



BALAMARA

RESOURCES LIMITED

**Half Yearly Report
For the half year ended 31 December 2019**

ACN: 061 219 985



CORPORATE DIRECTORY

Directors

Derek Lenartowicz	(Executive Chairman)
Michael Hale	(Non-Executive Director)
Mathew Smith	(Non-Executive Director)
Andrew Doman	(Non-Executive Director)
Jonathan Leung	(Non-Executive Director)

Company Secretary

Mathew Smith

Auditors

Elderton Audit Pty Ltd
Level 2, 267 St Georges Tce
Perth, WA 6000
Australia

Bankers

ANZ Banking Corporation
Albert Avenue,
Chatswood, NSW 2067

ING Bank Śląski S.A.
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Share Registry

Link Market Services Limited
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Perth WA 6000

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 half-year ended 31 December 2019.

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

Mathew Smith
Non-Executive Director
Appointed on 01/07/2019

Jonathan Leung
Non-Executive Director
Appointed on 01/11/ 2019

Michael Hale
Non-Executive Director

Andrew Doman
Non-Executive Director
Appointed on 01/11/2019

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

Review and Results of Operations

During the half year ended 31st December 2019, the Group:

- The construction of the Nowa Ruda coking coal mine moved a significant step closer with Balamara signing a Project Finance Terms Sheet with UK based finance group Broughton Capital Group.
- Balamara Resources Limited has secured placements to maintain the company's momentum towards the construction of the Nowa Ruda coking coal mine in southern Poland.
- Balamara Resources Limited is waiting for Ministerial approval for the license to mine coking coal at Nowa Ruda. This is the final step in the administrative process allowing Balamara to proceed with the extraction of hard coking coal suitable to produce foundry coke required by European industry.
- Balamara Resources Limited has made significant advances in the documentation required to obtain the permission necessary to apply for Sawin mining licence

The comprehensive loss for the Group attributable to members was \$3,054,491

Significant changes in the state of affairs

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

Matters subsequent to the end of reporting period

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

Environmental regulation

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



DIRECTORS' REPORT

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, 29 May 2020

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 2019, 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.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

29 May 2020



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2019

	Note	31 December 2019 \$	31 December 2018 \$
Interest revenue		2,569	1,285
Other income		39,857	729
Consultancy costs		(124,035)	(260,531)
Director & employee costs		(442,421)	(777,836)
Other corporate expenses		(198,627)	(314,353)
Professional services		(121,147)	(84,156)
Interest expense		(177,477)	(564,723)
Exploration costs expensed as incurred	3	(1,971,182)	(5,601,945)
Foreign exchange gain / (loss)		(37,788)	(151,124)
Loss before income tax expense		(3,030,250)	(7,752,654)
Income tax expense		-	-
Net loss after income tax		(3,030,250)	(7,752,654)
Other comprehensive losses for the year:			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation difference		(33,988)	(102,788)
Total comprehensive loss for the year		(3,064,238)	(7,855,442)
Net loss is attributable to:			
Owners of Balamara Resources Limited		(3,022,809)	(7,749,341)
Non-controlling interests		(7,441)	(3,313)
		(3,030,250)	(7,752,654)
Total comprehensive loss is attributable to:			
Owners of Balamara Resources Limited		(3,054,491)	(7,855,442)
Non-controlling interests		(9,747)	3,832
		(3,064,238)	(7,851,610)
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company (cents per share):		(0.30)	(1.08)

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 2019

	Note	31 December 2019 \$	30 June 2019 \$
Current assets			
Cash and cash equivalents		30,213	39,583
Trade and other receivables		152,542	410,057
Other assets		40,666	31,108
Total current assets		223,421	480,747
Non-current assets			
Other assets		8,808	19,448
Plant and equipment		4,051	6,779
Exploration and evaluation assets	3	3,835,465	4,818,122
Total non-current assets		3,848,324	4,844,349
Total assets		4,071,745	5,325,096
Current liabilities			
Trade and other payables		2,467,448	4,899,544
Borrowings	4	980,112	11,201,283
Unearned Income	5	4,939,303	4,939,303
Total current liabilities		8,386,863	21,040,131
Non-Current Liabilities			
Trade and other payables		6,329,704	5,373,539
Long Service Leave payable		2,044	1,825
Total non-current liabilities		6,331,747	5,375,364
Total liabilities		14,718,610	26,415,494
Net liabilities		(10,646,865)	(21,090,398)
Equity			
Issued capital	6	101,250,988	86,049,460
Reserves	7	(3,592)	1,721,847
Accumulated losses		(111,729,431)	(108,706,622)
Capital and reserves attributable to owners of Balamara Resources Limited		(10,482,035)	(20,935,315)
Non-controlling interests		(164,830)	(155,083)
Total deficiency in equity		(10,646,865)	(21,090,398)

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

BALAMARA RESOURCES LIMITED
31 DECEMBER 2019



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

	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 2019	86,049,460	-	61,167	1,738,297	(77,618)	(108,706,622)	(20,935,315)	(155,083)	(21,090,398)
Comprehensive income for the year							-		-
Loss for the year	-	-	-	-	-	(3,022,809)	(3,022,809)	(7,441)	(3,030,250)
Foreign currency translation	-	-	(31,680)	-	-		(31,680)	(2,306)	(33,986)
Total comprehensive loss for the year	-	-	.	-	-	(3,022,809)	(3,054,491)	(9,747)	(3,064,237)
Transactions with owners in their capacity as owners:									
Expiry of Options	-	-	-	-	-	-	-	-	-
Issue of shares, net of transaction costs	13,463,231	-	-	-	-	-	13,463,231	-	13,463,231
Value of conversion rights on convertible notes issued	1,738,297	-	-	(1,693,759)	-	-	44,538	-	44,538
Balance as at 31 December 2019	101,250,988	-	29,488	44,538	(77,618)	(111,729,431)	(10,482,035)	(164,830)	(10,646,865)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2018

	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 2018	80,718,309	1,018,526	66,888	1,597,056	(77,618)	(101,321,139)	(17,997,978)	(159,786)	(18,157,764)
Comprehensive income for the year							-		-
Loss for the year	-	-	-	-	-	(7,749,341)	(7,749,341)	(3,313)	(7,752,654)
Foreign currency translation	-	-	(109,930)	-	-	(109,930)	(109,930)	7,145	(102,785)
Total comprehensive loss for the year	-	-	(109,930)	-	-	(7,749,341)	(7,859,271)	3,832	(7,855,439)
Transactions with owners in their capacity as owners:									
Expiry of Options	-	(932,840)	-	-	-	932,840	-	-	-
Issue of shares, net of transaction costs	2,750,302	-	-	-	-	-	2,750,302	-	2,750,302
Value of conversion rights on convertible notes issued	-	-	-	141,462	-	-	141,462	-	141,462
Balance as at 31 December 2018	83,468,611	85,686	(43,042)	1,738,518	(77,618)	(108,137,641)	(22,965,484)	(155,954)	(23,121,439)

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 2019

	Note	31 December 2019	31 December 2018
		\$	\$
Cash flows from operating activities			
Receipts from product sales and related customers		-	-
Payments to suppliers and employees		(343,959)	(1,546,297)
Exploration expenditure		(1,129,006)	(1,534,270)
Interest received		-	1,285
Interest Paid		(2,382)	-
Net cash outflows from operating activities		(1,475,346)	(3,079,282)
Cash flows from investing activities			
Acquisition of plant and equipment		-	96,380
Loans from other entities		615,998	-
Net cash outflows from investing activities		615,998	96,380
Cash flows from financing activities			
Proceeds from issue of share capital		300,000	2,867,330
Payment of financing transaction costs		-	(117,028)
Proceeds from borrowings		550,000	825,000
Net cash inflows from financing activities		850,000	3,575,302
Net Increase/(decrease) in cash and cash equivalents		(9,349)	496,020
Cash and cash equivalents at beginning of the year		39,583	1,777
Exchange rate adjustment		(22)	19
Cash and cash equivalents at end of the year		30,212	497,816

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 2019 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

(b) Changes in accounting policy

A number of new or amended standards became applicable for the current reporting period.

The new standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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 2019. As a result of this review the Directors have determined that there is no impact, material or otherwise, of these new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

AASB 16 Leases

The Group has adopted AASB 16 Leases from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (lease payments) and removes the former distinction between 'operating' and 'finance' leases. The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and adjustments arising from the new leasing rules are recognised in the opening statement of financial position on 1 July 2019. There is no initial impact on accumulated losses under this approach and comparatives have not been restated.

From 1 July 2019, where the Group is lessee, the Group recognises a right-of-use asset and a corresponding liability at the date at which the lease asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group currently has no significant lease agreement.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date less any lease incentives received, and any initial direct costs.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Where leases have a term of less than 12 months or relate to low value assets the Group may apply exemptions in AASB 16 to not capitalise any such leases and instead recognise the lease payments on a straight-line basis as an expense in profit or loss.

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 2019 of \$3,030,250 (2018: \$7,752,654) and experienced net cash outflows from operating activities of \$1,475,346 (2018: \$3,079,282). At half year-end the working capital position was a deficit of \$8,163,442 (June 2019: deficit \$20,559,383).

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.
- To date, the Company has received USD3.8m from Uniper (as a prepayment of 50,000 tonnes of coal), and as per the Contract the remaining amount to be received is USD1.2m.
- In January 2017 a loan of \$7m was secured from Ample Skill, of which \$3.335m has been drawn down as at 31 December 2019.
- The Company has raised \$2.96m by issuing shares to investors in the last 12 months.
- The Company has signed an indicative term sheet with a specialist project finance provider to finance the development of Nowa Ruda coal mining project. The total finance sought is USD110m structured as part loan and part quasi-equity finance.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

- 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.
- Significant progress has been made in attaining the mining license for Nowa Ruda coal mining project

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 2019	
	\$	
Capitalised:		
Opening balance	4,818,121	
Amortisation	(1,182,045)	
Effect of foreign exchange rates	199,389	
Exploration and evaluation expenditure written off	-	
Closing balance	<u>3,835,465</u>	
	Half year to 31 December 2019	Half year to 31 December 2018
	\$	\$
Expensed as incurred:		
Drilling costs	2,421	3,308
Assaying and analysis costs	43,900	4,350,045
Consultancy costs	12,139	123,100
Salaries and wages	645,424	969,027
Travel and accommodation	34,610	34,949
Concession fees	1,182,045	35,496
Other	50,643	86,020
	<u>1,971,182</u>	<u>5,601,945</u>

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

4 Borrowings

	31 December 2019	30 June 2019
	\$	\$
Convertible Notes	500,730	11,201,283
Short-term Loans	479,382	-
Total	<u>980,112</u>	<u>11,201,283</u>

The Short-term loans are provided by investors to meet the group's working capital requirement, and these will be converted to shares via private placement at AUD 0.03 cents per share at a future date.



NOTES TO THE FINANCIAL STATEMENTS

4 Borrowings (continued)

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, and 11,535,000 converted this period at the fixed price of \$0.03 per share. In January 2017, another loan was secured from Ample Skill for \$7m, of which \$3.335m has been drawn down as at 31 December 2019. The table below shows the movements in face value of convertible notes and the remaining drawdown facility.

	31 December 2019	30 June 2019
	\$	\$
Opening Balance	11,535,000	10,710,000
Loan Drawdown	550,000	825,000
Note Conversion	(11,535,000)	-
Closing Balance	<u>550,000</u>	<u>11,535,000</u>
Drawdown Facility	3,665,000	4,215,000

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 25 January 2021. 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 2019	30 June 2019
	\$	\$
Face Value of Notes Issued	550,000	11,535,000
Convertible note reserve	(44,538)	(1,738,297)
	<u>(505,462)</u>	<u>9,796,703</u>
Interest expense (<i>current period</i>) *	175,095	
Interest expense (<i>prior periods</i>) *	3,450,418	
Interest paid/payable (<i>current period</i>)	(8,192)	
Interest paid/payable (<i>prior periods</i>)	(1,782,728)	
Transaction costs (<i>current period</i>)	(15,164)	
Transaction costs (<i>prior periods</i>)	(263,110)	
Other Movements from Conversion	(1,561,052)	
Total Liability	<u>500,730</u>	

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

The fair value as at 31 December 2019 of the convertible note liability recognised at amortised cost is \$550,755 (30 June 2019: \$11,351,729). 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 2018 is 10.3%.

5 Unearned income

	31 December 2019	30 June 2019
	\$	\$
Coal Prepayment	<u>4,939,303</u>	<u>4,939,303</u>

In March 2017, the Company secured a contract to supply coal at an unspecified 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 2019.



NOTES TO THE FINANCIAL STATEMENTS

5 Unearned income (continued)

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. 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.

6 Issued Capital

	31 December 2019	30 June 2019
	\$	\$
Movement in ordinary shares		
Opening balance	86,049,460	80,718,309
Issue of Shares net of transaction costs	13,463,231	5,331,151
Convertible Note Reserve from conversion	1,738,297	-
Closing balance	101,250,998	86,049,460

7 Reserves

(a) Reserve Balances

	31 December 2019	30 June 2019
	\$	\$
Transactions with non-controlling interest reserve	(77,618)	(77,618)
Convertible Note Reserve	44,538	1,738,297
Foreign currency translation reserve	29,488	61,167
	(3,592)	1,721,847

(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.

8 Events occurring after the balance date

There are no 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.

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 2019 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
29 May 2019

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 2019, 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 2019 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 2019 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 \$8,163,442 as at 31 December 2019 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.



Elderton Audit Pty Ltd



Nicholas Hollens
Managing Director

29 May 2020
Perth

