BALAMARA

RESOURCES LIMITED

ABN 84 061 219 985

INTERIM FINANCIAL REPORT
31 DECEMBER 2014

CONTENTS

CORPORATE DIRECTORY

Directors

Mike Ralston
Derek Lenartowicz
Piotr Kosowicz
Michael Hale

Company Secretary

Daniel Kendall

Auditors

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

Bankers

ANZ Banking Corporation
Albert Avenue,
Chatswood, NSW 2067

Registered Office

Level 1, 350 Hay Street
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Telephone: +61 8 636504519
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Share Registry

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

Stock Exchange Listing

Securities of Balamara Resources Limited are listed on the Australian Securities Exchange (ASX).

ASX Code: BMB

Web site: http://balamara.com.au

DIRECTORS' REPORT

Your Directors present their financial report on the consolidated entity (referred to hereafter as the Group) consisting of Balamara Resources Limited and the entities it controlled at the end of, or during the period to the half-year ended 31 December 2014.

Directors

The names of the Directors of the Company in office at any time during the half-year or since the date of this report are noted below:

Derek Lenartowicz
Executive Chairman

Mike Ralston
Managing Director

Milos Bosnjakovic (resigned 8/1/15)
Executive Director

Piotr Kosowicz (appointed 17/2/15)
Executive Director

Michael Hale
Non-Executive Director

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

Results and Review of Operations

During the half-year ended 31 December 2014, the Group:

- Acquired the advanced Mariola Thermal Coal Project via 100% ownership in Carbon Investment Sp z o.o, located in the Upper Silesian Basin, Poland. Acquisition was done via ~$10million deal, primarily scrip;
- Secured 100% of the substantial Sawin North Thermal Coal Project, located in the Lublin Basin, Poland;
- Maiden JORC Resource of 120MT* completed at Mariola Thermal Coal Project, comprising:
    - Indicated resource of 85.6Mt, and
    - Inferred resource of 35Mt;
- Resource delineation drilling progressed at the Nowa Ruda Coking Coal Project, 7 hole programme nearing completion;
- Major shareholder injected US$5M into the Company through the issue of 66.5M shares, providing funding to continue the development of its coal assets;
- Appointed Internationally-accredited coal specialist firm HDR Salva as lead consultants to complete the Mariola Project Pre-Feasibility Study ("PFS"), released to the ASX on 9 March 2015; and
- Completion of sale for Balkan Mining Ltd for a production royalty capped at $15 million, thus divesting the Company of the former base metals Projects in that region.

**** Competent Person Requirements***

The Company confirms that it is not aware of any new information or data that would materially affect the information included in the prior announcement dated 5 December 2014, and that all material assumptions and technical parameters underpinning the estimates in the prior announcement continue to apply and have not materially changed.

Events occurring after the reporting period

In early February 2015, the Company executed a convertible loan agreement with its major shareholder, Ample Skill Limited. The conversion price is fixed at 3 cents, with a coupon rate of 5% and a term of 4 years. The funds will be drawn down in tranches, with the major shareholder expected to convert to equity at that time, if in accordance with ASX Listing Rules and the Corporations Act.
Later in the month, the Company announced to the market its intention to delist from the ASX. A general meeting will be held on 31 March 2015, to which approval is required for the decision to become effective.

With exceptions to those noted above, there have been no other matters or circumstances that have arisen since 31 December 2014 that have significantly affected, or may significantly affect:

(i) The Group's operations in future financial years, or
(ii) The results of those operations in future financial years, or
(iii) The Group's state of affairs in future financial years.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the Group's auditors, BDO Audit (WA) Pty Ltd, to provide the Directors with an independence declaration in relation to the review of the half-year financial report. This independence declaration forms part of the Directors' Report and is included on page 6.

Signed in accordance with a resolution of the Directors, made pursuant to Section 306(3) of the *Corporations Act 2001,* On behalf of the Directors.

Mike Ralston
Managing Director
SUBIACO
Date: 16 March 2015

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Australia

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

As lead auditor for the review of Balamara Resources Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Balamara Resources Limited and the entities it controlled during the period.

Brad McVeigh

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2014

	Note	31 December 2014 $	31 December 2013 $
Revenue			
Interest revenue		18,298	25,823
		18,298	25,823
Administrative expenses		(652,944)	(496,513)
Exploration costs expensed as incurred	6	(1,877,076)	(1,262,310)
Foreign exchange gain/(loss)		(531)	4,575
Director and employee costs		(283,952)	(369,957)
Share-based payments	12	-	(2,155,724)
Write-off of capitalised exploration expenditure	6	(96,596)	-
Consultancy costs		(16,114)	(350,461)
Professional services		(42,397)	(73,461)
		(2,951,312)	(4,678,028)
Loss before income tax expense		(2,951,312)	(4,678,028)
Income tax expense		-	-
Loss from continuing operations		(2,951,312)	(4,678,028)
Loss after income tax from discontinued operations	10	(12,851)	(825,546)
Loss for the half-year		(2,964,163)	(5,503,574)
Other comprehensive income/(losses) for the half-year			
Items that may be realised through profit or loss:			
Foreign currency translation reserve		(873,310)	(198,204)
Total comprehensive loss for the half-year		**(3,837,473)**	**(5,701,778)**
Net loss is attributable to:			
Owners of Balamara Resources Limited		(2,944,984)	(5,452,659)
Non-controlling interests		(19,179)	(50,915)
		(2,964,163)	**(5,503,574)**
Total comprehensive loss is attributable to:			
Owners of Balamara Resources Limited		(3,805,218)	(5,661,895)
Non-controlling interests		(32,255)	(39,883)
		(3,837,473)	**(5,701,778)**
The comprehensive loss for the period attributable to owners of Balamara Resources Limited arises from:			
Continuing operations		(3,775,014)	(4,561,616)
Discontinued operations		(62,459)	(1,140,162)
		(3,837,473)	**(5,701,778)**
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the company (cents per share):		(0.80)	(1.44)
Basic and diluted loss per share attributable to the ordinary equity holders of the company (cents per share):		(0.80)	(1.70)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Note	31 December 2014 $	30 June 2014 $
Current assets			
Cash and cash equivalents	4	2,050,729	387,906
Trade and other receivables		218,552	108,597
Other assets	5	161,910	100,977
		2,431,191	597,480
Assets classified as held for sale	9	-	721,966
Total current assets		**2,431,191**	**1,319,446**
Non-current assets			
Other assets	5	77,509	77,876
Plant and equipment		83,934	10,918
Exploration and evaluation assets	6	12,068,157	1,909,686
Total non-current assets		**12,229,600**	**1,998,480**
Total assets		**14,660,791**	**3,317,926**
Current liabilities			
Trade and other payables	8	1,661,176	998,179
		1,661,176	998,179
Liabilities directly associated with assets classified as held for sale	9	-	330,198
Total current liabilities		**1,661,176**	**1,328,377**
Non-current liabilities			
Provisions		16,585	16,585
Total non-current liabilities		**16,585**	**16,585**
Total liabilities		**1,677,761**	**1,344,962**
Net assets		***12,983,030***	***1,972,964***
Equity			
Issued capital	11	77,496,779	62,649,240
Reserves		1,937,166	2,797,400
Accumulated losses		(66,484,266)	(63,471,030)
Capital and reserves attributable to owners of Balamara Resources Limited		**12,949,679**	**1,975,610**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2014 $	30 June 2014 $
Non-controlling interests		33,351	(2,646)
Total equity		***12,983,030***	***1,972,964***

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2014

	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserves	Reserve for Transactions with NCI	Accumulated Losses	Total	Non-controlling Interest	Total Equity
	$	$	$	$	$	$	$	$
Balance at 1 July 2014	62,649,240	2,155,724	719,294	(77,618)	(63,471,030)	1,975,610	(2,646)	1,972,964
Comprehensive income for the half year								
Loss for the half year	-	-	-	-	(2,944,984)	(2,944,984)	(19,179)	(2,964,163)
Foreign currency translation	-	-	(860,234)	-	-	(860,234)	(13,076)	(873,310)
Total comprehensive loss for the half year	-	-	(860,234)	-	(2,944,984)	(3,805,218)	(32,255)	(3,837,473)
Transactions with owners in their capacity as owners:								
Share based payments	75,135	-	-	-	-	75,135	-	75,135
Acquisition of Mariola Project	9,570,000	-	-	-	-	9,570,000	-	9,570,000
Transactions with non-controlling interests	-	-	-	-	(68,252)	(68,252)	68,252	-
Issue of shares, net of transaction costs	5,202,404	-	-	-	-	5,202,404	-	5,202,404
Balance at 31 December 2014	**77,496,779**	**2,155,724**	**(140,940)**	**(77,618)**	**(66,484,266)**	**12,949,679**	**33,351**	**12,983,030**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the half-year ended 31 December 2013

	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserves	Accumulated Losses	Total	Non-controlling Interest	Total Equity
	$	$	$	$	$	$	$
Balance at 1 July 2013	56,012,446	4,524,187	423,653	(55,346,141)	5,614,145	(118,056)	5,496,089
Comprehensive income for the half year							
Loss for the half year	-	-	-	(5,452,659)	(5,452,659)	(50,915)	(5,503,574)
Foreign currency translation	-	-	(209,236)	-	(209,236)	11,032	(198,204)
Total comprehensive loss for the half year	-	-	(209,236)	(5,452,659)	(5,661,895)	(39,883)	(5,701,778)
Transactions with owners in their capacity as owners:							
Share based payments	342,826	2,155,724	-	-	2,498,550	-	2,498,550
ESS share buy-back	-	(3,976,414)	-	3,976,414	-	-	-
Issue of shares, net of transaction costs	5,244,147	-	-	-	5,244,147	-	5,244,147
Balance at 31 December 2013	**61,599,419**	**2,703,497**	**214,417**	**(56,822,386)**	**7,694,947**	**(157,939)**	**7,537,008**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2014

	Note	Half-year 2014 $	Half-year 2013 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,506,145)	(996,458)
Exploration expenditure		(1,278,273)	(2,585,049)
Interest received		18,298	25,823
Interest paid		(381)	(88,593)
Discontinued operations		(248,063)	-
Net cash flows used in operating activities		**(3,014,564)**	**(3,644,277)**
Cash flows from investing activities			
Payments for plant and equipment		(70,822)	(8,875)
Payments relating to project acquisitions		-	(762,969)
Acquisition of subsidiary, net of cash acquired	7	(351,155)	-
Proceeds from sale of subsidiaries, net of cash foregone	10	(144,423)	-
Net cash flows used in investing activities		**(566,400)**	**(771,844)**
Cash flows from financing activities			
Proceeds from issue of share capital		5,483,919	5,259,898
Share issue costs		(240,513)	(91,603)
Net cash flows provided by financing activities		**5,243,406**	**5,168,295**
Net increase/(decrease) in cash and cash equivalents		1,662,442	752,174
Exchange rate adjustment		381	18,740
Cash and cash equivalents at beginning of the half-year		387,906	433,442
Cash and cash equivalents at end of the half-year	4	**2,050,729**	**1,204,356**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1. Statement of significant accounting policies

Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The interim half-year report does not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

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

Changes in accounting policy

The Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2014. A number of new or amended standards became applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Going concern

The financial report has been prepared on the going concern basis of accounting which assumes that the Group will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business. This includes expenditure on the Group's various exploration projects. The Directors recognise that the Company will be dependent on various funding alternatives to meet these commitments, including share placements and/or other alternate methods of funding. If the Company is unsuccessful in securing additional funding, then it would need to scale back its current exploration program.

The Group has incurred a net loss after tax for the half-year ended 31 December 2014 of $2,964,163 (2013: $5,503,574) and experienced net cash outflows from operating activities of $3,014,564 (2013: $3,644,277). At period-end the working capital position was a surplus of $770,015 (June 2014: deficit of $8,931).

The Directors believe that at the date of signing the financial report they have reasonable grounds to believe that having regard to matters set out above, along with the recently executed $4 million convertible loan agreement as disclosed in note 15, the Group will have sufficient funds to meet its obligations as and when they fall due.

Asset Acquisition

In July 2014, the Company made a strategic 15% acquisition in Carbon Investment Sp z o.o. via a 5% placement for $400,000 and a 10% share purchase from CEB Resources PLC via $1,170,000 in equity plus $100,000 cash. On 22 December 2014, the Company acquired the remaining 85% (total: 100%) ownership in Carbon Investment from its shareholders via equity, amounting to $8,400,000, pursuant to a Share Sale Agreement. As the acquisition is not deemed a business acquisition, the transaction has been accounted for as an asset acquisition.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

2. Segment information

Description of business segment
The reportable segments are based on aggregated operating segments determined by the similarity of the minerals targeted within that geographic location, 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 emerging coal producer in Poland, whilst remains the holder of some non-core zinc/lead/copper/gold 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 two reportable segments, as the sale of the Balkans projects was finalised during the period.

(i) Segment assets - 31 December 2014

	Poland Exploration $	Australia Exploration $	Total $
Segments assets	10,255,067	1,873,090	12,128,157

Reconciliation of segment assets to the consolidated statement of financial position

Total reportable segment assets	12,128,157
Cash and cash equivalents	2,050,729
Trade and other receivables	218,552
Other assets	179,419
Plant and equipment	83,934
Total Assets	**14,660,791**

(ii) Segment assets - 30 June 2014

	Exploration Poland $	Exploration Australia $	Total $
Segments assets	96,596	1,873,090	1,969,686

Reconciliation of segment assets to the balance sheet

Total reportable segment assets	1,969,686
Cash and cash equivalents	387,906
Trade and other receivables	108,597
Other assets	118,854
Plant and equipment	10,918
Assets classified as held for sale	721,966
Total assets	**3,317,927**

(iii) Segment profit or loss

	Balkans Exploration $	Poland Exploration $	Australia Exploration $	Total $
Reportable segment loss Dec 2014	-	(1,849,779)	(27,297)	(1,877,076)
Reportable segment loss Dec 2013	(273,585)	(932,602)	(56,123)	(1,262,310)

2. Segment information (continued)

A reconciliation of reportable segment loss to operating loss before income tax is provided as follows:	**31 December 2014 $**	**31 December 2013 $**
Total loss for reportable segment	(1,877,076)	(1,262,310)
Interest revenue	18,298	25,823
Administrative expenses	(652,944)	(496,513)
Director & employee costs	(283,952)	(369,957)
Consultancy costs	(16,114)	(350,461)
Professional services	(42,397)	(73,461)
Share-based payments	-	(2,155,724)
Exploration and evaluation expenditure written off	(96,596)	-
Unrealised foreign exchange gain/(loss)	(531)	4,575
Loss before income tax from continuing operations	**(2,951,312)**	**(4,678,028)**

3. Fair value of financial instruments

(a) Recurring fair value measurements

The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

(b) Fair values of financial instruments not measured at fair value

The following instruments are not measured at fair value in the statement of financial position. If measured at fair value, they would have the following fair values at 31 December:

(i) 31 December 2014

	Carrying Amount $	**Fair Value $**
Current Assets		
Trade and other receivables	66,162	66,162
Other assets	79,437	79,437
	145,599	145,599
Current Liabilities		
Trade and other payables	1,661,176	1,661,176

Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.

(ii) 30 June 2014

Current Assets		
Trade and other receivables	70,538	70,538
Other assets	75,146	75,146
	145,684	145,684
Current Liabilities		
Trade and other payables	934,088	934,088

Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.

	31 December 2014 $	30 June 2014 $
4. Cash and cash equivalents		
Cash at bank	2,050,729	387,906

5. Other assets

	31 December 2014 $	30 June 2014 $
Current:		
Prepayments	94,332	33,168
Deposit for Togo project - tender	65,650	65,650
Other investments	1,928	2,159
	161,910	100,977
Non-current:		
Office bonds	17,509	17,876
Tenement bonds – Australia*	60,000	60,000
	77,509	77,876

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

6. Exploration and evaluation expenditure

	31 December 2014 $	30 June 2014 $
Capitalised:		
Opening balance	1,909,686	6,141,999
Additions – Mariola Project	10,155,067	-
Additions – Sawin Project[1]	100,000	-
Classified as non-current assets held for sale	-	(203,869)
Exploration and evaluation expenditure written off[2]	(96,596)	(4,228,702)
Exchange rate movements	-	200,258
Closing balance	12,068,157	1,909,686

1. In July 2014, the Company secured the rights to the Sawin Project, via the award of a government concession. An amount of $100,000 was payable for facilitation fees to secure this concession, which remained as a payable at 31 December 2014 and was settled via equity post reporting date.
2. During the period, management have written off the acquisition costs of the Bogdan project as there are currently no plans for further exploration activity.

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

	31 December 2014 $	31 December 2013 $
Expensed as incurred:		
Drilling costs	1,146,876	293,154
Assaying and analysis costs	181,683	11,402
Consultancy costs	93,934	419,394
Salaries and wages	309,636	290,098
Acquisition of historical data	34,101	-
Travel and accommodation	50,315	175,728
Other	60,531	72,534
	1,877,076	1,262,310

7. Asset Acquisition

The Company made a strategic 15% investment in Carbon Investment Sp. z o.o in July 2014, being the holder of the Mariola Project. This was done via a purchase of 10% from CEB Resources for 15,000,000 ordinary shares and $100,000 along with a direct $400,000 placement for the remaining 5%. After considerable due diligence, the Company agreed to acquire the remaining 85% from the shareholders of Carbon Investment via the issue of 200,000,000 ordinary shares.

Reconciliation of Mariola acquisition cost:

	Cash	**Equity**
10% purchase from CEB Resources	$100,000	$1,170,000*
5% placement	$400,000	-
85% acquisition	-	$8,400,000*
Less equity balances acquired	-	$85,067
	$500,000	$10,155,067
Total	**$10,155,067**	

*Share value calculated on issue date

The assets and liabilities of Carbon Investment at the date of acquisition were as follows:

Total assets	$229,819
Total liabilities	$313,577
Total equity	($85,067)

Cash balances acquired at the date of acquisition totaled $148,845, and cash foregone for the acquisition amounted to $500,000. Net cash acquired amounts to $351,155

8. Trade and other payables

	31 December 2014 $	**30 June 2014 $**
Trade payables	949,177	599,874
Other payables and accruals	631,330	346,975
Annual leave payable	80,669	51,330
	1,661,176	998,179

Trade and other payables are expected to be settled within 12 months. Management estimates that employees will turn over their annual leave within the next 12 months.

9. Assets classified as held for sale

At 30 June 2014 the assets classified as held for sale, and liabilities associated with those assets, are directly attributable to the sale of the Balkans Assets, signed in February 2014. At that time, the assets were expected to be sold within the next six months. The Balkans Assets are made up of the subsidiaries North Mining, Eastern Mining and Western Mining, details as follows:

	30 June 2014 $
Assets classified as held for sale (at carrying value)	
Trade and other receivables	75,043
Other assets	403,339
Exploration and evaluation assets	203,869
Plant and equipment	39,715
	721,966
Liabilities directly associated with assets classified as held for sale	
Trade and other payables	**330,198**

10. Discontinued operations

During the period ended 31 December 2014, Balamara completed the sale of its wholly owned subsidiary Balkan Mining Pty Ltd, the holder of:

North Mining Doo – Monty Project;
Eastern Mining Doo – Varesh Project; and
Western Mining Doo – RSC Project.

(a) Financial performance

The financial performance information presented is for the period ending 8 December 2014 (31 December 2014 column) and for the period ended 31 December 2013.

	31 December 2014 $	31 December 2013 $
Revenue	-	-
Expenses	(209,606)	(825,546)
Loss before income tax	(209,606)	(825,546)
Income tax expense	-	-
Loss of discontinued operation after income tax	(209,606)	(825,546)
Gain on sale of Balkan Mining before income tax	196,755	
Income tax expense	-	
Gain on sale of Balkan Mining	196,755	
Loss from discontinued operation	**(12,851)**	

(b) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 8 December 2014 were:

Cash	194,423
Receivables and other assets	60,592
Plant and equipment	37,742
Exploration and evaluation assets	503,671
Total assets	796,428
Trade and other payables	(172,502)
Foreign currency translation reserve	(770,681)
Net assets	**(146,755)**

(c) Details of the sale

Consideration received or receivable:

Cash	50,000
Fair value of contingent consideration	-
Present value of amount due	-
Total consideration	50,000
Carrying amount of net assets sold	(146,755)
Gain on sale	196,755

Although a $15,000,000 royalty agreement has been executed as part consideration for the sale, this has not been accounted for due the risks associated with the projects and the likelihood of the projects commencing production.

For cash flow purposes, the Company received $50,000 on the sale, however had foregone $194,423 on the date of sale, amounting to a net position of $144,423 foregone.

11. Issued capital

Movement in ordinary shares:	31 December 2014 Number of shares	31 December 2014 $	30 June 2014 Number of shares	30 June 2014 $
Opening balance	341,680,538	62,649,240	257,144,549	56,012,446
Placement shares[1]	66,500,000	5,483,919	80,131,977	6,259,898
Share-Based Payments[2]	1,227,902	75,135	3,804,012	459,051
Director & employee share plan	-	-	600,000	-
Asset acquisition[3]	215,000,000	9,570,000	-	-
Capital raising costs	-	(281,515)	-	(82,155)
Closing balance	**624,408,440**	**77,496,779**	**341,680,538**	**62,649,240**

1. US$5million placement conducted with major shareholder Ample Skill Limited during the period.
2. Shares have been issued in lieu of cash for services rendered, primarily relating to consultancy services and brokerage fees associated with the placement.
3. These shares were issued to acquire the Mariola Project, via ownership in Carbon Investment Sp. z o.o. Refer to note 6 for further details.

12. Share-based payments

(i) Reconciliation of options issued

Date	Details	Number of options	Amount $
01/07/2013	Balance	4,900,000	547,773
May 2014	Expired unexercised	(4,900,000)	(547,773)
30/06/2014	*Balance*	-	-
22/12/2014	Free attaching options to Ample Skill Placement	15,000,000	-
31/12/2014	**Closing Balance**	**15,000,000**	**-**

Set out below are the options on issue as at 31 December 2014:

Expiry date	Exercise price	Balance at start of period	Granted during the period	Exercised during the period	Expired/ lapsed during the period	Balance unvested at period end	Balance vested and exercisable
22/12/2018	$0.08	-	15,000,000	-	-	-	15,000,000
		-	**15,000,000**	**-**	**-**	**-**	**15,000,000**

(ii) Reconciliation of Director/employee share plan

On 29 November 2013, shareholders approved both the Director and employee share plans. Under the plan, at the discretion of the board (subject to shareholder approval with Directors) an amount of shares will be issued to the respective participant, whereby they enter into an interest-free loan with the company to acquire the set amount of shares.

The loans are non-recourse and have a term of 4 years. The loan value is calculated at the higher of $0.11 or a 20% discount to the volume weighted average price of 5 trading days at the time of issue.
The shares under the scheme cannot be traded until the loan is repaid, and the entitlement to the plan is lost once the Director/employee is no longer an eligible participant (leaves the Company).

12. Share-based payments (continued)

The share plans approved by shareholders on 29 November 2013 overrides the prior share plan approved by shareholders on 26 August 2011. All shares issued under the original plan have been cancelled, and reissued under the terms of the new plan.

The following table outlines the shares on issue under the Balamara Director Share Plan, and changes during the period:

Directors	Opening balance	Issued during the period	Disposed or cancelled during the period	Repayments	Closing balance
No of shares	30,000,000	-	-	-	30,000,000
Value of loan	$3,300,000	-	-	-	$3,300,000
Share-based payment amount	$1,904,088	-	-	-	$1,904,088

The following table outlines the shares on issue under the Balamara employee Share Plan, and changes during the period:

Employees	Opening balance	Issued during the period	Cancelled during the period	Repayments	Closing balance
No of shares	3,350,000	-	-	-	3,350,000
Value of loan	$368,500	-	-	-	$368,500
Share-based payment amount	$177,841	-	-	-	$177,841

(iii) Calculation of share-based payments

As the loan is non-recourse, the Directors and employees have no obligation to take up these shares and therefore these instruments shall be treated as share based payments where the fair value of the instruments are estimated as at the date of grant using the Black-Scholes calculation, taking into account the terms and conditions upon which the loans were granted. The following tables list the inputs to the model used in the valuations;

1 July 2014 to 31 December 2014:

No issues.

1 July 2013 to 31 December 2013:

	*Issue one**	*Issue two*
Expected volatility (%)	100	100
Risk-free interest rate (%)	3.46	3.46
Exercise price	$0.11	$0.11
Share price at grant date	$0.095	$0.093
Fair value per option at grant date	$0.065	$0.063
Grant date	29 Nov 13	20 Dec 13
Expiry date	29 Nov 17	20 Dec 17
No of Shares	32,750,000	600,000
Total tranche value	$2,117,929	$37,795

Total Value **$2,155,724**

**Relates to all the shares that were cancelled/re-issued under the new plan.*

13. Related party transactions

There have been no material changes to related parties since 30 June 2014.

14. Commitments and contingencies

There have been no other material changes in commitments or contingencies since 30 June 2014.

15. Events occurring after reporting period

In early February 2015, the Company executed a convertible loan agreement with its major shareholder, Ample Skill Limited. The conversion price is fixed at 3 cents, with a coupon rate of 5% and a term of 4 years. The funds will be drawn down in tranches, with the major shareholder expected to convert to equity at that time, if in accordance with ASX Listing Rules and the Corporations Act.
Later in the month, the Company announced to the market its intention to delist from the ASX. A general meeting will be held on 31 March 2015, to which approval is required for the decision to become effective.

With exceptions to those noted above, there have been no other matters or circumstances that have arisen since 31 December 2014 that have significantly affected, or may significantly affect:

- (i) The Group’s operations in future financial years, or
- (ii) The results of those operations in future financial years, or
- (iv) The Group’s state of affairs in future financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors:

(a) the financial statements and notes of the Group as set out on pages 7 to 21:

   (i) give a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date of the Group; and

   (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, as outlined in note 1.

This declaration is made in accordance with a resolution of the Directors made pursuant to Section 303(5) of the Corporations Act 2001.

Mike Ralston
Managing Director

SUBIACO
Date: 16 March 2015

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Balamara Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Balamara Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Balamara Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Balamara Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Balamara Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon various funding alternatives to meet its commitments, including share placements and/or other alternate methods of funding. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, 16 March 2015