



BALAMARA

RESOURCES LIMITED

Annual Financial Report 30 June 2017

ACN: 061 219 985



CORPORATE DIRECTORY

Directors

Derek Lenartowicz (Executive Chairman)
Mike Ralston (Non-Executive Director); (Managing Director to 31 March 2017)
Michael Hale (Non-Executive Director)

Company Secretary

Mathew Smith

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008
Australia

Bankers

ANZ Banking Corporation
Albert Avenue,
Chatswood, NSW 2067

ING Bank Śląski S.A.
Katarzyna Sobczyk
ul. Mickiewicza 3
40-092 Katowice
Poland

Registered Office

Level 2, Spectrum
100 Railway Road
Subiaco WA 6008
Telephone: +61 8 9367 8133
Facsimile: +61 8 9367 8812

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 2017.

Our focus has remained on the continued development of our Polish coal assets and we have had an excellent year in progressing these forward with positive outcomes achieved to date.

The flagship asset in the Company is our Sawin thermal coal project that was acquired during 2014. The Company 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 seven holes have been completed to date, which will assist with increasing the confidence of the resource estimate and ultimately deliver a mineable reserve. 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. Balamara is targeting end-2018 to have a Feasibility Study completed which will be used to meet the requirements of the Polish regulatory authorities. By the end of 2018 Balamara anticipates to have all approvals in place for Sawin, including mining license.

Our Nowa Ruda coking coal asset has made great progress in terms of permitting. In 2017, the Nowa Ruda Municipality approved changes to the local land zoning and usage which has incorporated the commissioning of the mine in this area. Additionally, Balamara has officially lodged the Environmental Impact Assessment to the Regional Government with approval expected by end of 2017. Upon approval of the Environmental Impact Assessment, Balamara will have met all the prerequisites for the Nowa Ruda deposit in order to apply for a mining concession and will apply as soon as possible and to receive the concession in 2018.

The Company continues to build up its team based in Poland in preparation for the development phase into production ahead, and 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.

One of the highlights of this past year has been the development of our relationship with a major coal trading and utility company. As noted in previous announcements Balamara has entered into an initial prepayment of coal agreement that has delivered significant cash, which is being used to complete all necessary work in order to advance Sawin to a decision to mine.

Balamara is working with senior lenders for the project and is advancing in this process with the aim to limit dilution and be on favorable terms for existing shareholders.

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



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 Węgiel 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 (Continued)

In 2017, 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	36 years
Mineral Resources within Optimised Mine Plan	324Mt
Annual Saleable Production (LOM Average)	8.2Mtpa
Operating Cost (LOM Average, including rehabilitation), at mine gate	US\$36.7/t
Transport Cost (assumed average distance 900kms rail to end user)	US\$12.0/t
Project Capital Cost (Including contingency but excluding contractor/leased items & sustaining)	US\$284M
Post-tax LOM Free Cash Flow (nominal)	US\$1.75 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.

Two 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 seven of the total nine planned holes, with drilling of the penultimate hole now underway and the final whole expected to be completed in Q2 2018.

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 2017 Balamara has completed all drilling required and lodged all subsequent documentation to the relative authorities.

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



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 2017.

Directors

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

Derek Lenartowicz
Mike Ralston
Michael Hale
Piotr Kosowicz (Resigned: 11 November 2016)

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 2017, the Group:

- Invested time and resources in evolving the Sawin thermal coal project, and commenced a final two drill hole campaign to assist with coal quality and ultimately to assist in applying for a mining concession;
- Progressed the Nowa Ruda coking coal project significantly in the permitting process;
- Raised \$2.5M USD as a prepayment for future coal sold
- Entered into an agreement for \$7M through a convertible loan
- Completed a sale of its residual interest in the Elsenora Projects to Alkane Resources for \$75,000;
- Terminated its royalty agreement with Balkan Mining Pty Ltd for consideration of \$50,000;
- Raised \$730,000 before costs at a price of \$0.05 per share; and
- Advanced discussions with a number of financiers in regards to financing mine construction.

The comprehensive loss for the consolidated entity attributable to members was \$15,600,527 (2016: \$11,145,580).

Significant changes in the state of affairs

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

Dividends

No dividends were paid or proposed to be paid to members during the financial year.

Matters subsequent to the end of the financial year

In March 2017, the Company secured a contract to supply coal at a future date. An agreement has been made to prepay USD 5m of coal, of which USD 2.5m has been received by the company as at 30 June 2017. The company received additional \$1m on July 2017 as prepayment. The coal shall be delivered between 1 July 2017 and 15 December 2017 unless otherwise mutually agreed.



DIRECTORS' REPORT

Likely developments and expected results of operations

Other than as described under Principal Activities and Matters Subsequent to the End of the Financial Year, the likely developments in the activities of the Group and the expected results of these operations have not been discussed in this report. Disclosure of the information would be likely to result in prejudice to the Group.

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

Former Directorships in the last three years (ASX listed)

None



Mike Ralston (Non-executive Director)

Appointed as a Non-Executive Director on the 1 March 2011 and became the Managing Director effective from 1 August 2011.

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. .

Mr Ralston resigned as Managing Director on 31 March 2017 and remains on the board as a Non-Executive Director, assisting with strategy, finance and corporate matters in particular.

Other current Directorships of listed entities

None

Former Directorships in the last three years (ASX listed)

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

Piotr Kosowicz (Former Non-Executive Director)



Appointed 17 February 2015

Resigned 11 November 2016

Experience and expertise

Mr Kosowicz holds a Master of Engineering from AGH University of Science and Technology, Faculty of Foundry Engineering in Poland, and also completed postgraduate studies in Drilling – Oil and Gas.

He has extensive experience in company management as well as project management for the mining sector and has considerable local expertise on developing projects through the early stages into production, including licensing and permitting. Mr Kosowicz has been a management consultant for listed companies as well as a founder and a leader of start-up companies.

In March 2016, the Board amended Mr Kosowicz's role to a non-executive position (formerly Executive Director).

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 Practicing Accountants Australia.

Mr Daniel Kendall resigned as Chief Financial Officer and Company Secretary during the year and the Board wishes to thank him for his efforts over the past few years.



DIRECTORS' REPORT

Meetings of Directors

The numbers of meetings of the company's board of directors held during the year ended 30 June 2017, 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	5
Piotr Kosowicz (Resigned 28/11/16)	1	1
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) Shares under option

At 30 June 2017 the following ordinary shares under option were on issue (no movement since 2016):

- 15,000,000 options with an exercise price of 8 cents, expiring 22 December 2018; and
- 50,800,000 options with an exercise price of 10 cents, expiring 26 November 2018.

(b) Insurance of officers

During the financial year the Company paid a premium of \$17,297 (2016: \$16,177) 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.

(c) 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.

(d) 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.

(e) Auditor

BDO Audit (WA) Pty Ltd is the appointed auditor of the Company, approved at the Annual General Meeting on 17 November 2011, and remains in office in accordance with Section 327 of the *Corporations Act 2001*. The auditor has not been indemnified under any circumstance.



DIRECTORS' REPORT

(f) Non-audit services

During the year the group paid \$Nil (2016: \$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.

(g) 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 13 of the annual report.

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

Derek Lenartowicz
Executive Chairman
SUBIACO, 29 September 2017

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF BALAMARA RESOURCES LIMITED

As lead auditor of Balamara Resources Limited for the year ended 30 June 2017, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 29 September 2017



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Note	2017	2016
		\$	\$
Interest revenue		35,097	16,997
Other income	7a	124,696	5,807
Consultancy costs		(850,258)	(817,501)
Director & employee costs		(1,248,933)	(969,354)
Share-based payments		-	(932,840)
Other corporate expenses	7b	(572,485)	(1,097,430)
Professional services		(151,794)	(169,361)
Interest expense	7d	(865,091)	(420,452)
Exploration costs expensed as incurred	12	(2,866,954)	(6,139,000)
Write-off of capitalised exploration expenditure	12	(9,564,645)	(625,000)
Foreign exchange gain / (loss)		8,390	(1,008)
Loss before income tax expense		(15,951,977)	(11,149,142)
Income tax expense	6	-	-
Loss from continuing operations		(15,951,977)	(11,149,142)
Loss after income tax from discontinued operations		-	-
Net loss after tax for the year		(15,951,977)	(11,149,142)
Other comprehensive income/(losses) for the year:			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation difference		347,100	(4,135)
Total comprehensive loss for the year		(15,604,877)	(11,153,277)
Net loss is attributable to:			
Owners of Balamara Resources Limited		(15,943,899)	(11,141,419)
Non-controlling interests		(8,078)	(7,723)
		(15,951,977)	(11,149,142)
Total comprehensive loss is attributable to:			
Owners of Balamara Resources Limited		(15,600,527)	(11,145,580)
Non-controlling interests		(4,350)	(7,697)
		(15,604,877)	(11,153,277)
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company (cents per share):	24	(2.26)	(1.59)

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 2017

	Note	2017	2016
		\$	\$
Current assets			
Cash and cash equivalents	8	818,128	1,184,541
Trade and other receivables	9	182,902	404,745
Other assets	10a	176,333	105,938
Total current assets		1,177,363	1,695,224
Non-current assets			
Other assets	10b	65,094	65,584
Plant and equipment	11	51,731	69,284
Exploration and evaluation assets	12	100,000	9,866,027
Total non-current assets		216,825	10,000,895
Total assets		1,394,188	11,696,119
Current liabilities			
Trade and other payables	13	2,209,525	2,557,230
Borrowings	14	8,829,502	7,464,447
Provisions	15	66,400	-
Unearned Income	16	3,306,829	-
Total current liabilities		14,412,256	10,021,677
Non-Current liabilities			
Provisions	15	-	20,000
Total non-current liabilities		-	20,000
Total liabilities		14,412,256	10,041,677
Net assets / (liabilities)		(13,018,068)	1,654,442
Equity			
Issued capital	17	80,698,659	79,976,464
Reserves	18	2,503,949	2,511,414
Accumulated losses		(96,002,005)	(80,619,115)
Capital and reserves attributable to owners of Balamara Resources Limited		(12,799,397)	1,868,763
Non-controlling interests	26	(218,671)	(214,321)
Total equity / (deficiency in equity)		(13,018,068)	1,654,442

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

BALAMARA RESOURCES LIMITED
30 JUNE 2017



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Issued Capital	Share- based payments reserve	Foreign Currency Translation Reserve	Convertible Note Reserve	Reserve for transactions with NCI	Accumulated Losses	Total	Non- controlling Interests	Total Equity /(Deficiency in Equity)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	79,976,464	1,579,536	(272,391)	1,281,887	(77,618)	(80,619,115)	1,868,763	(214,321)	1,654,442
Comprehensive income for the year							-		-
Loss for the year	-	-	-	-	-	(15,943,899)	(15,943,899)	(8,078)	(15,951,977)
Foreign currency translation	-	-	343,372	-	-		343,372	3,728	347,100
Total comprehensive loss for the year	-	-	.	-	-	(15,943,899)	(15,600,527)	(4,350)	(15,604,877)
Transactions with owners in their capacity as owners:									
Share based payments	14,945	(561,010)	-	-	-	561,010	14,945	-	14,945
Issue of shares, net of transaction costs	707,250	-	-	-	-	-	707,250	-	707,250
Value of conversion rights on convertible notes issued	-	-	-	210,173	-	-	210,173	-	210,173
Balance as at 30 June 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)

BALAMARA RESOURCES LIMITED
30 JUNE 2017



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Issued Capital	Share- based payments reserve	Foreign Currency Translation Reserve	Convertible Note Reserve	Reserve for transactions with NCI	Accumulated Losses	Total	Non- controlling Interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	79,989,197	646,696	(268,228)	190,755	(77,618)	(69,477,696)	11,003,106	(198,102)	10,805,004
Comprehensive income for the year									
Loss for the year	-	-	-	-	-	(11,141,419)	(11,141,419)	(7,723)	(11,149,142)
Foreign currency translation	-	-	(4,163)	-	-	-	(4,163)	28	(4,135)
Total comprehensive loss for the year	-	-	(4,163)	-	-	(11,141,419)	(11,145,582)	(7,695)	(11,153,277)
Transactions with owners in their capacity as owners:									
Share based payments	20,000	932,840	-	-	-	-	952,840	-	952,840
Issue of shares, net of transaction costs	-	-	-	-	-	-	-	-	-
Value of conversion rights on convertible notes issued	-	-	-	1,091,132	-	-	1,091,132	-	1,091,132
Transaction costs relating to convertible note	(32,733)	-	-	-	-	-	(32,733)	-	(32,733)
Transactions with non-controlling interests	-	-	-	-	-	-	-	(8,524)	(8,524)
Balance as at 30 June 2016	79,976,464	1,579,536	(272,391)	1,281,887	(77,618)	(80,619,115)	1,868,763	(214,321)	1,654,442

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 2017

	Note	2017	2016
		\$	\$
Cash flows from operating activities			
Receipts from operating cash flow		3,306,829	-
Payments to suppliers and employees		(1,464,366)	(2,819,338)
Exploration expenditure		(4,129,936)	(4,934,763)
Interest received		35,097	16,997
Interest Paid	7d	(264)	-
Net cash outflows from operating activities		(2,252,640)	(7,737,104)
Cash flows from investing activities			
Acquisition of plant and equipment	11	(11,737)	(15,378)
Net cash outflows from investing activities		(11,737)	(15,378)
Cash flows from financing activities			
Proceeds from issue of share capital	17	730,000	-
Payment of financing transaction costs	17	(7,805)	(225,000)
Other capital raising costs	14	(29,695)	-
Proceeds from borrowings	14	1,200,000	7,500,000
Net cash inflows from financing activities		1,892,500	7,275,000
Net Increase/(decrease) in cash and cash equivalents		(371,877)	(477,482)
Cash and cash equivalents at beginning of the year		1,184,541	1,669,039
Exchange rate adjustment		5,463	(7,016)
Cash and cash equivalents at end of the year	8	818,128	1,184,541

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) New amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2016 affected any of the amounts recognised in the current period or any prior period and is not likely to affect future periods.

(iii) Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2017.

(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 2017 of \$15,951,977 (2016: \$11,149,142) and experienced net cash outflows from operating activities of \$2,252,640 (2016: \$7,737,104). At year-end the working capital position was a deficit of \$13,234,893 (2016: deficit \$8,326,453). 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



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

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 23, the Company has received another USD1m from Uniper in July 2017 (as a prepayment of 50,000 tonnes of coal) and as per the Contract the remaining amount to be received is USD1.5m.
- As disclosed in Note 14, in January 2017 a loan of \$7m was secured from Ample Skill, of which \$1.2m has been drawn down as at 30 June 2017.
- The Company is currently in negotiations to raise additional funding and the directors are confident this will lead to an executed debt and/or equity arrangement in the near term.

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

(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 2017 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.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

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.

(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



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

- 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 |

(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 delivers 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.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents includes 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) Investments and other financial assets

Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Impairment

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in note 1(i).

(j) Plant & equipment

Plant and equipment is shown at cost less accumulated depreciation and impairment losses (refer note 1(l)). 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



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

comprehensive income during the reporting period in which they are incurred.

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

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

(k) Exploration and evaluation expenditure

Exploration and evaluation costs, excluding the cost of acquiring areas of interest, are expensed as incurred. The acquisition 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.

(l) Impairment of Assets

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the group on terms that the group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The group considers evidence of impairment for receivables at an individual asset level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) 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.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

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.

(m) 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.

(n) 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 into 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.



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

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.

(o) 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 (Note 21). 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.

(p) 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.

(q) 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



NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) 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.

(s) Loss per share

Basic loss per share ("LPS") is calculated by dividing the profit 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.

(t) 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.

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below:

Reference	Title	Summary	Application date of standard	Impact on Consolidated financial Report	Application date for group
AASB 9 (issued December 2014)	Financial Instruments	<p>AASB 9 amendments to the classification and measurement of financial assets:</p> <ul style="list-style-type: none"> Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). Financial assets are measured at amortised cost or FVTOCI if certain 	Periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The group is in the process of assessing the impact of this amendment.	1 July 2018



NOTES TO THE FINANCIAL STATEMENTS

		<p>restrictive conditions are met. All other financial assets are measured at FVTPL.</p> <ul style="list-style-type: none"> All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss. 			
AASB 15 (issued December 2014)	Revenue from Contracts with Customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	Annual reporting periods beginning on or after	The Group currently has no contracts with customers, and therefore no change is expected on the financial statements as currently presented.	1 July 2018
AASB 16 (issued February 2016)	Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.	Annual reporting periods beginning on or after 1 January 2019.	To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments.	1 July 2019

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.



NOTES TO THE FINANCIAL STATEMENTS

2 Financial risk management (continued)

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.

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:

	2017	2016
Foreign exchange sensitivity analysis:	\$	\$
Increase in AUD against foreign currencies by 10%	66,574	94,238
Decrease in AUD against foreign currencies by 10%	(66,574)	(94,238)

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:

	Weighted average interest rate	Floating interest rate	Fixed interest rate	Non- Interest Bearing	Total
2017 Consolidated:					
Financial Assets		\$	\$	\$	\$
Cash and cash equivalents	0.02%	16,604	-	801,524	818,128
Other assets		-	-	77,016	77,016
Trade & other receivables		-	-	43,288	43,288
Total Financial Assets		16,604	-	921,828	938,432
Financial Liabilities					
Payables		-	-	(2,168,443)	(2,168,443)
Borrowings	5%	-	(8,829,502)	-	(8,829,502)
Total Financial Liabilities		-	(8,829,502)	(2,168,443)	(10,997,945)
Net Financial Assets		16,604	(8,829,502)	(1,246,615)	10,059,513



NOTES TO THE FINANCIAL STATEMENTS

	Weighted average interest rate	Floating interest rate	Fixed interest rate	Non- Interest Bearing	Total
2016 Consolidated:					
Financial Assets		\$	\$	\$	\$
Cash and cash equivalents	1.53%	1,033,069	-	151,472	1,184,541
Other assets		-	-	91,137	91,137
Trade & other receivables		-	-	-	-
Total Financial Assets		1,033,069	-	242,609	1,275,678
Financial Liabilities					
Payables		-	-	(2,383,452)	(2,383,452)
Borrowings	5%	-	(7,464,447)	-	(7,464,447)
Total Financial Liabilities		-	(7,464,447)	(2,383,452)	(9,847,899)
Net Financial Assets		1,033,069	(7,464,447)	(2,140,843)	8,572,221

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 and all other variables held constant, the loss before tax and cash flows would be affected as illustrated in the following table:

	Increase/Decrease in equity	
Interest rate sensitivity analysis:	2017	2016
Effect on Profitability	\$	\$
+1%: (100 basis points), (2016: +1%)	166	10,331
-1%: (100 basis points), (2016: -1%)	(166)	(10,331)

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 2017.

(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.

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.



NOTES TO THE FINANCIAL STATEMENTS

2 Financial risk management (continued)

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 \$1.2 million before costs via a convertible note facility with its major shareholder.

During the year, the company raised \$405,000 by transferring 8.675m restricted director's shares to sophisticated investors. The company also raised \$325,000 via 6.5m share placement on December 2016

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	Between 2 and 5 years	Total Contractual cash flows	Carrying Amount
30 June 2017					
Trade and other payables	2,209,525			2,209,525	2,209,525
Borrowings	9,950,000*			9,950,000	8,829,502
	12,159,525			12,159,525	11,039,027
30 June 2016					
Trade and other payables	2,383,452			2,383,452	2,383,452
Borrowings			8,750,000*	8,750,000	7,464,447
	2,383,452		8,750,000	11,133,452	9,847,899

**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) 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 2017

	Poland Exploration	Australia Exploration	Total
	\$	\$	\$
Segments assets	100,000	60,000	160,000

Reconciliation of segment assets to the statement of financial position

Cash and cash equivalents	818,128
Trade and other receivables	182,902
Other Assets	181,427
Plant and equipment	51,731
Total Assets	1,394,188

Segment liabilities - 30 June 2017

	Poland Exploration	Australia Exploration	Total
	\$	\$	\$
Segments liabilities	591,049	-	591,049

Reconciliation of segment liabilities to the statement of financial position

Trade and other payables	1,618,477
Borrowings	8,829,502
Provisions	66,400
Unearned Income	3,306,829
Total Liabilities	14,412,256



NOTES TO THE FINANCIAL STATEMENTS

5 Segment information (continued)

(ii) Segment assets - 30 June 2016

	Poland Exploration \$	Australia Exploration \$	Total \$
Segments assets	9,866,027	60,000	9,926,027

Reconciliation of segment assets to the statement of financial position

Cash and cash equivalents	1,184,541
Trade and other receivables	404,745
Other Assets	111,522
Plant and equipment	69,284
Total Assets	11,696,119

Segment liabilities - 30 June 2016

	Poland Exploration \$	Australia Exploration \$	Total \$
Segments liabilities	1,854,031	0	1,854,031

Reconciliation of segment liabilities to the statement of financial position

Trade and other payables	703,199
Borrowings	7,464,447
Provisions	20,000
Total Liabilities	10,041,667

(iii) Segment profit and loss

	Poland Exploration	Australian Exploration \$	Total \$
Exploration Expenses	2,866,034	920	2,866,954
Write-down of Capitalised E&E	9,564,645		9,564,645
Reportable segment loss	12,430,679	920	12,431,599

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

	2017 \$	2016 \$
Total loss for reportable segment	(12,431,599)	(6,764,000)
Interest Revenue	35,097	16,997
Other income	124,696	5,807
Foreign exchange gain / (loss)	8,390	(1,008)
Interest expense	(865,091)	(420,551)
Consultancy costs	(850,258)	(817,501)
Director & employee costs	(1,248,933)	(969,354)
Share-based payments	-	(932,840)
Other corporate expenses	(572,485)	(1,097,430)
Professional services	(151,794)	(169,262)
Loss before income tax from continuing operations	(15,951,977)	(11,149,142)



NOTES TO THE FINANCIAL STATEMENTS

6 Income tax & deferred tax

	2017	2016
	\$	\$
(a) Income Tax Expense		
Current Tax	-	-
Deferred Tax	-	-
(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable	2017	2016
	\$	\$
Loss from continuing operations before income tax expense	(15,951,977)	(11,149,142)
Loss from discontinued operations before income tax expense	-	-
Tax at the Australian tax rate of 30%	(4,785,593)	(3,344,743)
Tax effect of amounts not deductible (allowable) in calculating taxable income:		
Under provision prior year	-	-
Share based payments	-	279,852
Creditors & Accruals	-	-
Annual Leave	(25,422)	9,860
Asset Impairment	-	-
Unrealised exchange loss	-	(195)
Expenses incurred on foreign projects	1,059,783	2,959,855
Entertainment	840	-
Allowable deductions	(19,125)	(51,886)
Tax losses not recognised	3,769,517	147,256
Income tax expense	-	-

(c) Unrecognised Deferred Tax Assets

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

Tax losses - revenue	9,680,279	5,835,249
Temporary differences - exploration	(30,000)	(2,959,808)
Temporary differences - other	(6,298)	50,127
	9,643,981	2,925,568

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	(30,000)	(2,959,808)
Trade & other payables	(25,422)	9,860
Section 40-880 expenses	19,125	40,266
Tax loss carry-forward	9,680,279	5,835,249
	9,643,981	2,925,568

7 Other Income & Expenses

	2017	2016
	\$	\$
(a) Other Income		
Sale of Assets	-	5,163
Revaluation of investments	(304)	644
Miscellaneous Income	125,000	-
	124,696	5,807



NOTES TO THE FINANCIAL STATEMENTS

7 Other Income & Expenses (continued)

(b) Other corporate costs

ASIC, ASX and share registry fees	(5,240)	(13,791)
Depreciation	(34,376)	(26,389)
Insurance	(49,443)	(46,145)
Bad debts	-	(78,129)
Office Rent & Outgoings	(198,017)	(226,431)
Marketing and public relations	(6,905)	(155,528)
IT & office supplies	(31,356)	(62,863)
Printing and mail	(12,458)	(9,769)
Communication costs	(47,810)	(51,923)
Travel & Accommodation	(128,382)	(238,226)
Taxes	(8,699)	(12,136)
Other administrative costs	(49,800)	(176,100)
	(572,485)	(1,097,430)

(c) Superannuation guarantee

Included within director and employee costs	48,733	(45,389)
Included within exploration costs	13,719	(16,302)
	62,452	(61,691)

(d) Interest Expense

Convertible Note	(864,827)	(420,452)
Interest charged on Bank Account	(264)	-
	(865,091)	(420,452)

8 Cash and Cash Equivalents*

	2017	2016
	\$	\$
Cash at Bank	818,128	1,184,541

**refer to note 2 for risk exposure*

9 Trade and other receivables

GST/VAT receivable	139,614	393,439
Other receivable	43,288	11,306
	182,902	404,745

10 Other Assets*

(a) Current:

Prepayments	164,411	87,648
Other	11,922	18,290
	176,333	105,938

(b) Non-Current:

Prepayments	5,094	5,584
Other	60,000	60,000
	65,094	65,584



NOTES TO THE FINANCIAL STATEMENTS

11 Plant and equipment

	Computer equipment \$	Office furniture and fittings \$	Motor vehicles \$	Total \$
Year ended 30 June 2017				
Opening net book amount	20,842	4,875	43,567	69,284
Additions – at cost	11,737	-	-	11,737
Depreciation charge	(19,482)	(1,834)	(13,060)	(34,376)
Foreign exchange adjustment	4,645	(125)	567	5,086
Closing net book amount	17,741	2,916	31,074	51,731
As at 30 June 2017				
Cost	90,404	23,466	68,508	182,378
Accumulated depreciation	(72,663)	(20,550)	(37,433)	(130,646)
Net book amount	17,741	2,916	31,074	51,731
	Computer equipment \$	Office furniture and fittings \$	Motor vehicles \$	Total \$
Year ended 30 June 2016				
Opening net book amount	15,690	6,264	57,569	79,523
Additions – at cost	15,378	-	-	15,378
Depreciation charge	(10,598)	(1,944)	(13,847)	(26,389)
Foreign exchange adjustment	372	555	(155)	772
Closing net book amount	20,842	4,875	43,567	69,284
As at 30 June 2016				
Cost	76,830	26,756	65,985	169,571
Accumulated depreciation	(55,988)	(21,881)	(22,418)	(100,287)
Net book amount	20,842	4,875	43,567	69,284

12 Exploration and evaluation expenditure

	2017 \$	2016 \$
Capitalised:		
Opening balance	9,866,027	10,705,051
Exchange rate movements	(201,382)	(214,024)
Exploration and evaluation expenditure written off*	(9,564,645)	(625,000)
Closing balance	100,000	9,866,027

During the period 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. 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.

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;



NOTES TO THE FINANCIAL STATEMENTS

12 Exploration and evaluation expenditure (continued)

Expensed as incurred:	2017	2016
	\$	\$
Drilling costs	904,482	3,452,405
Assaying and analysis costs	383,681	385,207
Consultancy costs	163,095	597,630
Salaries and wages	1,121,476	1,156,171
Travel and accommodation	155,866	229,571
Concession fees	99,058	267,712
Other	39,296	50,304
	2,866,954	6,139,000

13 Trade and other payables

	2017	2016
	\$	\$
Trade payables	737,009	1,205,328
Other payables	1,431,434	1,202,721
Long Service Leave payable	-	125,823
Annual leave payable	41,082	23,358
	2,209,525	2,557,230

Trade and other payables are expected to be settled within 12 months. Management estimates that 50% of the annual leave balance will be used within the next 12 months. Refer to note 2 for risk exposure.

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, with \$2,250,000 being converted to shares in prior years at the fixed price of \$0.03 per share. In January 2017, another loan was secured from Ample Skill for \$7m, of which \$1.2m has been drawn down as at 30 June 2017.

The notes are unsecured with an interest rate of 5%, convertible into equity of the parent entity at the option of the holder, or repayable by 31 January 2019, 27 July 2019, and 25 January 2021 respectively. The 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;

	2017	2016
	\$	\$
Face Value of Notes Issued	9,950,000	8,750,000
Convertible note reserve – value of conversion rights (<i>note 18 (a)</i>)	(1,492,060)	(1,281,885)
Amount converted to issued capital	-	-
	8,457,940	7,468,115
Interest expense (<i>current year</i>)*	864,827	420,452
Interest expense (<i>prior years</i>)*	434,161	13,708
Interest paid/payable (<i>current year</i>)	(459,904)	(232,616)
Interest paid/payable (<i>prior years</i>)	(245,561)	(12,945)
Transaction costs (<i>current year</i>)	(29,695)	(192,267)
Transaction costs (<i>prior years</i>)	(192,266)	-
Total Liability	8,829,502	7,464,447

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



NOTES TO THE FINANCIAL STATEMENTS

14 Convertible Note (continued)

The fair value as at 30 June 2017 of the convertible note liability recognised at amortised cost is \$8,276,646 (June 2016: \$7,286,819). 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 2017 is 10.3%.

15 Provisions

	2017	2016
	\$	\$
Directors Fee	66,400	-
Long Service Leave	-	20,000
	66,400	20,000

In November 2016, an agreement was signed with a director who is expected to leave the company to transfer two motor vehicles, initially leased by the company at market value.

16 Unearned income

	2017	2016
	\$	\$
Coal Prepayment	3,306,829	-

In March 2017, the Company secured a contract to supply coal at a future date. An agreement has been made to prepay USD 5m of coal, of which USD 2.5m has been received by the company as at 30 June 2017. The coal shall be delivered between 1 July 2017 and 15 December 2017 unless otherwise mutually agreed.

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 2017		30 June 2016	
	Number of shares	Value \$	Number of shares	Value \$
Movement in ordinary shares				
Opening balance	702,827,922	79,976,464	701,827,922	79,989,197
Placement Shares	6,500,000	325,000	-	-
Share-based payments ¹	455,000	22,750	1,000,000	20,000
Director/employee share scheme ²	-	405,000	-	-
Capital raising costs	-	(30,555)	-	(32,733)
Closing balance	709,782,922	80,698,659	702,827,922	79,976,464

1. Shares issued in consideration for advisory services in relation to share placement at value of services provided.
2. Shares transferred to new investors under the previous Director Share Loan Scheme. Refer to note 18 c(ii) for further details.



NOTES TO THE FINANCIAL STATEMENTS

18 Reserves

(a) Reserve Balances

	2017	2016
	\$	\$
Share-based payments reserve (<i>note 18 (c) (i) and (ii)</i>)	1,018,526	1,579,536
Transactions with non-controlling interest reserve (<i>note 18 (e)</i>)	(77,618)	(77,618)
Convertible Note Reserve (<i>note 14</i>)	1,492,060	1,281,887
Foreign currency translation reserve	70,981	(272,391)
	2,503,949	2,511,414

(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.

(c) Movement in share-based payments reserve

(i) Reconciliation of options issued

Date	Details	Number of options	Amount \$
30-Jun-16	Opening balance	65,800,000	932,840
30-Jun-17	Closing Balance	65,800,000	932,840

Set out below are the options on issue as at 30 June 2017:

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
26/11/2018	\$0.10	50,800,000	-	-	-	-	50,800,000
		65,800,000	-	-	-	-	65,800,000

(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).

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.



NOTES TO THE FINANCIAL STATEMENTS

18 Reserves (continued)

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	Other decrease	Repayments	Closing balance
No of shares	10,000,000	-	(8,675,000)	-	1,325,000
Value of loan	\$1,100,000	-	(954,250)	-	\$145,750
Share-based payment amount	\$646,696	-	(561,010)*	-	\$85,686

* During the period 8,675,000 were transferred to sophisticated investors for an amount of \$405,000. These shares were part of the previous Director Share Plan, to which the Company Secretary has the rights to transfer shares when a participant is no longer eligible. As at 30 June 2017, there are 1,325,000 shares on issue to which the Company is able to receive cash proceeds for without further diluting its shareholders.

(d) Calculation of share-based payments

During the prior year, incentive options were issued to Directors and Employees, aimed at motivating the senior management to increase shareholder wealth. The first issue was made in September 2015, with the latter in November 2015.

	<i>Issue one*</i>	<i>Issue two</i>
Expected volatility (%)	100	100
Risk-free interest rate (%)	2.20	2.20
Exercise price	\$0.05	\$0.10
Share price at grant date	\$0.03	\$0.04
Fair value per option at grant date	\$0.018	\$0.018
Grant date	4 Sept 15	26 Nov 15
Expiry date	4 Sept 19	26 Nov 18
No of Options	50,500,000	30,000
Total tranche value	\$927,542	\$5,298

*Issue one was later modified to reflect the same terms as Issue 2. The original valuation was higher and therefore has been used for accounting purposes.

(e) 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.

	2017	2016
	\$	\$
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)



NOTES TO THE FINANCIAL STATEMENTS

19 Related party disclosures

(a) Investments in controlled entities

	% Owned		Book value of Investments	
	2017	2016	2017 \$	2016 \$
Parent entity				
Balamara Resources Limited ^{#1}			n/a	n/a
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%	-	10,180,553
			2	10,180,555

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

(b) Key management personnel remuneration

	2017 \$	2016 \$
Cash remuneration	841,737	1,066,785
Post-employment benefits	36,925	38,624
Termination Payments	580,991	-
Share-based payments	-	753,054
	1,459,653	1,858,463

(c) Amounts owing to related parties

	2017 \$	2016 \$
Derek Lenartowicz	-	51,700
Piotr Kosowicz	66,400	30,400
Michael Hale	-	12,903
Mike Ralston	332,983	-
	399,382	95,003

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	2017 \$	2016 \$
BDO Audit (WA) Pty Ltd	Audit and review of financial statements	40,495	36,952

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 are awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major material consulting projects.



NOTES TO THE FINANCIAL STATEMENTS

21 Commitments

	2017	2016
	\$	\$
Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	87,419	180,441
Later than one year but not later than five years	165,021	246,664
Later than five years	-	11,620
	252,440	438,725
Representing:		
Non-cancellable operating leases	252,440	438,725

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

	2017	2016
	\$	\$
Loss for the year:	(15,951,977)	(11,149,142)
<i>Add back non-cash expenses:</i>		
Share based payments	-	932,840
Depreciation	34,376	26,389
Write-off capitalised exploration expenditure	9,564,645	625,000
Consultants paid via equity	-	20,002
Interest paid via equity	-	-
Effective Interest expense on convertible note	864,827	420,551
Non-cash bonus	-	-
Impact from unrealised foreign exchange (gain)/loss	-	(649)
<i>Changes in operating assets and liabilities:</i>		
(Increase) / Decrease trade and other receivables	222,332	(175,957)
(Increase) / Decrease in other assets	(70,394)	(856)
Increase / (Decrease) in trade and other payables	(223,278)	1,564,718
Increase / (Decrease) in Unearned Income	3,306,829	-
Net cash outflow from operating activities	(2,252,640)	(7,737,104)

23 Events occurring after the balance date

Subsequent to balance date, the company has received another USD 1m from Uniper in July 2017 as a prepayment of 50,000 tonnes of coal. As per the contract, the remaining amount to be received is USD 1.5m.

24 Loss per share

(a) Basic and diluted loss per share	2017	2016
	Cents	Cents
Loss from continuing operations attributable to the holders of the Company ordinary equity	(2.26)	(1.59)
(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	(15,943,899)	(11,141,419)



NOTES TO THE FINANCIAL STATEMENTS

24 Loss per share (continued)

Diluted loss per share

Loss from continuing operations attributable to the ordinary equity holders of the Company	(15,943,899)	(11,141,419)
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(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	706,783,100	701,984,086
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	706,783,100	701,984,086

(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 are the same as basic loss per share.

25 Contingencies

There are no contingencies at the reporting date.

26 Non-controlling interests

	2017	2016
	\$	\$
Interests in:		
Issued capital	292,963	292,963
Reserves	(15,062)	(18,790)
Accumulated losses	(496,572)	(488,494)
	(218,671)	(214,321)

27 Parent Entity Disclosures

(a) Financial information

Financial position	2017	2016
Assets	\$	\$
Current assets	773,696	1,033,583
Non-current assets	101,462	20,795,048
Total assets	875,158	21,828,631
Liabilities		
Current liabilities	13,547,932	8,170,403
Non-current liabilities	1,188,090	20,000
Total liabilities	14,736,022	8,190,403
Equity		
Issued capital	80,698,659	79,976,464
Accumulated losses	(97,070,108)	(69,199,659)
Reserves	2,510,586	2,861,423
Total equity / (deficiency in equity)	(13,860,863)	13,638,228
Financial performance		
Loss for the year	(15,370,292)	(2,926,259)
Other comprehensive income	-	-
Total comprehensive income	(15,370,292)	(2,926,259)



DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 20 to 44 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 2017 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
29 September 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Balamara Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Balamara Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Balamara Resources Limited, 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 2017 and of its financial performance for the year ended on that date; 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 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 *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 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.



Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information 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 the 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 ability of the group 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 has 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 the 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 this financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink. The first part of the signature is 'BDO' in a stylized, blocky font. Below it, the name 'J Prue' is written in a cursive script.

Jarrad Prue

Director

Perth, 29 September 2017

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 15 September 2017.

(a) Top 20 shareholders

The names of the twenty largest shareholders are listed below:

Shareholder	Number	% of issued capital
AMPLE SKILL LIMITED	267,869,216	37.74
MICHAEL RALSTON & SHARON RALSTON	89,763,908	12.65
DEREK LENARTOWICZ	61,457,444	8.66
TSIOUPIS TRADING LIMITED	54,243,588	7.64
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,299,527	3.42
VULPES INVESTMENT MANAGEMENT PRIVATE LIMITED	20,814,225	2.93
CITICORP NOMINEES PTY LIMITED	16,503,847	2.33
MBL CONSTRUCTION PTY LTD	7,049,800	0.99
MR ADAM DLUGAJCZYK	5,535,060	0.78
NJLH INVESTMENTS PTY LTD	4,521,833	0.64
DEREK LENARTOWICZ	4,241,254	0.60
BIA PACIFIC MASTER FUND	4,000,000	0.56
MR JAMES VINCENT CHESTER GUEST & MRS SARAH LOUISE GUEST	3,697,870	0.52
MR GUL CHANDIRAM MAHTANI & MR AVEEN GUL MAHTANI & MRS MANJIT KAUR	3,610,000	0.51
MISS LINDA LOUISE HUTCHISON	3,500,000	0.49
MR JASON PETERSON & MRS LISA PETERSON	3,500,000	0.49
MR PETER ASLAN	3,174,000	0.45
ASLAN INVESTMENT HOLDINGS PTY LTD	2,938,532	0.41
RHB SECURITIES SINGAPORE PTE LTD	2,594,339	0.37
KEVIN RAYMOND ALEXANDER	2,566,881	0.36
MRS CYNTHIA WARDMAN	2,200,000	0.31
	588,081,324	82.85
Balance of Register	121,701,598	17.15
TOTAL	709,782,922	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	6,674	0.00%
1,001 – 5,000	169,771	0.02%
5,001 – 10,000	697,789	0.10%
10,001 – 100,000	24,989,505	3.52%
100,001- and over	683,919,183	96.36%
Total	709,782,922	100%

