



BALAMARA

RESOURCES LIMITED

Annual Financial Report 30 June 2019

ACN: 061 219 985



CORPORATE DIRECTORY

Directors

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

Company Secretary

Mathew Smith

Auditors

Greenwich & Co Audit Pty Ltd
Level 2, 267 St Georges Terrace
Perth, WA 6000
Australia

Bankers

ANZ Banking Corporation
Albert Avenue,
Chatswood, NSW 2067

ING Bank Śląski S.A.
Katarzyna Sobczyk
ul. Mickiewicza 3
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Registered Office

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Share Registry

Link Market Services Limited
Central Park, Level 4, 152 St Georges Terrace
Perth WA 6000

Web site: www.balamara.com.au

ACN: 061 219 985



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Dear Shareholders,

I am pleased to present Balamara Resources Annual Financial Report for the year ended 30 June 2019.

Our focus has remained on the continued development of our Polish coal assets and we have taken the hard decision to prioritise the Nowa Ruda project over maintaining our momentum in Sawin. Both projects remain valuable assets within Balamara and prioritising resources has meant sacrificing some of the progress at Sawin in order to bring Nowa Ruda to a construction stage. The past year has seen the granting of environmental approval at Nowa Ruda with the subsequent lodging of the mining license application. With the agreement on a fixed price sales contract for two million tonnes through 2022 to 2025 Balamara now has the required security to proceed with finalising the construction finance. Permitting and licensing are expected to be completed with construction commencing in the first half of 2020.

Sawin thermal coal project remains the flagship asset in the Group. The Group delivered a 1.2 billion tonnes JORC resource for Sawin in March 2015 and followed up with an outstanding PFS that shows this asset can be company-making for Balamara in the years ahead. A nine hole drilling campaign commenced in late 2015, of which all nine holes have now been completed and which increased the resources confidence limits. Further to this, revisions have been made to mine planning and mining equipment that may be used, which have both positively altered the PFS. The next stage of Sawin development are the submission and approval of the Deposit Development Plan (*Plan Zagospodarowania Zloza*) and Environmental Impact Assessment, which has already commenced and will continue through the current financial year.

My thanks go to all who continue to work very hard, adding value and diligently using their experience in all facets to ensure that Balamara will emerge as a standout European coal producer in the years ahead.

The Board will continue to monitor progress in all projects. I would like to thank all shareholders for their patience and acknowledge their support.

Derek Lenartowicz

Executive Chairman
Balamara Resources Limited



OPERATIONS REPORT

Balamara continued advancing its Polish coal Projects as part of its overall strategy to become the next substantial European coal producer. The location of the Company's projects are displayed below.



Figure 1: Diversity of Balamara's coal projects located within two coal basins in Poland.

Sawin: Thermal coal project (100%)

The Sawin Project is located in the Lublin Coal basin in Eastern Poland, adjacent to the world-class Bogdanka thermal coal mine operated by listed Polish mining company *Lubelski Wegiel Bogdanka SA*, located in the highly prospective Lublin Coal Basin in south-eastern Poland.

Sawin is a large concession spanning an area of 137 square kilometers and comes with considerable data relating to exploration drilling conducted in the 1970s and 1980s by the Polish Government. This data provides evidence of significant coal deposits within Sawin that exist throughout the entire Lublin Basin.

In March 2015, internationally accredited coal consultants Salva Resources ("HDR") completed a maiden Coal Resource estimate based on a total of 52 historical drill holes in accordance with the JORC Code (2012), which was announced to the ASX on 23 March 2015 and is set out below:

Coal Resource Estimate for the Sawin Thermal Coal Project as at 4 March 2015 (tonnes calculated on an air dried basis)

Resource Classification	Mass (Mt)	Ash (adb) %	Moisture (adb) %	Gross Calorific Value (adb) (kcal/kg)	Volatile Matter (adb) %	Relative Density (adb)	Total Sulphur (adb) %	FSI
Inferred	1,200	10	3.5	6,900	33	1.3	1.7	2
TOTAL	1,200							

The estimate incorporates a minimum seam thickness of 0.6 m and a maximum raw ash content of 30%. Inferred Resource rounded to the nearest 5 Mt.



OPERATIONS REPORT

In 2018, The PFS which was completed by HDR Salva in 2015 was reviewed and updated to increase efficiency and reflect updated market figures. The summary of this update is as follows:

Sawin Operating & Financial Figures	
Mining Method	Underground Longwall
Life of Mine	40 Years
Mineral Resources within Optimised Mine Plan	326 Mt
Annual Saleable Production (LOM Average)	7.1 Mtpa
Operating Cost (LOM Average, including rehabilitation), at mine gate	US\$25.4/t
Transport Cost (assumed average distance 900kms rail to end user)	US\$10.6/t
Project Capital Cost (Including contingency but excluding contractor/leased items & sustaining)	US\$337 M
Post-tax LOM Free Cash Flow (nominal)	US\$1.73 billion
Net Present Value (NPV) as at October 2018	US\$2.355 billion

During the year, Balamara has invested time in considering what equipment may yield the best results at Sawin and engaging with equipment suppliers to understand both the equipment and the costs. This has been a valuable exercise and will positively impact the revised Sawin PFS and all of the Company's other projects as it moves closer to development and mining.

Three years ago, Balamara embarked on an in-fill drilling programme at Sawin that was designed to provide adequate spacing to deliver an Indicated Resource, and later a Reserve, as well as providing further information on coal quality, coal seam locations (and thickness) and geotechnical and hydrology data. This drilling has been very successful to date and Balamara has currently completed the nine planned holes. 2 additional holes have been proposed within the Sawin III deposit.

This drilling has highlighted a greater seam thickness than initially expected over a considerable strike area within the high quality 391 coal seam, and this had a large impact on mine planning and ultimately on the revised PFS.

Nowa Ruda: Coking coal project (100% owned; Poland)

In July 2013, the Government of Poland awarded the rights to explore and develop the Nowa Ruda Coal Project to Balamara's 100%-owned Polish subsidiary company, Coal Holding Sp z o.o., providing an exciting opportunity for the Company to reposition itself as a significant mid-tier player in the international coal industry.

The Nowa Ruda Project is located in the Central Sudeten range within the Lower Silesian Coal Basin, close to the Czech Republic border. It consists of a single lease area covering two large, adjacent coal deposits – known as the Waclaw and Piast deposits. The project covers a surface land area of approximately 20km² and extensive key infrastructure including roads, rail, power and water is in place in this area.

During 2018 Balamara received a positive decision for the Environmental Impact Assessment at Nowa Ruda. Shortly after receiving the decision, Balamara has lodged the Mining Licence Application. Balamara has completed all drilling required and lodged all documentation to the relative authorities and is now awaiting a decision for a Mining Licence.

The total Coal Resource Estimate for both the Waclaw and Lech deposits is 86.5 million tonnes and comprises:

- JORC (2012) Measured and Indicated Resources – 30.5Mt
- JORC (2012) Inferred Resources – 56 Mt



OPERATIONS REPORT

Table 2: Nowa Ruda resource estimate, as at 1 June 2015

Resource Classification	Mass (Mt)	F1.55 Theoretical Yield (adb) %	Raw Relative Density (adb)
Measured	10.5	72	1.58
Indicated	20.0	67	1.57
Inferred	56	66	1.58
TOTAL	86.5		

Tonnes calculated on an adb basis, Minimum seam thickness cut-off of 0.6m and Minimum F1.55 theoretical yield cut-off of 35%



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 30 June 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

Mike Ralston (*Resigned: 17 June 2019*)
Non-Executive Director

Michael Hale
Non-Executive Director

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

Principal activities

The principal activities of the group are for the exploration and development of coal resources and reserves, creating value for shareholders by taking the project to production. The core strategy is to acquire and advance quality projects of significant size and scale, in low sovereign risk environments, those being our Polish coal projects. For a detailed review of the Group's Projects, refer to the operations report commencing on page 5.

Review and results of operations

During the year ended 30th of June 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 through its wholly owned subsidiary Coal Holding has lodged its application 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.

The comprehensive loss for the consolidated entity attributable to members was \$8,409,731 (2018: \$5,323,227).

Significant changes in the state of affairs

Jonathan Kwok Hung Leung, Andrew Spencer Doman and Mathew Ryan Smith have been appointed as the new non-executive directors of the company.

Matters subsequent to the end of the financial year

The company has raised an additional AUD \$300,000 by issuing 10,000,000 shares via placement to an institutional investor.

The company has converted \$13,402,119 of its convertible note outstanding by issuing 347,540,965 shares on 30 August 2019.



DIRECTORS' REPORT

Environmental regulation

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

Information on Directors



Derek Lenartowicz **BS Eng MSE (Executive Chairman)**

Appointed as an Executive Director on the 2nd of May 2007 and became the Executive Chairman from the 1st of August 2011.

Experience and expertise

Mr Lenartowicz is a Mining Engineer with considerable experience in developing and operating resource projects, most particularly in Australia where he has lived for the past 35 years, and in Poland, his country of birth. Most notably he was General Manager of BHP's Mt Keith Nickel Mine in Western Australia for 5 years, which is one of the largest nickel mines in Australia. In addition, he has held senior executive positions with View Resources and Syngas, both ASX listed resource companies.

Mr Lenartowicz has been living in Poland for the past four years, leading the team and developing the Company's assets with his vast experience and expertise.

Other current Directorships of listed entities

None



Michael Hale (**Non-executive Director**)

Appointed 12 April 2011

Experience and expertise

Mr Hale has a long held interest in Public Administration including service in the Cabinet Office for the State Government of Western Australia.

He has previously held elected positions with the governing bodies of the City of Perth and University of Western Australia. Mr Hale has over 35 years' experience in public administration and corporate governance, having served on various Boards and Committees.

Mr Hale plays the role of an independent Director; however he has added significant value in the Uniper funding agreement and development of that relationship.

Other current Directorships of listed entities

None

Former Directorships in the last three years (ASX listed)

None



DIRECTORS' REPORT



Mike Ralston (Non-executive Director)

Appointed on 1 March 2011
 Resigned on 17 June 2019

Experience and expertise

Mr Ralston is a Chartered Management Accountant with extensive international experience. He has been directly involved in the resources sector in Australia since moving to Perth in 2004 and has been a Director and/or Chief Finance Officer for several ASX-listed resource companies in that time, including Terra Gold Resources, View Resources, Fireside Resources and Kangaroo Resources.

Other current Directorships of listed entities

None

Former Directorships in the last three years (ASX listed)

None

Company Secretary

Mr Mathew Smith was appointed as the Company Secretary on 30 May 2017.

Mr Smith graduated with a Bachelor of Commerce (Accounting) from Murdoch University and is a member of the Certified Practising Accountants Australia.

Meetings of Directors

The numbers of meetings of the company's board of directors held during the year ended 30 June 2019, and the numbers of meetings attended by each director were as follows:

Director	Number of Meetings	
	Eligible to attend	Attended
Derek Lenartowicz	5	5
Mike Ralston	5	2
Michael Hale	5	5

Other matters of board business have been resolved via circular resolutions of the directors, which are a record of decisions made at a number of informal meetings of the directors held to control, implement and monitor the company's activities throughout the year. There were no committee meetings held throughout the year, these issues are dealt with at each meeting of the directors.

Additional information

(a) Insurance of officers

During the financial year the Company paid a premium of \$22,500 (2018: \$14,451) to insure the directors and officers of the Company. The liabilities insured against are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company and any other payments arising from liabilities incurred by the officers in connection with any such proceedings.

This does not include such liabilities that may arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position, or the use of information to gain advantage for them or someone else that causes detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.



DIRECTORS' REPORT

(b) Agreement to indemnify officers

The Company has entered into agreements to provide access to company records and to indemnify the directors of the company. The indemnity relates to any liability:

1. As a result of being, or acting in their capacity as, an officer of the company to the maximum extent permitted by law; and
2. for legal costs incurred in successfully defending civil or criminal proceedings.

No liability has arisen under these indemnities as at the date of this report.

(c) Proceedings on behalf of the Company

No person has applied to the court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

(d) Auditor

The company appointed Greenwich & Co Audit Pty Ltd as the company auditor with approval 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.

(e) Non-audit services

During the year the group paid \$Nil (2018: \$Nil) to a related entity of the auditor for non-audit services provided as outlined in note 20 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

(f) 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 12 of the annual report.

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

Derek Lenartowicz
Executive Chairman
SUBIACO, 31 October 2019



Auditor's Independence Declaration

As auditor for the audit of Balamara Resources Limited for the year ended 30 June 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 audit; and
- II) no contraventions of any applicable code of professional conduct in relation to the audit.

Greenwich & Co Audit Pty Ltd

Nicholas Hollens.
Nicholas Hollens
Managing Director

31st October 2019
Perth



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Interest revenue		1,504	17,064
Other income	7a	1,419	36,569
Consultancy costs		(483,582)	(148,561)
Director & employee costs		(1,281,901)	(676,117)
Share-based payments		-	-
Other corporate expenses	7b	(455,954)	(550,261)
Professional services		(211,348)	(217,993)
Interest expense	7d	(1,186,558)	(996,710)
Exploration costs expensed as incurred	12	(4,518,403)	(2,760,065)
Write-off of capitalised exploration expenditure	12	(100,000)	-
Foreign exchange (loss)/gain		(171,630)	39,253
Loss before income tax expense		(8,406,453)	(5,256,880)
Income tax expense	6	-	-
Loss from continuing operations		(8,406,453)	(5,256,880)
Loss after income tax from discontinued operations		-	-
Net loss after tax for the year		(8,406,453)	(5,256,880)
Other comprehensive income/(losses) for the year:			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation difference		1,425	(7,462)
Total comprehensive loss for the year		(8,405,028)	(5,264,342)
Net loss is attributable to:			
Owners of Balamara Resources Limited		(8,404,008)	(5,319,134)
Non-controlling interests		(2,445)	62,254
		(8,406,453)	(5,256,880)
Total comprehensive loss is attributable to:			
Owners of Balamara Resources Limited		(8,409,731)	(5,323,227)
Non-controlling interests		4,703	58,885
		(8,405,028)	(5,264,342)
Basic and diluted-loss per share from continuing operations attributable to the ordinary equity holders of the Company (cents per share):	24	(1.11)	(0.75)

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



CONSOLIDATED BALANCE SHEET
As at 30 June 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	8	39,583	1,776
Trade and other receivables	9	410,056	175,938
Other assets	10a	31,108	3,885,785
Total current assets		480,747	4,063,499
Non-current assets			
Other assets	10b	19,448	22,082
Plant and equipment	11	6,779	59,667
Exploration and evaluation assets	12	4,818,122	100,000
Total non-current assets		4,844,349	181,749
Total assets		5,325,096	4,245,248
Current liabilities			
Trade and other payables	13	4,899,544	3,679,677
Borrowings	14	11,201,283	9,953,256
Provisions	15	-	3,830,775
Unearned Income	16	4,939,303	4,939,303
Total current liabilities		21,040,130	22,403,011
Non-Current liabilities			
Trade and other payables		5,373,539	-
Long Service Leave payable		1,825	-
Total non-current liabilities	13	5,375,364	-
Total liabilities		26,415,494	22,403,011
Net assets / (liabilities)		(21,090,398)	(18,157,764)
Equity			
Issued capital	17	86,049,460	80,718,309
Reserves	18	1,721,847	2,604,852
Accumulated losses		(108,706,622)	(101,321,140)
Capital and reserves attributable to owners of Balamara Resources Limited		(20,935,315)	(17,997,978)
Non-controlling interests	25	(155,083)	(159,786)
Total equity / (deficiency in equity)		(21,090,398)	(18,157,764)

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

BALAMARA RESOURCES LIMITED
30 JUNE 2019



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 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 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	-	-	-	-	-	(8,404,008)	(8,404,008)	(2,445)	(8,406,453)
Foreign currency translation	-	-	(5,721)	-	-	-	(5,721)	7,148	1,427
Total comprehensive loss for the year	-	-	(5,721)	-	-	(8,404,008)	(8,409,729)	4,703	(8,405,026)
Transactions with owners in their capacity as owners:									
Expiry of Options	-	(1,018,526)	-	-	-	1,018,526	-	-	-
Issue of shares, net of transaction costs	5,331,151	-	-	-	-	-	5,331,151	-	5,331,151
Value of conversion rights on convertible notes issued	-	-	-	141,241	-	-	141,241	-	141,241
Balance as at 30 June 2019	86,049,460	-	61,167	1,738,297	(77,618)	(108,706,621)	(20,935,315)	(155,083)	(21,090,398)

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

BALAMARA RESOURCES LIMITED
30 JUNE 2019



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 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 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	-	-	-	-	-	(5,319,134)	(5,319,134)	62,254	(5,256,880)
Foreign currency translation	-	-	(4,093)	-	-		(4,093)	(3,369)	(7,462)
Total comprehensive loss for the year	-	-	(4,093)	-	-	(5,319,134)	(5,323,227)	58,885	(5,264,342)
Transactions with owners in their capacity as owners:									
Share based payments	-	-	-	-	-	-	-	-	-
Issue of shares, net of transaction costs	-	-	-	-	-	-	-	-	-
Value of conversion rights on convertible notes issued	-	-	-	104,996	-	-	104,996	-	104,996
Transaction costs relating to convertible note	19,650	-	-	-	-	-	19,650	-	19,650
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-
Balance as at 30 June 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)

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



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from operating cash flow		-	1,632,474
Payments to suppliers and employees		(2,647,281)	(2,148,744)
Exploration expenditure		(3,537,251)	(1,050,881)
Interest received		1,504	17,064
Interest Paid	7d	(31,718)	(120)
Net cash outflows from operating activities		(6,214,747)	(1,550,207)
Cash flows from investing activities			
Acquisition of plant and equipment	11	96,380	(28,475)
Net cash outflows from investing activities		96,380	(28,475)
Cash flows from financing activities			
Proceeds from issue of share capital		5,669,569	-
Payment of financing transaction costs	17	(338,418)	19,650
Other capital raising costs		-	(19,650)
Proceeds from borrowings		825,000	760,000
Net cash inflows from financing activities		6,156,151	760,000
Net Increase/(decrease) in cash and cash equivalents		37,784	(818,682)
Cash and cash equivalents at beginning of the year		1,776	818,128
Exchange rate adjustment		23	2,330
Cash and cash equivalents at end of the year	8	39,583	1,776

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



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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

These general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Balamara Resources Limited is a for profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

These financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Adoption of new and revised accounting standards

The Company has adopted 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 January 2018. It has been determined by the Company 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 Company accounting policies including:

- AASB 9 Financial Instruments
AASB 9 Financial Instruments introduces new classification and measurement models for financial assets and is applicable to annual reporting periods beginning on or after 1 July 2018.

The Company has applied AASB 9 using the modified retrospective approach because the measurement of financial assets under AASB9 are consistent to the Company's current practice.

- AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018.

The Company does not currently have any contracts with customers in place.

The Company does not consider there to be any material impact from the adoption of AASB 15 Revenue from Contracts with Customers.

(iii) New standards and interpretations not yet adopted

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application date or future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

- AASB 16 Leases
The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases, and require, subject to certain exemptions, the recognition of a 'right-of-use asset' and a corresponding lease liability, and the subsequent depreciation of the 'right-of-use' asset. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Company is currently not party to any material operating or finance lease arrangements.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

This standard is applicable to annual reporting periods beginning on or after 1 January 2019 and as such the Company will adopt this standard from 1 July 2019. Whilst at this time the Company does not consider there to be any material impact from the adoption of AASB 16 Leases, it will make an assessment of potential effects over the next 12 month period.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost basis.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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 and divestment of its current asset portfolio.

The group has incurred a net loss after tax for the year ended 30 June 2019 of \$8,406,453 (2018: \$5,256,880) and experienced net cash outflows from operating activities of \$6,214,747 (2018: \$1,550,207). At year-end the working capital position was a deficit of \$20,559,384 (2018: deficit \$18,339,513). The ability of the entity to continue as a going concern is dependent on securing additional funding through the issue or 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. 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 and for at least the amounts stated in the financial report.

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 Note 14, in January 2017 a loan of \$7m was secured from Ample Skill, of which \$2.785m has been drawn down as at 30 June 2019.
- As of 30 June 2019, the company has raised an additional £3,064,686.63 (approx. AUD 5.669m) by issuing 102,183,027 shares via placement to various investors
- 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.
- The company has converted \$13,402,119 of its convertible note outstanding by issuing 347,540,965 shares on 30 August 2019.

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.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Balamara Resources Limited (the Company) as at 30 June 2019 and the results of all subsidiaries for the year then ended. Balamara Resources Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50 per cent of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(c)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated of profit or loss and other comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Balamara Resources Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

The group determines and presents operating segments based on the internal information that is provided to the board, whom are considered the group's chief operating decision maker.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation

(i) Functional and presentational currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Balamara Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each foreign subsidiary are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The functional currency of its foreign subsidiaries is as follows;

- | | |
|---|----------------------|
| • Polmetal Sp. z o.o. (Poland): | Polish Zloty |
| • Global Mineral Prospects Sp. z o.o. (Poland): | Polish Zloty |
| • Coal Holding Sp. z o.o. (Poland) | Polish Zloty |
| • Carbon Investment Sp. z o.o. (Poland) | Polish Zloty |
| • Polish Coal Resources Ltd (United Kingdom) | Great British Pounds |



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods and disposal of other assets is recognised when the group has passed control of the goods or other assets to the buyer. Interest revenue is recognised using the effective interest method.

Revenue from sale of coal is deferred until such it is delivered to the customers. This is classified as unearned income in the non-current liability section of the balance sheet.

(f) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade receivables

Trade receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

(i) Plant & equipment

Plant and equipment are shown at cost less accumulated depreciation and impairment losses (refer note 1(k)). Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

Depreciation is calculated using the prime cost method with their estimated useful lives as follows:

<u>Category</u>	<u>Useful Life</u>
Office furniture & equipment	3-7 years
Motor vehicles	3-5 years
Computer equipment	1-3 years

(j) Exploration and evaluation expenditure

Exploration and evaluation costs, excluding the cost of acquiring areas of interest, information rights related to those areas are expensed as incurred. The capitalised cost is carried forward where the right of tenure of the area of interest is current and they are either expected to be recouped through sale or successful development and exploitation of the area of interest or the activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active significant operations in, or in relation to, the area of interest.

When an area of interest is abandoned, or the directors decide that it is not commercial, any accumulated costs in respect of that area are written-off in the financial year the decision is made.

Exploration and evaluation assets are assessed and tested for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to CGU's to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

(k) Impairment of Assets

(i) Non-financial assets (other than Goodwill)

Non-financial assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The group assesses at each reporting date whether any objective indications of impairment are present. Where such an indicator exists, a formal assessment of recoverable amount is then made and where this is in excess of carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and 'value-in-use' ("VIU"). The VIU is the present value of the future cash flows expected to be derived from the asset or cash generating unit.

In estimating VIU, a pre-tax discount rate is used which reflects the current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial period which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred, or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Unearned Income

Where the company enters in to agreements for the sale of coal from one or more of its projects, the economic benefits received are accounted for as unearned income until such time that the Group fulfils its obligations and delivers the coal to the counterparty in relation to the relevant agreement. Refer Note 16.

Compound financial instruments

Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that

does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest relating to the financial liability is recognised in profit or loss and other comprehensive income. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(n) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

(o) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, number of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(p) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Balamara Resources Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity attributable to the owners of Balamara Resources Limited.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

(r) Loss per share

Basic loss per share ("LPS") is calculated by dividing the profit/ loss attributable to owners of the Company by the weighted number of shares outstanding during the year.

Diluted LPS adjusts the figures used in the calculation of basic LPS to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed or known to have been issued in relation to dilutive potential ordinary shares.

(s) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant tax office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(t) Financial instruments

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

(ii) Classification and subsequent measurement

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss

On the basis of the two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets

A financial asset is subsequently measured at amortised cost when it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income when it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3 applies
- held for trading; or
- initially designated as at fair value through profit or loss

All other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship)

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for derecognition of a financial asset:

- the right to receive cash flows from the asset has been expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the entity no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment of financial assets

Impairment

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both. The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money

For trade receivables, material expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

For intercompany loans that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the subsidiary does not have sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, an expected credit loss is calculated. This is calculated based on the expected cash flows arising from the subsidiary, and weighted for probability likelihood variations in cash flows.

2 Financial risk management

Risk management is carried out by the board of directors under policies approved by the board. The Board identifies and evaluates financial risks and provides written principles for overall risk management. The current activities of the group expose it to minimal financial risk, however, as activities increase there may be exposure to market, credit and liquidity risks.

The groups financial instruments are measured in accordance with the most appropriate accounting standards, discounted to its present value when settlement is expected to be greater than 12 months.

(a) Market risk

Market risk is the risk that changes in market prices such as equity prices, commodity prices, foreign exchange rates and interest rates will affect the income or the value of financial instruments of the group.

Price risk

The group is not exposed to equity securities price risk as there is no holding of investments in securities classified on the balance sheet as available-for-sale or at fair value through profit or loss. Furthermore, changes in commodity prices did not impact, nor are likely to impact the group in the short-term future as the company is still in the exploration/development phase.



NOTES TO THE FINANCIAL STATEMENTS

2 Financial risk management (continued)

Currency risk

As financing of foreign exploration activities is in Australian dollars, there is naturally a currency risk within the group, material examples during the period are outlined below:

1. During the period, extensive exploration was undertaken at each of the coal projects in Poland. The foreign currencies for these projects are Polish Zloty. Balamara transfers funds to its foreign subsidiaries on an as required basis, and therefore the fluctuating foreign exchange rates on these currencies may affect the amount payable in AUD terms.

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date based on historical information and market trends. Management's assessments of the possible changes in foreign exchange rates are between the ranges of 10% either way. The potential effect on post-tax loss and equity are as follows:

	2019	2018
Foreign exchange sensitivity analysis:	\$	\$
Increase in AUD against foreign currencies by 10%	634,955	136,392
Decrease in AUD against foreign currencies by 10%	(634,955)	(136,392)

Interest rate risk

The group has interest bearing financial instruments in the form of cash and cash equivalents. Therefore, the group's income and operating cash flows are subject to changes in the market rates.

The exposure of the group to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates, and the weighted average interest rates on classes of financial assets and financial liabilities, are as follows:

2019 Consolidated:	Weighted average interest rate	Floating interest rate	Fixed interest rate	Non-Interest Bearing	Total
		\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	0.00%	4,303	-	35,280	39,583
Other assets		-	-	20,139	20,139
Trade & other receivables		-	-	14,650	14,650
Total Financial Assets		4,303	-	70,069	74,372
Financial Liabilities					
Payables		-	-	(4,899,974)	(4,899,974)
Borrowings	5%	-	(11,201,283)	-	(11,201,283)
Total Financial Liabilities		-	(11,201,283)	(4,899,974)	(16,101,257)
Net Financial Assets		4,303	(11,201,283)	(4,829,904)	(16,026,885)



NOTES TO THE FINANCIAL STATEMENTS

2 Financial risk management (continued)

	Weighted average interest rate	Floating interest rate	Fixed interest rate	Non-Interest Bearing	Total
2018 Consolidated:					
Financial Assets					
Cash and cash equivalents	0.04%	\$ 512	-	\$ 1,265	\$ 1,776
Other assets		-	-	43,368	43,368
Trade & other receivables		-	-	19,241	19,241
Total Financial Assets		512	-	63,874	64,385
Financial Liabilities					
Payables		-	-	(3,676,592)	(3,676,592)
Borrowings	5%	-	(9,953,256)	-	(9,953,256)
Total Financial Liabilities		-	(9,953,256)	(3,676,592)	(13,629,848)
Net Financial Assets		512	(9,953,256)	(3,676,592)	(13,565,462)

The risk of market changes in interest rates will not have a material impact on the profitability or operating cash flows of the group. If interest rates had moved at 30 June 2019 and all other variables held constant, the loss before tax and cash flows would be affected as illustrated in the following table:

Interest rate sensitivity analysis:	Increase/Decrease in equity	
	2019	2018
Effect on Profitability	\$	\$
+1%: (100 basis points), (2018: +1%)	43	5
-1%: (100 basis points), (2018: -1%)	(43)	(5)

The group does not hedge against interest rate risk.

The carrying value of financial assets and financial liabilities recorded in the financial statements represent their respective fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements. Due to their liquid nature, the carrying amount of cash and cash equivalents is the fair value. Due to the short-term nature, the receivables and payables carrying amounts reflect the fair value.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group has the majority of its cash and cash equivalents with ANZ Banking Corporation; however the board does not determine this to be a risk as their credit rating per Standard & Poor's is a stable AA-. The group has no other exposure to credit risk at 30 June 2019.

(c) Capital risk management and liquidity risk

Capital is the funding required to continue the activities of the group. Capital risk is the risk that capital cannot be raised as and when required to fund the operations of the group. Liquidity risk is the risk that the group cannot meet its short-term financial obligations as and when they become due.

The group objective in managing capital is to safeguard the ability to continue as a going concern to provide a return to shareholders and reduce the cost of capital. In order to reduce the additional dilution to shareholders, the group removed itself from the Official List of the Australian Securities Exchange (ASX) in May 2015, which management believes will assist in raising additional capital at prices higher than the market value derived from the ASX.



NOTES TO THE FINANCIAL STATEMENTS

2 Financial risk management (continued)

The group manages liquidity risk by continuously monitoring forecast and actual cash flows and requirements for future capital raisings. The group has no committed credit lines available, which is appropriate given the nature of the operations. Surplus funds are invested in a cash management account.

The material liquidity risk for the group is the ability to raise equity in the future. Historically capital has been raised sufficiently to fund operations. During the financial year, the Company received \$0.825 million before costs via a convertible note facility with its major shareholder.

Trade and other payables are expected to be settled within 30 days.

Contractual maturities of financial liabilities	Less than 12 months	Between 1 and 2 years	Total Contractual cash flows	Carrying Amount
30 June 2019				
Trade and other payables	4,563,707	-	4,563,707	4,563,707
Borrowings	11,535,000*	-	11,535,000	11,201,283
	16,098,707	-	16,098,707	16,098,707
30 June 2018				
Trade and other payables	3,679,677	-	3,679,677	3,679,677
Borrowings	10,710,000*	-	10,710,000	9,953,256
	14,389,677	-	14,389,677	13,632,933

**Lender has option to convert at any time before maturity*

3 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The following critical accounting estimates and/or assumptions have been made during the preparation of the financial report:

Exploration and evaluation expenditure

These costs (other than the cost of acquiring the interests) and information rights relating to those areas continue to be expensed as incurred and not carried forward, to reduce the risk of uncertainty that the expenditure can be recouped through the sale or successful development and exploitation of the areas of interest. Management believe that there is no need to impair the acquisition costs, as it is likely that these will be recouped in the future via way production or sale of the assets.

Recognition of deferred tax assets

The group has not recognised a deferred tax asset for tax losses as the group does not believe it probable to be recovered by future taxable income in the short-term future.

Share-based payments

The group measures the cost of equity settled transactions with directors, employees, consultants and creditors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes valuation model; refer to note 17 for further details.

4 Fair value measurement

To provide an indication of the reliability of inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows below:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.



NOTES TO THE FINANCIAL STATEMENTS

4 Fair value measurement (continued)

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

5 Segment information

Description of a business segment

In accordance with AASB 8, the reportable segments are based on aggregated operating segments determined by the similarity of the minerals targeted for the same jurisdiction, as these are the sources of the group's major risks and have the most effect on the rates of return.

Once reportable segments have been identified, all remaining segments that do not satisfy the thresholds are to be aggregated together to form an all other segments reporting segment. In accordance with AASB 8 *Segment Reporting*, corporate and administration activities are to be included in the 'other segments' reporting segment.

The group is an explorer for prospective zinc/lead/silver in Montenegro, copper/lead/silver and zinc with its Bogdan project in Poland, and zinc/lead/copper/gold with its tenements in New South Wales. The Board considers the entity from both a commodity type, and a geographical perspective, and at this stage just has the three reportable segments.

(i) Segment assets - 30 June 2019

	Poland Exploration \$	Australia Exploration \$	Total \$
Segments assets	4,818,122	-	4,818,122

Reconciliation of segment assets to the statement of financial position

Cash and cash equivalents	39,583
Trade and other receivables	410,056
Other Assets	50,556
Plant and equipment	6,779
Total Assets	5,325,096

Segment liabilities - 30 June 2019	Poland Exploration \$	Australia Exploration \$	Total \$
Segments liabilities	6,987,569	-	6,987,569

Reconciliation of segment liabilities to the statement of financial position

Trade and other payables	3,285,513
Borrowings	11,201,283
Provisions	1,825
Unearned Income	4,939,303
Total Liabilities	26,415,494



NOTES TO THE FINANCIAL STATEMENTS

5 Segment information (continued)

(ii) Segment assets - 30 June 2018

	Poland Exploration \$	Australia Exploration \$	Total \$
Segments assets	100,000	-	100,000

Reconciliation of segment assets to the statement of financial position

Cash and cash equivalents	1,776
Trade and other receivables	175,938
Other Assets	3,907,867
Plant and equipment	59,667
Total Assets	4,245,248

Segment liabilities - 30 June 2018

	Poland Exploration \$	Australia Exploration \$	Total \$
Segments liabilities	722,150	-	722,150

Reconciliation of segment liabilities to the statement of financial position

Trade and other payables	2,957,527
Borrowings	9,953,256
Provisions	3,830,775
Unearned Income	4,939,303
Total Liabilities	22,403,011

(ii) Segment profit and loss

	Poland Exploration	Australian Exploration \$	Total \$
Expenses	4,450,303	23,100	4,473,403
Write-down of Investment	100,000	-	100,000
Reportable segment loss	4,550,303	23,100	4,573,403

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

	2019 \$	2018 \$
Total loss for reportable segment	(4,573,403)	(2,760,065)
Interest Revenue	1,504	17,064
Other income	1,419	36,569
Foreign exchange gain / (loss)	(171,630)	39,253
Interest expense	(1,186,558)	(996,710)
Consultancy costs	(483,582)	(148,561)
Director & employee costs	(1,281,901)	(676,177)
Other corporate expenses	(455,954)	(550,261)
Professional services	(211,348)	(217,993)
Loss before income tax from continuing operations	(8,406,453)	(5,256,880)



NOTES TO THE FINANCIAL STATEMENTS

6 Income tax & deferred tax

	2019	2018
	\$	\$
(a) Income Tax Expense		
Current Tax	-	-
Deferred Tax	-	-

	2019	2018
	\$	\$
(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable		
Loss from continuing operations before income tax expense	(8,406,453)	(5,256,880)
Loss from discontinued operations before income tax expense	-	-
Tax at the Australian tax rate of 3% (2010%)	<u>(2,521,936)</u>	<u>(1,577,064)</u>

Tax effect of amounts not deductible (allowable) in calculating taxable income:

Under provision prior year	-	-
Share based payments	-	-
Creditors & Accruals	-	-
Annual Leave	(32,217)	20,232
Asset Impairment	-	-
Unrealised exchange loss	-	-
Expenses incurred on foreign projects	1,490,433	1,073,620
Entertainment	-	-
Allowable deductions	(128,887)	(10,983)
Tax losses not recognised	<u>1,192,607</u>	<u>494,195</u>
Income tax expense	-	-

(c) Unrecognised Deferred Tax Assets

The following deferred tax assets have not been brought to account:

Tax losses - revenue	9,222,132	8,121,042
Temporary differences - exploration	(1,445,436)	(30,000)
Temporary differences - other	96,670	31,215
	<u>7,873,366</u>	<u>8,122,257</u>

Deferred tax assets have not been recognised as it is not probable that taxable income will be available against which the deferred tax deductions can be utilised, in respect of the following:

Exploration	(1,445,436)	(30,000)
Trade & other payables	(32,217)	20,232
Section 40-880 expenses	128,887	10,983
Tax loss carry-forward	9,222,132	8,121,042
	<u>7,873,366</u>	<u>8,122,257</u>

7 Other Income & Expenses

	2019	2018
	\$	\$
(a) Other Income		
Sale of Assets	(515)	1,947
Revaluation of investments	(13)	17
Miscellaneous Income	1,947	34,605
	<u>1,419</u>	<u>36,569</u>



NOTES TO THE FINANCIAL STATEMENTS

7 Other Income & Expenses (continued)

(b) Other corporate costs

ASIC, ASX and share registry fees	(5,840)	(6,859)
Depreciation	(19,044)	(25,284)
Insurance	(27,252)	(27,156)
Office Rent & Outgoings	(119,821)	(151,445)
Marketing and public relations	-	(51,066)
IT & office supplies	(89,445)	(19,396)
Printing and mail	(11,929)	(46,745)
Communication costs	(22,888)	(35,092)
Travel & Accommodation	(91,311)	(73,659)
Taxes	(12,248)	(33,895)
Other administrative costs	(56,176)	(79,664)
	(455,954)	(550,261)

(c) Superannuation guarantee

Included within director and employee costs	28,491	8,765
Included within exploration costs	11,321	10,813
	39,812	19,578

(d) Interest Expense

Convertible Note	(1,154,840)	(996,590)
Interest charged on Bank Account	(31,718)	(120)
	(1,186,558)	(996,710)

2019	2018
\$	\$

8 Cash and Cash Equivalents*

Cash at Bank	39,583	1,776
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**refer to note 2 for risk exposure*

9 Trade and other receivables

	2019	2018
	\$	\$
GST/VAT receivable	395,406	156,697
Other receivable	14,650	19,241
	410,056	175,938

10 Other Assets

(a) Current:

Prepayments	30,416	33,723
Other	692	3,852,062
	31,108	3,885,785

(b) Non-Current:

Prepayments	19,448	12,081
Other	-	10,000
	19,448	22,081



NOTES TO THE FINANCIAL STATEMENTS

11 Plant and equipment

	Computer equipment \$	Office furniture and fittings \$	Motor vehicles \$	Total \$
Year ended 30 June 2019				
Opening net book amount	7,872	(4,139)	55,934	59,667
Additions – at cost		-		-
Disposals - at written down value			(96,380)	(96,380)
Depreciation charge	(3,802)	(1,710)	(13,532)	(19,044)
Foreign exchange adjustment	356	7,134	55,046	62,536
Closing net book amount	4,426	1,285	1,068	6,779

As at 30 June 2019

Cost	79,496	19,173	16,021	114,690
Accumulated depreciation	(75,070)	(17,888)	(14,953)	(107,911)
Net book amount	4,426	1,285	1,068	6,779

	Computer equipment \$	Office furniture and fittings \$	Motor vehicles \$	Total \$
Year ended 30 June 2018				
Opening net book amount	17,741	2,916	31,074	51,731
Additions – at cost	402	-	56,576	56,978
Disposals - at written down value	(3,855)		(24,648)	(28,503)
Depreciation charge	(1,926)	(2,036)	(21,322)	(25,284)
Foreign exchange adjustment	(4,490)	(5,019)	14,254	4,745
Closing net book amount	7,872	(4,139)	55,934	59,667

As at 30 June 2018

Cost	76,415	19,678	70,119	166,212
Accumulated depreciation	(68,543)	(23,817)	(14,185)	(106,545)
Net book amount	7,872	(4,139)	55,934	59,667

12 Exploration and evaluation expenditure

	2019 \$	2018 \$
Capitalised:		
Opening balance	100,000	100,000
Additions*	4,818,122	-
Exploration and evaluation expenditure written off	(100,000)	-
Closing balance	4,818,122	100,000

*This represents the cost of rights of geological information obtained for Sawin and Nowa Ruda for 36 months. The rights costs are amortised over the period of the rights on a straight line basis.

The Company has shifted its focus away from Mariola and prioritised its resources to the Sawin and Nowa Ruda projects owing to their increased size, scale and likely higher returns ahead. In 2017, the Mariola concession exploration license was due for renewal which required a substantial investment into further drilling, which Balamara management did not believe was necessary to make any future decision to mine that asset, hence this was regarded as an inefficient use of funds.

Given these financial commitments as required management made the decision to let the concession lapse. The Company's position is protected in that it still has the right to apply for a mining license at Mariola within the next three years, however as it is not the current focus or priority the Board have taken a conservative approach to write-off the acquisition costs associated with the project.



NOTES TO THE FINANCIAL STATEMENTS

12 Exploration and evaluation expenditure (continued)

In accordance with the Groups accounting policy, only acquisition costs and rights of information relating to those areas are capitalised, whilst all other exploration and evaluation expenditure is expensed as incurred. Refer below for a summary of expenditure incurred;

Expensed as incurred:	2019	2018
	\$	\$
Drilling costs	510,714	642,231
Assaying and analysis costs	1,931,887	176,099
Consultancy costs	133,167	11,148
Salaries and wages	1,708,502	1,268,977
Travel and accommodation	44,685	133,042
Concession fees	43,114	528,196
Other	146,334	372
	4,518,403	2,760,065

13 Trade and other payables

	2019	2018
	\$	\$
(a) Current		
Trade payables	2,764,015	1,839,047
Other payables	2,134,395	1,732,108
Annual leave payable	1,134	108,522
	4,899,544	3,679,677
(b) Non-current		
Trade payables*	5,373,539	-
Long Service Leave payable	1,825	-
	5,375,364	-

*included rights of historical geological information payable to the Ministry of Environment as follows

	PLN	\$
Sawin-Rights payable – current portion	2,128,508	811,912
Sawin-Rights payable – non-current portion	8,480,000	3,234,769
	10,608,508	4,046,681

The amount of PLN1,068,508 is payable within 30 days from the day on which the decision on issuance of mining concession becomes final. The remaining amount of PLN9,540,000 shall be paid in 9 equal annual instalments, payable by 31 December each year.

	PLN	\$
Nowa Ruda-Rights payable – current portion	629,843	240,251
Nowa Ruda-Rights payable – non-current portion	5,607,000	2,138,770
	6,236,843	2,379,021

The amount of PLN629,843 is payable within 30 days from the day on which the decision on issuance of mining concession becomes final. The remaining amount of PLN5,607,000 shall be paid in 9 equal annual instalments, payable by 30 June each year.

Management estimates that 50% of the annual leave balance will be used within the next 12 months. Refer to note 2 for risk exposure.



NOTES TO THE FINANCIAL STATEMENTS

14 Convertible Note

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 2016, and both being fully converted to shares as at 30 August 2019.

In January 2017, another loan was secured from Ample Skill for \$7m, of which \$2.785m has been drawn down as at 30 June 2019.

On 30 August 2019, the company has converted \$13,402,119 of its convertible note outstanding by issuing 347,540,965 shares

The outstanding 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 note is recorded as a current liability, as the holder has the option to convert to equity at any time before maturity. The convertible note is presented in the balance sheet as follows;

	2019	2018
	\$	\$
Face Value of Notes Issued	11,535,000	10,710,000
Convertible note reserve – value of conversion rights (<i>note 18 (a)</i>)	(1,738,297)	(1,597,056)
	9,796,703	9,112,944
Interest expense (<i>current year</i>) *	1,154,840	996,590
Interest expense (<i>prior years</i>) *	2,295,578	1,298,988
Interest paid/payable (<i>current year</i>)	(569,070)	(508,190)
Interest paid/payable (<i>prior years</i>)	(1,213,658)	(705,465)
Transaction costs (<i>current year</i>)	(21,499)	(19,650)
Transaction costs (<i>prior years</i>)	(241,611)	(221,961)
Total Liability	11,201,283	9,953,256

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

The fair value as at 30 June 2019 of the convertible note liability recognised at amortised cost is \$11,351,729 (June 2018: \$10,134,821). 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 30 June 2019 is 10.3%.



NOTES TO THE FINANCIAL STATEMENTS

15 Provisions

	2019	2018
	\$	\$
Directors Fee	-	-
Ministry of Environment	-	3,830,775
	<u>-</u>	<u>3,830,775</u>

16 Unearned income

	2019	2018
	\$	\$
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 30 June 2019.

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.

17 Issued Capital

	30 June 2019		30 June 2018	
	Number of shares	Value \$	Number of shares	Value \$
Movement in ordinary shares				
Opening Balance	709,782,922	80,718,309	709,782,922	80,698,659
Placement Shares	102,183,027	5,669,569	-	-
Capital raising costs	-	(338,418)	-	19,650
Closing balance	<u>811,965,949</u>	<u>86,049,460</u>	<u>709,782,922</u>	<u>80,718,309</u>

18 Reserves

(a) Reserve Balances

	2019	2018
	\$	\$
Share-based payments reserve (<i>note 18 (c) (ii)</i>)	-	1,018,526
Transactions with non-controlling interest reserve (<i>note 18 (d)</i>)	(77,618)	(77,618)
Convertible Note Reserve (<i>note 14</i>)	1,738,297	1,597,056
Foreign currency translation reserve	61,168	66,888
	<u>1,721,847</u>	<u>2,604,852</u>

(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. Details on options issued, exercised and lapsed during the financial year, and options outstanding at the end of the reporting period is set out in note 18(c).

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



NOTES TO THE FINANCIAL STATEMENTS

18 Reserves (continued)

(c) Movement in share-based payments reserve

(i) Reconciliation of options issued

Date	Details	Number of options	Amount \$
30-Jun-18	Opening balance	65,800,000	932,840
30-Jun-19	Closing Balance	-	-

Set out below are the options on issue as at 30 June 2019

Expiry date	Exercise price	Balance at start of period	Granted during the period	Exercised during the period	Expired/lapsed during the period	Balance vested and exercisable
26/11/2018	\$0.10	50,800,000	-	-	(50,800,000)	-
22/12/2018	\$0.08	15,000,000	-	-	(15,000,000)	-
		65,800,000	-	-	(65,800,000)	-

(d) Transactions with non-controlling interests

In December 2013 a farm-in deal was signed with UK AIM-Listed Company CEB Resources PLC, to farm-in on the Peelwood Project. The first stage was \$200,000 for a 20% interest in the subsidiary Peelwood Pty Ltd, which was completed during the prior year.

	2019 \$	2018 \$
Opening Balance	(77,618)	(77,618)
Carrying amount of non-controlling interests disposed	-	-
Consideration received from non-controlling interests	-	-
Difference recorded within the reserve	(77,618)	(77,618)

19 Related party disclosures

(a) Investments in controlled entities

	% Owned		Book value of Investments	
	2019	2018	2019	2018
Parent entity				
Balamara Resources Limited#1				
Controlled entities				
Isabella Minerals Pty Ltd#1	100%	100%	-	-
Peelwood Pty Ltd#1	80%	80%	-	-
Polmetal Sp. z o.o.#2	85%	85%	-	-
Global Mineral Prospects Sp. z o.o.#2	100%	100%	-	-
Coal Holdings Sp. z o.o.#2	100%	100%	-	-
Polish Coal Resources Ltd#3	100%	100%	2	2
Carbon Investment Sp. z o.o. #2	100%	100%	-	-
			2	2

1. Company incorporated in Australia
2. Company incorporated in Poland
3. Company incorporated in the United Kingdom



NOTES TO THE FINANCIAL STATEMENTS

19 Related party disclosures (continued)

(b) Key management personnel remuneration

	2019	2018
	\$	\$
Cash remuneration	1,698,917	652,500
Post-employment benefits	47,917	12,840
	1,746,834	606,028

(c) Amounts owing to related parties

	2019	2018
	\$	\$
Derek Lenartowicz	622,610	147,267
Michael Hale	404,409	72,255
Mike Ralston	115,156	311,800
	1,142,175	531,322

20 Remuneration of Auditors

During the year the following fees were paid or payable for services provided by accountants and auditor of the Company:

Entity	Description	2019	2018
		\$	\$
BDO Audit (WA) Pty Ltd	Audit and review of financial statements	-	7,294
Greenwich & Co Audit Pty Ltd	Audit and review of financial statements	30,000	29,000
		30,000	36,294

It is the Company's policy to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where the auditor is awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major material consulting projects.

21 Commitments

	2019	2018
	\$	\$
Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	-	107,448
Later than one year but not later than five years	6,569	91,052
	6,569	198,500
Representing:		
Non-cancellable operating leases	6,569	198,500



NOTES TO THE FINANCIAL STATEMENTS

22 Reconciliation of Loss after income tax to net cash outflow from operating activities

	2019	2018
	\$	\$
Loss for the year:	(8,406,453)	(5,256,880)
<i>Add back non-cash expenses:</i>		
Share based payments	-	-
Depreciation	19,044	25,284
Write-off capitalised exploration expenditure	100,000	-
Consultants paid via equity	-	-
Interest paid via equity	-	-
Effective Interest expense on convertible note	1,154,840	996,590
Non-cash bonus	-	-
Impact from unrealised foreign exchange (gain)/loss	-	-
<i>Changes in operating assets and liabilities:</i>		
(Increase) / Decrease trade and other receivables	(231,485)	49,977
(Increase) / Decrease in other assets	3,854,677	(3,709,452)
Increase / (Decrease) in trade and other payables	2,088,706	(5,754,905)
Increase / (Decrease) in Prepayments	-	1,632,474
Net cash outflow from operating activities	(6,214,747)	(1,550,207)

23 Events occurring after the balance date

The company has raised an additional AUD \$3,000,000 by issuing 10,000,000 shares via placement to an institutional investor.

The company has converted \$13,402,119 of its convertible note outstanding by issuing 347,540,965 shares on 30 August 2019.



NOTES TO THE FINANCIAL STATEMENTS

24 Loss per share

(a) Basic and diluted loss per share	2019 Cents	2018 Cents
Loss from continuing operations attributable to the holders of the Company ordinary equity	(1.11)	(0.75)
(b) Reconciliation of loss used in calculating loss per share	\$	\$
<u>Basic loss per share</u>		
Loss from continuing operations attributable to the holders of the Company ordinary equity	(8,404,008)	(5,319,134)
<u>Diluted loss per share</u>		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(8,404,008)	(5,319,134)
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	760,491,957	713,757,208
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	760,491,957	713,757,208

(d) Information concerning the classification of securities

The group is in a loss-making position and it is unlikely that the conversion of options to ordinary share capital would lead to diluted earnings per share that shows an inferior view of earnings per share. For this reason, the diluted losses per share for the years ending 30 June 2019 are the same as basic loss per share.



NOTES TO THE FINANCIAL STATEMENTS

25 Contingencies

There are no contingencies at the reporting date.

26 Non-controlling interests

	2019	2018
Interests in:	\$	\$
Issued capital	292,962	292,962
Reserves	(11,283)	(18,431)
Accumulated losses	(436,762)	(434,317)
	(155,083)	(159,786)

27 Parent Entity Disclosures

(a) Financial information

Financial position

	2019	2018
	\$	\$
Assets		
Current assets	50,660	22,354
Non-current assets	7,028	107,028
Total assets	57,688	129,382
Liabilities		
Current liabilities	19,398,325	16,730,744
Non-current liabilities	1,825	1,188,090
Total liabilities	19,400,150	17,918,834

Equity

Issued capital	86,049,460	80,718,309
Accumulated losses	(107,130,789)	(101,123,343)
Reserves	1,738,297	2,615,582
Total equity / (deficiency in equity)	(19,342,462)	(17,789,452)

Financial performance

Loss for the year	(3,519,191)	(1,372,405)
Other comprehensive income	-	-
Total comprehensive income	(3,519,191)	(1,372,405)



DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 13 to 45 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, 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 30 June 2019 and of its performance for the financial 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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the relevant persons as required by section 295A of the *Corporations Act 2001*.

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

Derek Lenartowicz
Executive Chairman

Subiaco
31 October 2019

Independent Auditor's Report To the members of Balamara Resources Limited

Opinion

We have audited the financial report of Balamara Resources Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended; and
- ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 to the financial report, which describes that the ability of the Group to continue as a going concern is dependent on successful mining and exploration, and further equity issues. As a result, there is material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Exploration and Evaluation Expenditures

The Group has incurred significant exploration and evaluation expenditures which have been capitalised. As the carrying value of exploration and evaluation expenditures represents a significant asset of the Group, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, the asset was required to be assessed for impairment.

In doing so, we carried out the following work in accordance with the guidance set out in AASB 6 *Exploration for and Evaluation of Mineral Resources*:

- We obtained evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditures by obtaining independent searches of a sample of the Group's tenement holdings;
- We enquired with management and reviewed budgets to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the Group's areas of interest were planned;
- We enquired with management, reviewed announcements made and reviewed minutes of directors' meetings to ensure that the Group had not decided to discontinue activities in any of its areas of interest;
- We enquired with management to ensure that the Group had not decided to proceed with development of a specific area of interest, to ensure the classification as exploration was appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the Operations and Directors Report and other information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

The other information obtained at the date of this auditor's report is included in the annual report, (but does not include the financial report and our auditor's report thereon).

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director
Perth
31st October 2019

Additional Information

Additional Information provided that has not been disclosed elsewhere in this report is set out below. The shareholder information was applicable as at 25 September 2019.

(a) Top 20 shareholders

The names of the twenty largest shareholders are listed below:

Shareholder	Number	% of issued capital
AMPLE SKILL LIMITED	227,688,834	28.04
ANDREW SPENCER DOMAN	70,498,042	11.53
DEREK LENARTOWICZ	62,436,812	8.68
MICHAEL RALSTON & SHARON RALSTON	45,202,990	7.63
OCEAN GLAD LIMITED	24,299,680	2.68
VULPES INVESTMENT MANAGEMENT PRIVATE LIMITED	21,780,382	2.56
BRIGHT AGILE LIMITED	20,814,225	2.46
MAXWELL NEWTON SINGAPORE PTE LTD	16,666,667	2.25
MILOS BOSNJAKOVIC	12,400,000	1.78
OVERSEA-CHINESE BANKING CORPORATION LIMITED	10,503,800	1.53
CITICORP NOMINEES PTY LIMITED	7,049,800	1.29
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,485,000	1.21
PIPS FINDS LIMITED	6,390,000	1.03
MBL CONSTRUCTION PTY LTD	5,535,060	0.87
MATHENGINE PLC	5,000,000	0.86
MR GUL CHANDIRAM MAHTANI	4,521,833	0.85
MIRON BADIN	4,241,254	0.84
AGGARIS INVESTMENTS LIMITED	4,000,000	0.80
MR ADAM DLUGAJCZYK	3,697,870	0.68
SUNSET CAPITAL MANAGEMENT PTY LTD	3,610,000	0.68
Total	635,402,587	78.25
Balance of Register	176,563,362	21.75
Grand Total	811,965,949	100.00

(b) Voting Rights

Ordinary Shares

On a show of hands every member present at a meeting of shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to the options

(c) Distribution of Equity Security Holders

Category	Ordinary Fully Paid Shares	Percentage of equity securities
1 – 1,000	6,602	0.00%
1,001 – 5,000	169,771	0.02%
5,001 – 10,000	697,789	0.09%
10,001 – 100,000	24,822,505	3.06%
100,001- and over	786,269,282	96.84%
Total	811,965,949	100%

