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NOWA RUDA COKING COAL PROJECT: DRILLING AND PRE-FEASIBILITY STUDY ON TRACK

Balamara Resources Limited (ASX: BMB) (“Balamara” or the “Company”) is pleased to provide an update on recent progress with the ongoing drilling programme and Pre-Feasibility Study at its flagship Nowa Ruda Coking Coal Project, located in southern Poland.

Balamara acquired the Nowa Ruda Project in July 2013 and immediately embarked upon a program designed to convert the significant Foreign Estimate of predominately coking coal (see *ASX announcement dated 24 July 2013*) to a JORC compliant Mineral Resource.

During Q1 2014 Balamara acquired and digitised all existing historical data relating to Nowa Ruda, and engaged experienced European coal consultants Wardell Armstrong International (“WAI”) to deliver a maiden JORC resource of 23Mt (see *ASX announcement dated 28 April 2014*) based solely on historical information.

Earlier this year, the Company commenced a 5-hole confirmatory drilling programme designed to convert a significant proportion of the Foreign Estimate tonnes into a JORC Mineral Resource, as well as to provide further valuable information for coal quality, mine planning and mine design.

This drilling is well underway, with the five holes progressed as follows:

- Hole 1: Waclaw deposit – completed at 1,000m with samples now sent to laboratories for analysis. Coal seam 300 series identified at around 650m and seam thickness largely between 1-2m, both as expected;
- Hole 2: Waclaw deposit – currently drilled to 660m with approximately 30 days to complete this hole to its total planned depth;
- Hole 3: Lech deposit – currently drilled to 359m; and
- Hole 4: Lech deposit – currently drilled to 38m.

Hole 5 (Waclaw deposit) has not yet commenced. In addition, Balamara will soon apply to drill two additional holes in the Lech deposit as part of the current programme. Further drilling at Lech, which is expected to be the first deposit at Nowa Ruda to move into production, will be important to increase the JORC resource tonnage as well as underpin mine planning and design work on existing coal seams.



Pre-Feasibility Study Update

Balamara's objective is to complete the Pre-Feasibility Study, which commenced during Q1 2014, shortly after the confirmatory resource drilling – early 2015. This will clear the way for the Company to apply for a licence to mine during 2015, with financing and infrastructure development to follow.

The application for the mining licence is not dependent on completion of the two additional holes referred to above.

Balamara has recently held the first detailed meeting to coordinate all consultants managing the various aspects of the Pre-Feasibility Study. This meeting resulted in the following key outcomes:

- Wardell Armstrong, the lead external consultant, believe the study is progressing to plan with no major issues or fatal flaws uncovered;
- The Pre-Feasibility Study will target production from the Lech deposit first as Stage 1, with Waclaw deposit to follow later as Stage 2;
- The Lech deposit consists almost entirely of coking coal, whereas the Waclaw deposit has both coking and high grade thermal coal;
- The studies are considering a processing plant on site and use of existing waste dumps;
- The initial Studies are also targeting use of existing infrastructure wherever possible to reduce capital outlay, including existing underground shafts and the existing railway line which runs approximately 300m from proposed underground portal;
- Declines and conveyors are likely to be used at the Lech deposit to ensure maximum coal production capacity possible under Stage 1, which will not necessarily increase the overall capital cost. Preliminary discussions have concluded that the estimated initial Capex to bring the Lech deposit into first production will be approximate to US\$150 million, however this amount is subject to the completion of further studies;
- Specific mine design and mine planning is underway utilising existing data;
- Balamara's consultants have completed a detailed review of operating costs at 17 existing underground mines in the region, which have a similar profile to Nowa Ruda, and the benchmark is US\$75/t. At this level, based on current price of coking coal sold into local coking plants, there would likely be a strong operating margin for Nowa Ruda coal;
- All environmental studies are progressing to plan, which are considered to be the longest lead time in terms of the overall requirement to lodge the application for the mining licence at Nowa Ruda.

In summary, the pre-feasibility study is progressing well and according to plan, both in terms of output as well as timing to completion.

Executive Chairman Derek Lenartowicz is currently residing in Poland and managing the Pre-Feasibility Study as well as other Balamara interests' in-country. Having a Director with his



technical experience who speaks Polish managing the Company's affairs on the ground is of considerable value to Balamara and will ensure the best outcome in the least possible time.

Balamara will continue to update the market as further milestones are reached at Nowa Ruda. The next major step will be to provide the market with a Concept Study Report signed off by Wardell Armstrong, which is expected within the next Quarter.

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