



**BALAMARA**

RESOURCES LIMITED

**(Formerly Sultan Corporation Limited)**

ABN 84 061 219 985

**INTERIM FINANCIAL REPORT  
31 DECEMBER 2011**

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**CORPORATE DIRECTORY**

**Directors**

Derek Lenartowicz  
Milos Bosnjakovic  
Mike Ralston  
Michael Hale

**Company Secretary**

Jerry Monzu

**Auditors**

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

**Bankers**

ANZ Banking Corporation  
Albert Avenue,  
Chatswood, NSW 2067

**Registered Office**

Level 1, 350 Hay Street  
Subiaco WA 6008  
Telephone: +61 8 636504519  
Facsimile: +61 3 9388 6040

**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) and the Frankfurt Stock Exchange (FSX).

ASX Code: BMB

FSX Code: A0LFVE

**Web site:** <http://balamara.com.au>

## **DIRECTORS' REPORT**

Your directors present their financial report on the Group (referred to hereafter as the Group) consisting of Balamara Resources Limited (formerly known as Sultan Corporation Limited "SSC") and the entities it controlled at the end of, or during the period to the half-year ended 31 December 2011.

### **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 (*Appointed 1 August 2011*)  
*Managing Director*

Milos Bosnjakovic  
*Executive Director*

Michael Hale  
*Non-Executive Director*

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

### Results and Review of Operations

During the half-year ended 31 December 2011, the group:

- Incurred a comprehensive loss for the half-year totaling \$6,187,830;
- Acquired the highly prospective Bogdan base metals exploration project in Poland, and moved towards the first exploration drilling program (to commence in March 2012);
- 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;
- Designed a new phase two exploration programme for Monty to continue to advance the JORC resource;
- Continued with the Environmental Impact Study for Peelwood;
- Completed a phase two deep diamond drilling programme at Elsenora, testing for gold and zinc mineralisation at depth;
- Closed out the La Jolla Cove debt instrument; and
- Appointed a new Managing Director, Mike Ralston, with the existing Managing Director, Derek Lenartowicz, moving to the role of Executive Chairman.

### Events Occurring Post Balance Date

There have been no matters or circumstances that have arisen since 31 December 2011 that have significantly affected, or may significantly affect:

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

Dated at Perth on the 15<sup>th</sup> day of March 2012



**Derek Lenartowicz**  
**Executive Chairman**



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Subiaco, WA 6008  
PO Box 700 West Perth WA 6872  
Australia

15 March 2012

The Directors  
Balamara Resources Limited  
Level 1, 350 Hay Street  
Subiaco WA 6008

Dear Sirs,

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

As lead auditor for the review of Balamara Resources Limited for the half-year ended 31 December 2011, 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.

A handwritten signature in black ink, appearing to read 'BMcV', is written over a light blue horizontal line.

**Brad McVeigh**  
Director

**BDO Audit (WA) Pty Ltd,**  
Perth, Western Australia

**BALAMARA RESOURCES LIMITED (Formerly Sultan Corporation Limited)****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
For the half-year ended 31 December 2011**

	Note	31 December 2011 \$	31 December 2010 \$
<b>Continuing operations</b>			
Interest revenue		112,626	9,749
Other income	2	-	125,000
		<u>112,626</u>	<u>134,749</u>
Administrative expenses		(764,480)	(286,834)
Exploration costs expensed as incurred		(905,431)	(260,999)
Foreign exchange gain		8,205	30,053
Director fees		(286,471)	(213,550)
Share-based payments	7	(3,459,723)	-
Consultancy costs		(486,584)	(108,126)
Convertible note settlement costs	5	(350,626)	-
		<u>(6,245,110)</u>	<u>(839,456)</u>
<b>Loss before income tax expense</b>		(6,132,484)	(704,707)
Income tax expense		-	-
Loss for the half-year		<u>(6,132,484)</u>	<u>(704,707)</u>
Other comprehensive income for the half-year			
Foreign currency translation reserve		(55,346)	(26,470)
<b>Total comprehensive income for the half-year</b>		<b><u>(6,187,830)</u></b>	<b><u>(731,177)</u></b>
Net loss is attributable to:			
Owners of Balamara Resources Limited		(6,128,134)	(704,707)
Non-controlling interests		(4,350)	-
		<b><u>(6,132,484)</u></b>	<b><u>(704,707)</u></b>
Total comprehensive loss is attributable to:			
Owners of Balamara Resources Limited		(6,180,368)	(731,177)
Non-controlling interests		(7,462)	-
		<b><u>(6,187,830)</u></b>	<b><u>(731,177)</u></b>
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the company (cents per share):		(0.42)	(0.07)

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

**BALAMARA RESOURCES LIMITED (Formerly Sultan Corporation Limited)**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	31 December 2011 \$	30 June 2011 \$
<b>Current assets</b>			
Cash and cash equivalents	3	2,392,530	5,310,278
Trade and other receivables		82,236	122,715
Prepayments		59,175	46,294
<b>Total current assets</b>		<b>2,533,941</b>	<b>5,479,287</b>
<b>Non-current assets</b>			
Other assets	4	339,075	356,383
Exploration and evaluation assets		3,237,240	3,237,240
Plant and equipment		33,338	22,884
<b>Total non-current assets</b>		<b>3,609,653</b>	<b>3,616,507</b>
<b>Total assets</b>		<b>6,143,594</b>	<b>9,095,794</b>
<b>Current liabilities</b>			
Trade and other payables		381,321	327,671
Convertible note	5	-	390,086
<b>Total current liabilities</b>		<b>381,321</b>	<b>717,757</b>
<b>Total liabilities</b>		<b>381,321</b>	<b>717,757</b>
<b>Net assets</b>		<b>5,762,273</b>	<b>8,378,037</b>
<b>Equity</b>			
Issued capital	6	47,033,911	46,877,911
Reserves		3,930,491	594,023
Accumulated losses		(45,191,454)	(39,093,897)
Capital and reserves attributable to the owners of Balamara Resources Limited		5,772,948	8,378,037
Non-controlling interests		(10,675)	-
<b>Total Equity</b>		<b>5,762,273</b>	<b>8,378,037</b>

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



**BALAMARA RESOURCES LIMITED (Formerly Sultan Corporation Limited)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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
<b>Comprehensive income for the half year</b>								
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)
<b>Transactions with owners in their capacity as owners:</b>								
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
NCl on acquisition of subsidiary	-	-	-	-	-	-	(3,213)	(3,213)
Termination of convertible loan note with La Jolla	-	(40,444)	-	-	-	(40,444)	-	(40,444)
<b>Balance at 31 December 2011</b>	<b>47,033,911</b>	<b>-</b>	<b>4,007,496</b>	<b>(77,005)</b>	<b>(45,191,454)</b>	<b>5,772,948</b>	<b>(10,675)</b>	<b>5,762,273</b>

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

**BALAMARA RESOURCES LIMITED (Formerly Sultan Corporation Limited)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the half-year ended 31 December 2010

	Issued Capital	Convertible Note Reserve	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2010	39,979,448	-	1,979,500	-	(38,128,134)	3,830,814
<b>Comprehensive income for the half year</b>						
Loss for the half year	-	-	-	-	(704,707)	(704,707)
Foreign currency translation	-	-	-	(26,470)	-	(26,470)
Total comprehensive income for the half year	-	-	-	(26,470)	(704,707)	(731,177)
<b>Transactions with owners in their capacity as owners:</b>						
Share based payments	-	-	30,577	-	-	30,577
Issue of shares, net of transaction costs	291,995	-	-	-	-	291,995
Value of conversion rights on convertible note issues	-	71,764	-	-	-	71,764
Conversion of Convertible Note	327,000	(31,313)	-	-	-	295,687
<b>Balance at 31 December 2010</b>	<b>40,598,443</b>	<b>40,451</b>	<b>2,010,077</b>	<b>(26,470)</b>	<b>(38,832,841)</b>	<b>3,789,660</b>

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

**BALAMARA RESOURCES LIMITED (Formerly Sultan Corporation Limited)****CONSOLIDATED STATEMENT OF CASH FLOWS  
For the half-year ended 31 December 2011**

	Note	Half-year 2011 \$	Half-year 2010 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,796,535)	(604,333)
Exploration expenditure		(905,431)	(260,999)
Interest received		112,626	9,749
Interest paid		(18,726)	-
<i>Net cash flows used in operating activities</i>		<u>(2,608,066)</u>	<u>(855,583)</u>
<b>Cash flows from investing activities</b>			
Advances repaid		-	125,000
Payments for plant and equipment		(19,041)	(3,489)
<i>Net cash flows provided by/(used in) investing activities</i>		<u>(19,041)</u>	<u>121,511</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		100,000	330,000
Share issue costs		-	(21,505)
Proceeds from borrowings – convertible note		-	787,619
Repayment of borrowings – convertible note		(390,086)	-
<i>Net cash flows provided by/(used in) financing activities</i>		<u>(290,086)</u>	<u>1,096,114</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(2,917,193)	362,042
Exchange rate adjustment		(555)	(2,088)
Cash and cash equivalents at beginning of the half-year		5,310,278	486,890
<b>Cash and cash equivalents at end of the half-year</b>	3	<u>2,392,530</u>	<u>846,844</u>

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
**For the half-year ended 31 December 2011**

**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 authoritative 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 2011 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 2011, 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 2011.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

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 2011. 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 2011 of \$6,187,830 (2010 half-year: \$731,177) and experienced net cash outflows from operating activities of \$2,608,066 (2010 half-year: \$855,583). At the half-year the working capital position was \$2,152,620 (June 2011 year-end \$4,761,530).

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, the Group will be able to raise 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 2011**

	<b>31 December 2011 \$</b>	<b>31 December 2010 \$</b>
<b>2. Other income</b>		
Reversal of impairment <sup>1</sup>	-	125,000

<sup>1</sup> On 1 April 2009 the Company entered into a formal agreement to engage consultants to procure mining permits in West Africa. As part of that agreement (as varied), the Company advanced the consultant a total of US\$500,000 (US\$400,000 in 2009 and US\$100,000 in 2010) as an advance against the fee of US\$700,000 payable to the consultant on procurement of the mining permits.

The consultant was unable to perform the services within the term and the advance was repayable to the Company without deduction. The Company had taken out a second mortgage on the residence of the principals of the consultant; however as there was no reasonable certainty that there would be equity in the property on realisation, the entire amount was impaired in 2009.

During the prior period, a settlement deed was entered into, whereby the consulting company was ordered to pay a one-off sum of \$125,000, which was received during the prior period, and therefore a reversal of the original impairment.

	<b>31 December 2011 \$</b>	<b>30 June 2011 \$</b>
<b>3. Cash and cash equivalents</b>		
Cash at bank	2,392,530	5,310,278
<b>4. Other assets</b>		
Deposits - Australia	81,345	81,345
Deposits - Montenegro	257,730	275,038
	<u>339,075</u>	<u>356,383</u>

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.

**5. 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.

**BALAMARA RESOURCES LIMITED (Formerly Sultan Corporation Limited)**

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the half-year ended 31 December 2011

5. Convertible note (Continued)	31 December 2011 \$	30 June 2011 \$
Face value of notes issued	-	787,619
Convertible note reserve – value of conversion rights	-	(40,444)
Amount converted to issued capital	-	(327,000)
	<u>-</u>	<u>420,175</u>
Interest expense*	-	34,099
Interest paid/payable	-	(26,835)
Foreign exchange gain	-	(37,353)
Total liability	<u>-</u>	<u>390,086</u>

\* Interest expense is calculated by applying the effective interest rate of 10% to the liability component.

6. Issued capital

Movement in ordinary shares	31 December 2011		30 June 2011	
	Number of shares	\$	Number of shares	\$
Opening balance	1,444,658,488	46,877,911	901,772,304	39,979,448
Placement shares <sup>1</sup>	-	-	457,162,500	6,992,700
Conversion of convertible notes <sup>2</sup>	-	-	85,723,684	327,000
Conversion of options	10,000,000	100,000	-	-
Director & employee share plan <sup>3</sup>	292,000,000	-	-	-
Issued in lieu of services	3,852,381	56,000	-	-
Capital raising costs	-	-	-	(421,237)
<b>Closing balance</b>	<b><u>1,750,510,869</u></b>	<b><u>47,033,911</u></b>	<b><u>1,444,658,488</u></b>	<b><u>46,877,911</u></b>

1. *June 2011*: Includes – 55m shares issued at \$0.006 in December 2010 to raise \$330,000, 156m shares at \$0.008 in February 2011 to raise \$1,248,500 and 246.1m shares at \$0.022 in May 2011 to raise \$5,414,200 (before costs).
2. *June 2011*: Part conversion of convertible note by La Jolla to the value of USD \$312,080 – prior to rejection of the issue of the notes by shareholders.
3. *Dec 2011*: These shares have been issued to both directors and employees as part of a director/employee share plan. For the purpose of the financial report, these shares have been treated as treasury shares and therefore have been assigned no value. Refer to note 7 for further details.

7. Share based payments

During the period, the Group allowed both Directors and employees to participate in acquiring differing amounts of shares in the company via non-recourse loans. The shares cannot be traded until the loans are repaid in full, which can be anytime up until expiry, 4 years from date of issue. The shares were issued at \$0.022, if at expiry the share price does not exceed this amount, then the Company will buy-back the shares, and incur the loss on the issued loans. 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:

*Tranche 1: 290,000,000 shares issued valued at \$3,428,676.*

Expected volatility (%)	150
Risk-free interest rate (%)	3.64
Exercise price	\$0.022
Share price at grant date	\$0.014
Fair value per option at grant date	\$0.0118
Grant Date	26 August 2011
Expiry date	26 August 2014

## BALAMARA RESOURCES LIMITED (Formerly Sultan Corporation Limited)

### CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued) For the half-year ended 31 December 2011

#### 7. Share based payments (Continued)

*Tranche 2: 2,000,000 shares issued valued at \$31,047.*

Expected volatility (%)	150
Risk-free interest rate (%)	3.64
Exercise price	\$0.022
Share price at grant date	\$0.018
Fair value per option at grant date	\$0.0155
Grant Date	2 September 2011
Expiry date	2 September 2014

In the prior year, 10,000,000 unlisted share options were granted to consultants in consideration for services provided to assist with the listing of the Company on the Frankfurt Stock Exchange. The fair value of the options is estimated as at the date of grant using the Black-Scholes calculation, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used in the valuation:

Expected volatility (%)	120
Risk-free interest rate (%)	4.50
Exercise price	\$0.01
Share price at grant date	\$0.005
Fair value per option at grant date	\$0.0031
Grant Date	21 October 2010
Expiry date	21 October 2013

Set out below is a summary of the options on hand at 31 December 2011:

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
21/10/2013	\$0.01	10,000,000	-	(10,000,000)	-	-	-
19/05/2014	\$0.03	24,000,000	-	-	-	-	24,000,000
		<b>34,000,000</b>	<b>-</b>	<b>(10,000,000)</b>	<b>-</b>	<b>-</b>	<b>24,000,000</b>

#### 8. 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 and lead in Montenegro, along with copper and silver in Poland. The Board considers the entity from both a commodity type, and a geographical perspective, and at this stage just has the three reportable segments.

**BALAMARA RESOURCES LIMITED (Formerly Sultan Corporation Limited)**

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the half-year ended 31 December 2011

**8. Segment information (Continued)**

**(i) Segment assets - 31 December 2011**

	<b>Montenegro Exploration \$</b>	<b>Poland Exploration \$</b>	<b>Australia Exploration \$</b>	<b>Total \$</b>
Segments assets	257,730	13,452	3,318,585	3,589,767

*Reconciliation of segment assets to the statement of financial position*

Total reportable segment assets	3,589,767
Cash and cash equivalents	2,392,530
Trade and other receivables	82,236
Prepayments	59,175
Plant and equipment	19,886
<b>Total Assets</b>	<b>6,143,594</b>

**(ii) Segment assets – 30 June 2011**

	<b>Montenegro Exploration \$</b>	<b>Australia Exploration \$</b>	<b>Total \$</b>
Segments assets	275,038	3,318,585	3,593,623

*Reconciliation of segment assets to the statement of financial position*

Total reportable segment assets	3,593,623
Cash and cash equivalents	5,310,278
Trade and other receivables	122,715
Prepayments	46,294
Plant and equipment	22,884
<b>Total Assets</b>	<b>9,095,794</b>

**(iii) Segment profit and loss**

	<b>Montenegro Exploration \$</b>	<b>Poland Exploration \$</b>	<b>Australia Exploration \$</b>	<b>Total \$</b>
Reportable segment loss 2011	(207,431)	(33,354)	(881,542)	(1,122,327)
Reportable segment loss 2010	-	-	(260,999)	(260,999)

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

	<b>31 December 2011 \$</b>	<b>31 December 2010 \$</b>
Total loss for reportable segment	(1,122,327)	(260,999)
Interest revenue	112,626	9,749
Other income	-	125,000
Administrative expenses	(547,584)	(286,834)
Employee and consultant costs	(486,584)	(108,126)
Directors' remuneration	(286,471)	(213,550)
Share-based payments	(3,459,723)	-
Convertible note settlement	(350,626)	-
Unrealised foreign exchange gain	8,205	30,053
Loss before income tax from continuing operations	<b>(6,132,484)</b>	<b>(704,707)</b>



CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the half-year ended 31 December 2011**

## **9. Related party transactions**

During the period Balamara acquired 85% of the local Polish company (Polmetal) that owns the Bogdan tenement. An amount of PLN 283,300, approximately AUD\$100,000, was paid into the company to acquire Balamara's 85% holding. The terms of the agreement had particular commitments that Balamara, at its sole discretion, should complete, which are detailed in note 10.

A second company Global Mineral Prospects was also incorporated in Poland during the period, this company is a wholly-owned subsidiary of Balamara. Minimal transactions have occurred in the period to 31 December 2011 within this subsidiary.

With exceptions to the above, there have been no material changes to related parties since 30 June 2011.

## **10. Commitments and contingencies**

In September 2011, Balamara Resources has acquired an 85% holding in a local Polish company, "Polmetal" which owns the tenement of the Bogdan project. The company did not have any significant operation and therefore has been treated as an asset acquisition.

During this acquisition process, Balamara has the following commitments;

- Committed exploration program for \$300,000 within the first 12 months,
- Cash payment of \$400,000, at Balamara's discretion, payable within 12 months, and;
- A one-off payment of \$800,000 at any stage over the next 3 years, at Balamara's discretion.

With exception to the above, there have been no other material changes in commitments or contingencies since 30 June 2011.

## **11. Events occurring after balance date**

There have been no matters or circumstances that have arisen since 31 December 2011 that have significantly affected, or may significantly affect:

- (i) The consolidated entity's operations in future financial years, or
- (ii) The results of those operations in future financial years, or
- (ii) The consolidated entity'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 17:
  - (i) give a true and fair view of the financial position as at 31 December 2011 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" and the Corporations Regulations 2001; 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.

Dated at Perth on the 15<sup>th</sup> day of March 2012



**Derek Lenartowicz**  
**Executive Chairman**



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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 statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant 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 2011 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 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 2011 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 company 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**

A handwritten signature in black ink, appearing to read 'BDO' above a stylized signature that likely reads 'Brad McVeigh'.

**Brad McVeigh**  
Director

Perth, Western Australia  
Dated this 15<sup>th</sup> day of March 2012