Owners of Balamara Resources Limited		(3,084,132)	(6,180,368)
Non-controlling interests		(19,190)	(7,462)
		(3,103,322)	**(6,187,830)**
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the company (cents per share):		(1.55)	(3.72)

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 2012

	Note	31 December 2012 $	30 June 2012 $
Current assets			
Cash and cash equivalents	2	1,875,180	1,942,835
Trade and other receivables		181,240	204,271
Prepayments		135,266	130,895
Total current assets		2,191,686	2,278,001
Non-current assets			
Other assets	3	3,890,030	313,178
Exploration and evaluation assets		3,333,836	3,333,836
Plant and equipment		43,251	48,145
Total non-current assets		7,267,117	3,695,159
Total assets		**9,458,803**	**5,973,160**
Current liabilities			
Trade and other payables		958,971	412,874
Total current liabilities		958,971	412,874
Non-current liabilities			
Provision for long service leave		8,653	-
Total Non-current liabilities		8,653	-
Total liabilities		**967,624**	**412,874**
Net assets		**8,491,179**	**5,560,286**
Equity			
Issued capital	5	55,632,387	49,763,911
Reserves		4,490,477	4,257,133
Accumulated losses		(51,560,530)	(48,408,793)
Capital and reserves attributable to the owners of Balamara Resources Limited		8,562,334	5,612,251
Non-controlling interests		(71,155)	(51,965)
Total Equity		**8,491,179**	**5,560,286**

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 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 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 CHANGES IN EQUITY (Continued)

For the half-year ended 31 December 2011

	Issued Capital	Convertible Note Reserve	Share Based Payments Reserve	Foreign Currency Translation Reserves	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 half year								
Loss for the half year	-	-	-	-	(6,128,134)	(6,128,134)	(4,350)	(6,132,484)
Foreign currency translation	-	-	-	(52,234)	-	(52,234)	(3,112)	(55,346)
Total comprehensive income for the half year	-	-	-	(52,234)	(6,128,134)	(6,180,368)	(7,462)	(6,187,830)
Transactions with owners in their capacity as owners:								
Share based payments	56,000	-	3,459,723	-	-	3,515,723	-	3,515,723
Issue of shares, net of transaction costs	-	-	-	-	-	-	-	-
Conversion of options	100,000	-	(30,577)	-	30,577	100,000	-	100,000
NCI on acquisition of subsidiary	-	-	-	-	-	-	(3,213)	(3,213)
Termination of convertible loan note with La Jolla	-	(40,444)	-	-	-	(40,444)	-	(40,444)
Balance at 31 December 2011	**47,033,911**	**-**	**4,007,496**	**(77,005)**	**(45,191,454)**	**5,772,948**	**(10,675)**	**5,762,273**

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 2012

	Note	Half-year 2012 $	Half-year 2011 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,140,445)	(1,796,535)
Exploration expenditure		(1,564,462)	(905,431)
Interest received		17,309	112,626
Interest paid		-	(18,726)
Net cash flows used in operating activities		**(2,687,598)**	**(2,608,066)**
Cash flows from investing activities			
Payments for plant and equipment		(4,838)	(19,041)
Deposits paid for projects		(1,085,659)	-
Other investments		(2,990)	-
Net cash flows used in investing activities		**(1,093,487)**	**(19,041)**
Cash flows from financing activities			
Proceeds from issue of share capital		3,955,940	100,000
Share issue costs		(227,464)	-
Repayment of borrowings – convertible note		-	(390,086)
Net cash flows provided by/(used in) financing activities		**3,728,476**	**(290,086)**
Net increase/(decrease) in cash and cash equivalents		(52,609)	(2,917,193)
Exchange rate adjustment		(15,046)	(555)
Cash and cash equivalents at beginning of the half-year		1,942,835	5,310,278
Cash and cash equivalents at end of the half-year	2	**1,875,180**	**2,392,530**

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2012

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 the requirements of the *Corporations Act 2001,* Accounting Standard AASB 134: "Interim Financial Reporting", Accounting Interpretations and other authority's pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34: "Interim Financial Reporting".

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 2012 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 unless otherwise stated.

Impact of standards issued but not yet applied by the entity

In the half-year ended 31 December 2012, 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 2012.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements, except as follows:

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

Comparatives have been reclassified to be consistent with the current year presentation. The reclassification does not have an impact on the results presented

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. The Group has decided against early adoption of any new Standards and Interpretations. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

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.

The group has incurred a comprehensive loss after tax for the half-year ended 31 December 2012 of $3,103,322 (2011: $6,187,830) and experienced net cash outflows from operating activities of $2,687,598 (2011: $2,608,066). At 31 December the working capital position was $1,232,715 (30 June 2012: $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 those in note 10 '*events occurring after the balance date'*, the group will have sufficient funds to meet its obligations as and when they fall due.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the half-year ended 31 December 2012

	31 December 2012 $	30 June 2012 $
2. Cash and cash equivalents		
Cash at bank	1,875,180	1,942,835

3. Other assets

	31 December 2012 $	30 June 2012 $
Current:		
Prepayments	66,626	50,895
Other assets	68,640	80,000
	135,266	130,895
Non-current:		
Office bond	12,479	12,479
Tenement bonds – Australia*	60,000	50,000
Tenement bonds – Montenegro*	258,062	250,699
Deposits paid/payable for Bosnian projects#	3,559,489	-
	3,890,030	313,178

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

#As reported to the ASX on 21 September 2012, the Company acquired the advanced zinc-silver project in Bosnia-Herzegovina, known as the Varesh Project. The acquisition payment is as follows;

Cash*	$1,354,360
Equity – 18,000,000 shares at 10.5 cents per share[1]	$1,890,000
Equity – 2,500,000 shares at 10.0 cents per share[2]	$250,000
	$3,494,360

*As at 31 December 2012, an amount of $400,000 remained outstanding.
[1]These shares have been valued on the acquisition date, being 17 September 2012. Refer to note 5*(b)* for further details.
[2]These shares have been valued as the reduction in cash outlay. Refer to note 5*(b)* for further details.

4. 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.

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the half-year ended 31 December 2012

5. Issued capital

	31 December 2012		30 June 2012	
Movement in ordinary shares:	**Number of shares**	**$**	**Number of shares**	**$**
Opening balance	192,651,460	49,763,911	144,465,849	46,877,911
Placement shares[1]	35,863,089	3,955,940	15,000,000	3,000,000
Share-Based Payments	-	-	385,238	56,000
Conversion of options	-	-	1,000,000	100,000
Director & employee share plan[2]	2,300,000	-	31,800,000	-
Impact from share consolidation	-	-	373	-
Unissued shares[3]	-	2,140,000	-	-
Capital raising costs	-	(227,464)	-	(270,000)
Closing balance	**230,814,549**	**55,632,387**	**192,651,460**	**49,763,911**

1. *December 2012:* A further 27 million shares have been issued to cornerstone investor at 11 cents per share, to take his holding up to 18.2%. The remaining amount also related to shares being issued at a price of 11 cents per share.

   June 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 31 December, no amounts have been received and thus these shares are not tradable.

   December 2012: An amount of $7,480,000 is receivable at 31 December 2012, however due to the nature of the plan; these transactions are effectively treated as options and recorded as share-based payments. Refer to note 6(iii) for further details.

   June 2012: An amount of $6,996,000 was receivable at 30 June 2012, however due to the nature of the plan; these transactions are effectively treated as options and recorded as share-based payments. Refer to note 6(iii) for further details.
3. As stated in note 3, an amount of 20,500,000 shares were payable at 31 December 2012 as part consideration for the acquisition of the Varesh Project.
   On 8 November 2012, shareholders approved the issue of 18,000,000 shares as part consideration for the Varesh Project. In late November, a reduction in cash outlay of $250,000 was also successfully negotiated, resulting in the issue of an additional 2,500,000 shares issued under the Company's 15% capacity. These shares were issued on 16 January 2013.

Unissued shares;

Equity – 18,000,000 shares at 10.5 cents per share	$1,890,000
Equity – 2,500,000 shares at 10.0 cents per share	$250,000
	$2,140,000

6. Share-based payments

(i) Reconciliation of options issued

Date	Details	Number of options	Amount $
01/07/2011	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*
31/12/2012	**Closing Balance**	**4,900,000**	**547,773**

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the half-year ended 31 December 2012

6 Share-based payments (continued)

Set out below are the options on issue as at 31 December 2012:

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
		3,400,000	**2,500,000**	**(1,000,000)**	**-**	**-**	**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:

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

(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 table lists the inputs to the model used in the valuation;

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the half-year ended 31 December 2012

6 Share-based payments (continued)

1 July 2012 to 31 December 2012:

	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

1 July 2011 to 30 June 2012:

	Issue one	*Issue two*	*Issue three*	*Issue four*
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

7. Segment information

Description of business segment
The reportable segments are based on aggregated operating segments determined by the similarity of the minerals targeted, 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 and copper tenements in New South Wales and zinc, lead and silver in Montenegro, copper and silver in Poland, along with zinc and silver in Bosnia-Herzegovina. The Board considers the entity from both a commodity type, and a geographical perspective, and at this stage has the four reportable segments.

(i) Segment assets - 31 December 2012

	Exploration Balkans Region $	**Poland Exploration $**	**Australia Exploration $**	**Total $**
Segments assets	3,817,551	96,596	3,297,240	7,211,387

Reconciliation of segment assets to the consolidated statement of financial position

Total reportable segment assets	7,211,387
Cash and cash equivalents	1,875,180
Trade and other receivables	181,240
Other assets	147,745
Plant and equipment	43,251
Total Assets	**9,458,803**

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the half-year ended 31 December 2012

7. Segment information (Continued)

(ii) Segment assets – 30 June 2012

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

Reconciliation of segment assets to the consolidated statement of financial position

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**

(iii) Segment profit and loss

	Exploration Balkans Region $	Poland Exploration $	Australia Exploration $	Total $
Reportable segment loss Dec 2012	(1,432,279)	(255,419)	(143,628)	(1,831,326)
Reportable segment loss Dec 2011	(207,431)	(33,354)	(881,542)	(1,122,327)

A reconciliation of reportable segment loss to operating loss before income tax is provided as follows:	31 December 2012 $	31 December 2011 $
Total loss for reportable segment	(1,831,326)	(1,122,327)
Interest revenue	17,309	112,626
Administrative expenses	(538,634)	(585,906)
Director & employee costs	(338,813)	(570,527)
Consultancy costs	(156,126)	(212,990)
Professional services	(156,994)	(168,112)
Share-based payments	(165,739)	(3,459,723)
Convertible note settlement	-	(350,626)
Exploration costs expensed as incurred	-	216,896
Unrealised foreign exchange gain/(loss)	(2,906)	8,205
Loss before income tax from continuing operations	**(3,173,229)**	**(6,132,484)**

8. Related party transactions

At the Annual General Meeting held in November 2012, shareholders also approved the issue of 1,250,000 shares to non-executive director, Alastair Clayton. These shares were part of the second issue, as stated in note 6 above. Using Black-Scholes pricing model, these shares were valued at an amount of $92,191.

With exceptions to the above, there have been no material changes to related parties since 30 June 2012.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the half-year ended 31 December 2012

9. Commitments and contingencies

There have been no other material changes in commitments or contingencies since 30 June 2012.

10. Events occurring after balance date

During the period, Balamara acquired 100% of the Varesh zinc-silver project in Bosnia-Herzegovina. As part consideration, an amount of 20,500,000 shares valued at $2,140,000 were payable at 31 December 2012. This has been accounted for within the statement of financial position as issued capital, and subsequently issued on 16 January 2013. Refer to notes 3 and 5 for additional details.

On 14 February 2013, Balamara secured a strategic partnership with AIM-listed resource company Centurion Resources Limited (AIM: CEN) to support the continued development of the Balkans strategy, in particular the flagship Montenegro base metals project (Monty).

Under the terms of the agreement, Centurion will be issued with new shares giving it a 10% holding in the current wholly-owned subsidiary North Mining (owner of Monty project) for a total consideration of £375,000 ($575,000).

Alastair Clayton, whom was a non-executive director of the Company up until 25 February 2013, is also the CEO of Centurion Resources Limited.

On 26 February 2013, Balamara's major shareholder, Ample Skill Limited, has confirmed its continued support in the Company by again boosting their holding to 19.9% on a fully dilutive basis inclusive of options held. The placement will comprise 5.5 million shares at 11 cents per share, to raise $605,000 before costs. This placement will settle in late March.

With exceptions to those noted above, there have been no other matters or circumstances that have arisen since 31 December 2012 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
(ii) 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 2012 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: 8 March 2013

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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 2012, and 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 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 disclosing entity 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 disclosing entity 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 2012 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 2012 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 financial report, where the company will have to seek additional funding in order to progress exploitation of its exploration assets. This condition, along with other matters, as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore the group may be unable to realise its assets and extinguish its liabilities in the normal course of business at the values stated in this financial report.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 8th day of March 2013