



BALAMARA

RESOURCES LIMITED

**Half Yearly Report
For the half year ended 31 December 2017**

ACN: 061 219 985



CORPORATE DIRECTORY

Directors

Derek Lenartowicz (Executive Chairman)
Michael Hale (Non-Executive Director)
Mike Ralston (Non-Executive Director)

Company Secretary

Mathew Smith

Auditors

Greenwich & Co Audit Pty Ltd
35 Outram Street
West Perth, WA 6005
Australia

Bankers

ANZ Banking Corporation
Albert Avenue,
Chatswood, NSW 2067

ING Bank Śląski S.A.
Katarzyna Sobczyk
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40-092 Katowice
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Registered Office

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Share Registry

Link Market Services Limited
Central Park, Level 4, 152 St Georges Terrace
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Web site: www.balamara.com.au

ACN: 061 219 985



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DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Balamara Resources Limited and the entities it controlled at the end of, or during, the year ended 31 December 2017.

Directors

The names of the directors of the company in office during the year and until the date of this report are as follows:

Derek Lenartowicz
Executive Chairman

Mike Ralston
Non-Executive Director

Michael Hale
Non-Executive Director

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

Review and Results of Operations

During the half year ended 31st December 2017, the Group:

- Invested time and resources in evolving the Sawin and Nowa Ruda thermal coal project, and commenced works on modification of studies of conditions and directions of spatial development in the respective municipalities. The aim is to establish deposit boundary, as a legal requirement for undertaking any mining activity in the mining zone for each project.
- Studied, verified, and confirmed the potential of mining good quality coal for Sawin and Nowa Ruda.
- Completed and submitted Geological report for Sawin 1 Hard Coal Deposit.
- Completed and submitted Environmental Impact Assessment Report for Nowa Ruda
- Developed Environmental Impact Assessment Report for Karolina Project. Environmental stocktaking within designed mining zone and influence zone has been completed.
- Commenced final stage of drill campaign for Sawin.
- Completed drill campaign for Nowa Ruda, together with drill reports.
- Detailed concept plans for railway line as well as utilities supply lines for future mine site has been developed for Sawin Project.
- Reviewed and confirmed customer markets.
- Garnered strong community and media endorsement.
- Raised \$1.6M AUD as a prepayment for future coal sold.

The comprehensive loss for the Group attributable to members was \$2,556,413

Significant changes in the state of affairs

No significant changes in the state of affairs of the Group occurred during the financial year.



DIRECTORS' REPORT

Matters subsequent to the end of reporting period

In January 2017, the Company secured AUD 7M funding via a convertible note agreement. The company had drawn down \$1.2m from this facility as at 31 December 2017. The company received an additional \$200,000 in January 2018, and \$60,000 in February 2018.

The re-election of Mike Ralston as Director was passed via resolution put at the Annual General Meeting on 31 January 2018.

Environmental regulation

The consolidated entity is subject to the usual environmental regulations that are applicable to mineral exploration.

Auditor

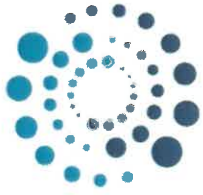
BDO (WA) Pty Ltd has resigned as the company Auditor on 31 January 2018 and the company has appointed Greenwich & Co Audit Pty Ltd as the new company auditor, approved at the Annual General Meeting on 31 January 2018, and remains in office in accordance with Section 327 of the *Corporations Act 2001*. The auditor has not been indemnified under any circumstance.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6 of the annual report.

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

Derek Lenartowicz
Executive Chairman
SUBIACO, 15 March 2018



Auditor's Independence Declaration

To those charged with the governance of Balamara Resources Limited

As auditor for the review of Balamara Resources Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Andrew May

Andrew May
Director

15 March 2018



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
Interest revenue		15,230	8,037
Other income		32,686	125,000
Consultancy costs		(243,849)	(261,894)
Director & employee costs		(159,574)	(361,195)
Other corporate expenses		(268,362)	(317,906)
Professional services		(119,175)	(57,891)
Interest expense		(486,130)	(411,267)
Exploration costs expensed as incurred	3	(1,358,434)	(1,658,277)
Write-off of capitalised exploration expenditure		-	(9,564,880)
Foreign exchange gain / (loss)		21,195	(4,022)
Loss before income tax expense		<u>(2,566,413)</u>	<u>(12,504,295)</u>
Income tax expense		-	-
Net loss after income tax		<u>(2,566,413)</u>	<u>(12,504,295)</u>
Other comprehensive losses for the year:			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation difference		(164,509)	(317)
Total comprehensive loss for the year		<u>(2,730,922)</u>	<u>(12,504,612)</u>
Net loss is attributable to:			
Owners of Balamara Resources Limited		(2,560,615)	(12,498,887)
Non-controlling interests		(5,798)	(5,408)
		<u>(2,566,413)</u>	<u>(12,504,295)</u>
Total comprehensive loss is attributable to:			
Owners of Balamara Resources Limited		(2,730,922)	(12,502,824)
Non-controlling interests		459	(1,788)
		<u>(2,730,463)</u>	<u>(12,504,612)</u>
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company (cents per share):		(0.36)	(1.78)

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 2017

	Note	30 December 2017 \$	30 June 2017 \$
Current assets			
Cash and cash equivalents		6,148	818,128
Trade and other receivables		81,421	182,902
Other assets		67,562	176,333
Total current assets		155,131	1,177,363
Non-current assets			
Other assets		42,174	65,094
Plant and equipment		77,578	51,731
Exploration and evaluation assets	3	100,000	100,000
Total non-current assets		219,752	216,825
Total assets		374,883	1,394,188
Current liabilities			
Trade and other payables		2,118,961	2,209,525
Borrowings	4	9,064,717	8,829,502
Provisions		-	66,400
Unearned Income	5	4,939,303	3,306,829
Total current liabilities		16,122,981	14,412,256
Total liabilities		16,122,981	14,412,256
Net liabilities		(15,748,098)	(13,018,068)
Equity			
Issued capital	6	80,698,659	80,698,659
Reserves	7	2,333,185	2,503,949
Accumulated losses		(98,561,728)	(96,002,005)
Capital and reserves attributable to owners of Balamara Resources Limited		(15,529,884)	(12,799,397)
Non-controlling interests		(218,214)	(218,671)
Total deficiency in equity		(15,748,098)	(13,018,068)

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

BALAMARA RESOURCES LIMITED
31 DECEMBER 2017



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2017

	Issued Capital	Share- based payments reserve	Foreign Currency Translation Reserve	Convertible Note Reserve	Reserve for transactions with NCI	Accumulated Losses	Total	Non- controlling Interests	Total Equity /(Deficiency in Equity)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	80,698,659	1,018,526	70,981	1,492,060	(77,618)	(96,002,005)	(12,799,397)	(218,671)	(13,018,068)
Comprehensive income for the year							-		-
Loss for the year	-	-	-	-	-	(2,560,615)	(2,560,615)	(5,798)	(2,566,413)
Foreign currency translation	-	-	(170,764)	-	-		(170,764)	6,255	(164,509)
Total comprehensive loss for the year	-	-	.	-	-	(2,560,615)	(2,731,379)	457	(2,730,922)
Transactions with owners in their capacity as owners:									
Share based payments	-	-	-	-	-	892	892	-	892
Issue of shares, net of transaction costs	-	-	-	-	-	-	-	-	-
Value of conversion rights on convertible notes issued	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	80,698,659	1,018,526	(99,783)	1,492,060	(77,618)	(98,561,730)	(15,529,884)	(218,214)	(15,748,098)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

BALAMARA RESOURCES LIMITED
31 DECEMBER 2017



For the half-year ended 31 December 2016

	Issued Capital	Share- based payments reserve	Foreign Currency Translation Reserve	Convertible Note Reserve	Reserve for transactions with NCI	Accumulated Losses	Total	Non- controlling Interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	79,976,464	1,579,536	(272,391)	1,281,887	(77,618)	(80,614,910)	1,872,968	(214,321)	1,658,647
Comprehensive income for the year									
Loss for the year	-	-	-	-	-	(12,498,887)	(12,498,887)	(5,408)	(12,504,295)
Foreign currency translation	-	-	(3,937)	-	-	-	(3,937)	3,620	(317)
Total comprehensive loss for the year	-	-	(3,937)	-	-	(12,498,887)	(12,502,824)	(1,788)	(12,504,612)
Transactions with owners in their capacity as owners:									
Share based payments	22,750	(496,339)	-	-	-	496,339	22,750	-	22,750
Issue of shares, net of transaction costs	-	-	-	-	-	-	-	-	-
Value of conversion rights on convertible notes issued	-	-	-	-	-	-	-	-	-
Transaction costs relating to convertible note	677,250	-	-	-	-	-	677,250	-	677,250
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2016	80,676,464	1,083,197	(276,328)	1,281,887	(77,618)	(92,617,458)	(9,929,856)	(216,109)	(10,145,965)

The above consolidated statements 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 2017

	Note	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities			
Receipts from operating cash flow		1,632,474	-
Payments to suppliers and employees		(1,747,996)	(385,625)
Exploration expenditure		(684,527)	(1,354,096)
Interest received		15,230	8,037
Interest Paid		(119)	-
Net cash outflows from operating activities		(784,939)	(1,731,684)
Cash flows from investing activities			
Acquisition of plant and equipment		(30,934)	(4,773)
Net cash outflows from investing activities		(30,934)	(4,773)
Cash flows from financing activities			
Proceeds from issue of share capital		-	700,000
Net cash inflows from financing activities		-	700,000
Net decrease in cash and cash equivalents		(815,872)	(1,036,457)
Cash and cash equivalents at beginning of the year		818,128	1,184,541
Exchange rate adjustment		3,892	(6,602)
Cash and cash equivalents at end of the year		6,148	141,482

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



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Balamara Resources Limited and the entities it controlled at the end of, or during the financial year.

(a) Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with Australian Accounting Standards (including Australian Interpretations) AASB 134 *Interim Financial Report* 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 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASIC

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

Changes in accounting policy

The Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2017. A number of new or amended standards became applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Going concern

The 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. 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 net loss after tax for the half-year ended 31 December 2017 of \$2,738,922 (2016: \$15,504,295) and experienced net cash outflows from operating activities of \$784,939 (2016: \$1,731,684). At half year-end the working capital position was a deficit of \$15,748,098 (June 2017: deficit \$13,234,893).

The ability of the entity to continue as a going concern is dependent on securing additional funding through the issue of further equity or debt to continue to fund its operational activities and this includes expenditure on the Group's various exploration projects.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in these financial statements.

The directors believe the group will continue as a going concern and be able to pay its debts as and when they fall due for the following reasons:

- The Company has a proven history of successfully raising capital.
- As disclosed in Director' Report, the Company has received another \$1.6M from Uniper during the interim period (as a prepayment of 50,000 tonnes of coal), and as per the Contract the remaining amount to be received is USD1.2m.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

- In January 2017 a loan of \$7m was secured from Ample Skill, of which \$1.2m has been drawn down as at 31 December 2017.
- The Company is currently in negotiations to raise additional funding and the directors are confident this will lead to an executed debt and/or equity arrangement in the near term.

Should the Group not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the consolidated financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

2 Segment information

The Group has identified that it operates in only one segment based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group's principal activity is mineral exploration.

3 Exploration and evaluation expenditure

	Half year to 31 December 2017	
	\$	
Capitalised:		
Opening balance	100,000	
Exchange rate movements	-	
Exploration and evaluation expenditure written off	-	
Closing balance	<u>100,000</u>	
	Half year to 31 December 2017	
	\$	
Expensed as incurred:		Half year to 31 December 2016
		\$
Drilling costs	77,485	388,747
Assaying and analysis costs	76,437	340,081
Consultancy costs	346	104,747
Salaries and wages	598,271	538,961
Acquisition of historical data	-	-
Travel and accommodation	101,280	108,740
Concession fees	504,604	176,081
Other	11	920
	<u>1,358,434</u>	<u>1,658,277</u>

In accordance with the Groups accounting policy, only acquisition costs are capitalised, whilst all other exploration and evaluation expenditure is expensed as incurred.



NOTES TO THE FINANCIAL STATEMENTS

4 Borrowings

In January and July 2015 the Company secured \$4m and \$7m respectively via convertible loans with its major shareholder Ample Skill Limited. Both facilities were fully drawn at 31 December 2017, with \$2,250,000 being converted to shares in prior years at the fixed price of \$0.03 per share. In January 2017, another loan was secured from Ample Skill for \$7m, of which \$1.2m had been drawn down as at 31 December 2017.

The notes are unsecured with an interest rate of 5%, convertible into equity of the parent entity at the option of the holder, or repayable by 31 January 2019, 27 July 2019, and 25 January 2021 respectively. The notes are recorded as a current liability, as the holder has the option to convert to equity at any time before maturity. The convertible notes are presented in the balance sheet as follows;

	31 December 2017	30 June 2017
	\$	\$
Face Value of Notes Issued	9,950,000	9,950,000
Convertible note reserve	(1,492,060)	(1,492,060)
Amount converted to issued capital	-	-
	8,457,940	8,457,940
Interest expense (<i>current period</i>)*	486,012	
Interest expense (<i>prior periods</i>)*	1,298,986	
Interest paid/payable (<i>current period</i>)	(250,795)	
Interest paid/payable (<i>prior periods</i>)	(705,465)	
Transaction costs (<i>current period</i>)	-	
Transaction costs (<i>prior periods</i>)	(221,961)	
Total Liability	9,064,717	

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

The fair value as at 31 December 2017 of the convertible note liability recognised at amortised cost is \$9,436,071 (30 June 2017: \$9,220,434). Discounted cash flow models are used to determine the fair values of convertible notes at amortised cost. Discount rates used on the calculations are based on market interest rates existing at the end of the reporting period, consistent with those used within the recently completed pre-feasibility studies. The discount rate used at 31 December 2017 is 10.3%.

5 Unearned income

	31 December 2017	30 June 2017
	\$	\$
Coal Prepayment	4,939,303	3,306,829

In March 2017, the Company secured a contract to supply coal at a future date. An agreement has been made to prepay USD 5m of coal, of which USD 3.8m has been received by the company as at 31 December 2017. As per the agreement, the coal is required to be delivered between 1 July 2017 and 15 December 2017 unless otherwise mutually agreed. As at 31st December, the coal had not been delivered however the customer has verbally agreed to extend the delivery date at no additional cost to the Group.

To secure future claims for damages against Balamara in case of breach of Contract for Supply made by Balamara, the Parties agreed to establish a collateral in the form of registered pledge, which is 20% of all the shares of Global Mineral Prospects Sp. Z o.o. in seat in Poland, KRS No: 0000396614 and 20% of of all shares of Coal Holding Sp Z o.o. Balamara is owner of all 100% shares of Global Mineral Prospects Sp. Z o.o.

The pricing of coal is based on market price at the date of delivery. The company has granted the buyer the exclusive and irrevocable right of first refusal to purchase Coal, upon the terms and conditions set forth in the respective contract.



NOTES TO THE FINANCIAL STATEMENTS

6 Issued Capital

	31 December 2017	
	Value	Value
	\$	\$
Movement in ordinary shares		
Opening balance	80,689,659	80,689,659
Closing balance	80,698,659	80,698,659

7 Reserves

(a) Reserve Balances

	31 December 2017	30 June 2017
	\$	\$
Share-based payments reserve	1,018,526	1,018,526
Transactions with non-controlling interest reserve	(77,618)	(77,618)
Convertible Note Reserve	1,492,060	1,492,060
Foreign currency translation reserve	(99,783)	70,891
	2,333,185	2,503,949

(b) Nature and purpose of reserves

The share based payments reserve arises from an issue of options as consideration for a service or an acquisition transaction, along with shares issued under the Balamara director/employee share scheme.

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

(c) Reconciliation of options issued

Date	Details	Number of options	Amount \$
30-Jun-17	Opening balance	65,800,000	932,840
31-Dec-17	Closing Balance	65,800,000	932,840

8 Events occurring after the balance date

Subsequent to balance date, the company has drawn down additional AUD 200,000 on January 2018, and AUD 60,000 on February 2018 from an existing convertible note loan facility.

The re-election of Mike Ralston as Director was passed via resolution put at the Annual General Meeting on 31 January 2018.

Apart from the events discussed above, no other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

9 Contingent Assets and Contingent Liabilities

The Company has no contingent assets or liabilities.



NOTES TO THE FINANCIAL STATEMENTS

10 Dividends

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.



DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) The financial statements comprising the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date, and
- (b) There are reasonable grounds to believe that Balamara Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Derek Lenartowicz
Executive Chairman

Subiaco
15 March 2018

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 (or 'the company') and controlled entities ('the Group'), which comprises the consolidated statement of financial position as at 31 December 2017, 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 summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2017 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*.

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:

- (i) giving a true and fair view of the Balamara Resources Limited's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – Inherent uncertainty regarding continuation as a going concern.

We draw attention to Note 1 to the half-year financial report, which outlines that the Group had a working capital deficit of \$15,748,098 as at 31 December 2017 and describes other events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about Balamara Resources Limited's ability to continue as a going concern, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

Our conclusion is not modified in respect of this matter.

Greenwich & Co Audit Pty Ltd
Greenwich & Co Audit Pty Ltd



Andrew May
Director

15 March 2018
Perth

