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BALAMARA SECURES CORNERSTONE POSITION IN SECOND ADVANCED POLISH COAL PROJECT

Expands and diversifies Polish coal portfolio by acquiring strategic interest in thermal coal project

Highlights:

- *Balamara secures cornerstone equity interest in a second high-quality Polish coal project, located near its flagship 85%-owned Nowa Ruda Coking Coal Project.*
- *Balamara has acquired 15% of Carbon Investments, owner of the substantial Mariola Thermal Coal Project in Upper Silesia, southern Poland, for 15M shares and \$500,000 cash. Balamara has the option to secure a further 15%, at its election.*
- *Mariola has extensive historical drilling, it is located next door to an operating coal-fired power station and it offers the potential to be brought on stream 12-18 months ahead of Nowa Ruda for considerably lower CAPEX.*
- *\$400,000 cash to be applied directly to the Mariola Project, providing finance with the objective of fast-tracking delivery of an initial JORC Mineral Resource Report from international coal consultants Wardell Armstrong by the end of August 2014.*
- *Mariola offers outstanding synergies with Nowa Ruda in terms of Feasibility Studies, financing options and, ultimately, development & production. This includes potentially using early cash flows from Mariola to help fund the larger-scale Nowa Ruda capital development.*
- *Balamara has commenced discussions regarding the potential acquisition of the remaining 85% through a merger with Carbon Investments.*

Balamara Resources Limited (“Balamara” or the “Company”) is pleased to advise that it has secured a cornerstone equity position in a significant, advanced thermal coal project located near its flagship 85%-owned **Nowa Ruda Coking Coal Project** in south-western Poland.

Balamara has acquired an **initial 15% interest**, with the **option to increase to 30%**, in Carbon Investments S.p. z o.o (“CI”), a private Polish company that owns the 13.3km² Mariola coal concession encompassing the advanced **Mariola Thermal Coal Project**. Mariola, which is located near the town of Katowice (where Balamara has its Polish office), lies in the heart of the Upper Silesian region – one of the largest coal-producing regions in Europe where most Polish thermal power stations are located to take advantage of nearby coal deposits.



The strategic acquisition gives Balamara a unique opportunity to significantly expand its Polish coal portfolio, giving it first-mover advantage in the development of a large, potentially low-cost thermal coal project offering outstanding synergies with its existing Nowa Ruda Coking Coal Project.

Balamara has acquired this equity position by two separate means:

- Firstly, the acquisition of a 10% equity position from UK AIM-listed CEB Resources Ltd (“CEB”) (subject to CI shareholder approval, which is expected shortly), for 15 million Balamara shares plus \$100,000 cash. CEB has an existing Option Agreement with CI that allows it to earn up to 25% of CI (of which it has earned 10% to date). This Option Agreement has also been assigned to Balamara, affording it the right to earn into an additional 15% equity if it chooses via payment of further cash and shares. The full terms of this Option Agreement can be viewed in CEB’s announcement of 14 February 2014 on the Mariola Project, lodged with AIM;
- Secondly, Balamara has acquired 5% by a cash injection to CI of \$400,000, with this cash to be used **exclusively** to advance the Mariola Project, including the objective of fast-tracking the delivery of a maiden JORC standard resource statement by the end of August. The initial JORC resource is currently in preparation using internationally accredited European coal consultants, Wardell Armstrong International (“WAI” or “Wardell”). Wardell is the same coal consultant which has delivered Balamara’s maiden Nowa Ruda Coking Coal JORC Mineral Resource statement and which is helping to manage the Nowa Ruda Feasibility Study.

In combination, Balamara has therefore acquired 15% of CI with the option to acquire a further 15%. Balamara and CI both acknowledge the considerable synergies and advantages of developing these two world-class Polish coal projects together; as a result, discussions have commenced regarding a potential merger of the companies, which would result in Balamara acquiring 100% of the Mariola Project.

Balamara’s Managing Director, Mr Mike Ralston, said the acquisition of a cornerstone investment in the Mariola Project was consistent with the Company’s vision to build a substantial Polish coal mining house targeting only the highest quality assets available there, and this new opportunity provides a significant complementary growth prospect.

“Poland has a number of distinct advantages which make it ideal for long-term mining investment,” Mr Ralston said. “In particular, it is one of very few destinations worldwide having low sovereign risk combined with a low operating cost environment – two of the key considerations for any successful mining project.

“We have already outlined our intention to focus on what we consider to be Tier One Projects – those assets with low capital cost and the potential to deliver EBITDA of more than US\$100 million per annum over a long mine life, in a safe location.



“We believe that Mariola, like Nowa Ruda, clearly has this potential and, importantly, provides us with the opportunity to secure a second high quality project at a reasonable entry price. Mariola has the potential to come on stream approximately 12-18 months ahead of Nowa Ruda, thus diversifying both our production and risk profile and potentially generating substantial earlier cash flows which could help fund the larger Nowa Ruda capital development.

“Of greater significance is that Mariola is likely to have a considerably lower capital cost compared with Nowa Ruda. Based on preliminary estimates by experienced Polish coal consultants and engineers, we believe it could be as little as one-third of the estimated US\$150 million estimated for Nowa Ruda mine development and associated infrastructure.

“Having the ability to bring a lower CAPEX project into production and positive cash flow first, and then potentially using the cash flows generated to fund our second, larger project is a compelling scenario. While more work is required to confirm this potential, Scoping and Pre-Feasibility Studies are already well advanced on both projects and we expect that detailed Feasibility Studies will be completed during 2015 which will support the key elements outlined within this strategy.

“The Mariola Project comes with an experienced and capable in-house management team within Carbon Investments, and Balamara will provide whatever assistance it can to this team to ensure continued fast-track delivery of key milestones to fast-track the Project to a decision-to-mine in 2015.

“Carbon Investments has already mandated experienced European coal experts, Wardell Armstrong International, with the objective of providing a maiden Mariola JORC resource using existing data from 242 historical drill holes and substantial associated data. Thereafter, subject to a successful outcome from the resource report, Wardell will provide a Scoping Study Report for Mariola, anticipated by 4Q 2014, and a Pre-Feasibility Study by 1H 2015.

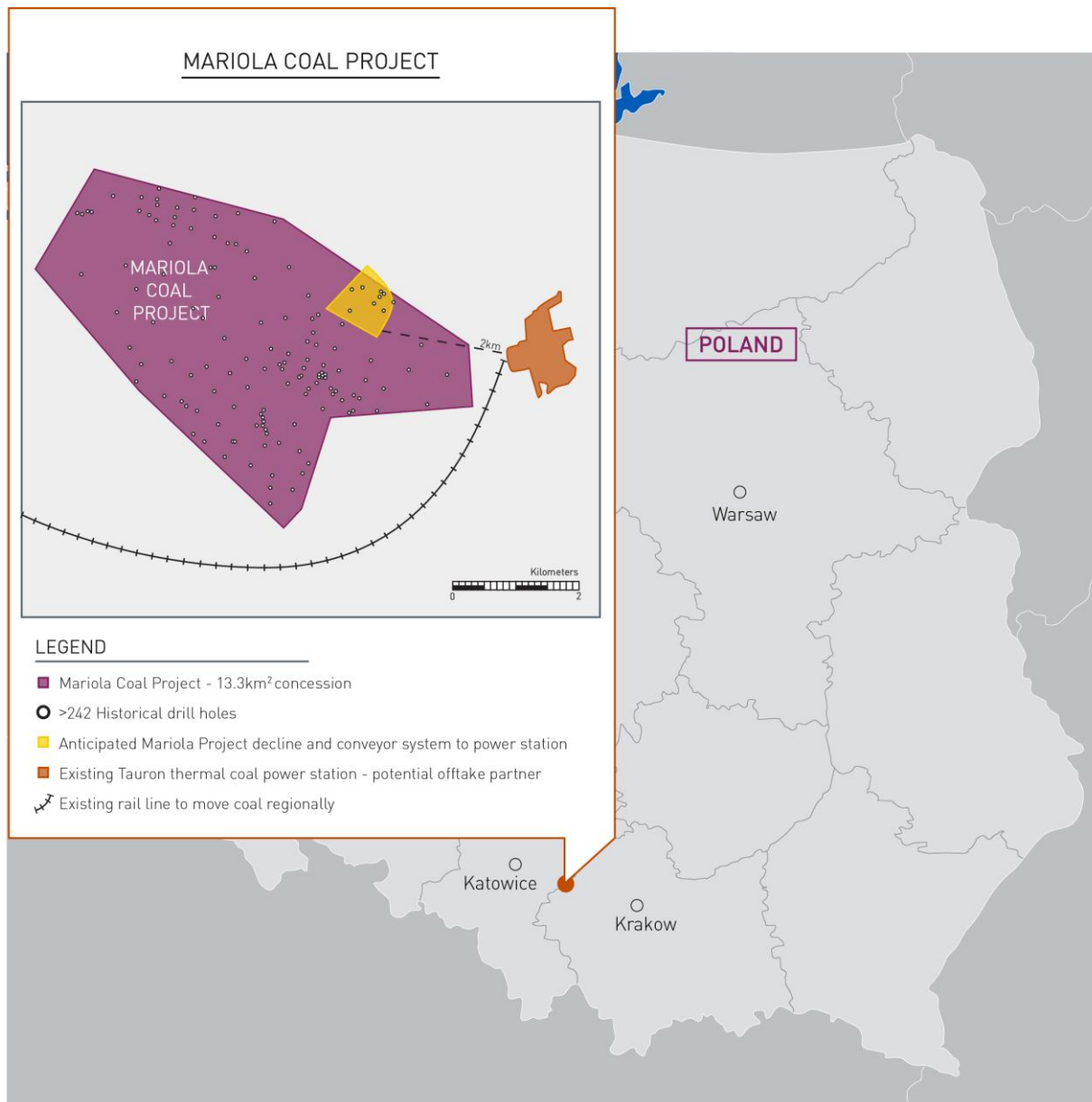
“This transaction gives us an immediate position within one of the most significant undeveloped thermal coal projects in Europe, located right next door to an operating coal-fired power station and with near-term development potential. We are excited about the potential opened up through our cornerstone equity position and we will work closely with the management and shareholders of Carbon Investments to find an attractive solution for all parties to develop these assets together under one Company going forward.

“Mariola is a unique asset in many ways and has impressed us with its potential as a low-CAPEX development potentially generating significant cash flows. We consider this asset as having the opportunity to become one of the cheapest, easiest Polish underground mines to move into production in the next few years, as well as potentially delivering strong margins due to low operating costs and nearby off-take options.



“The outlook for the coal sector in Poland is very positive with strong demand forecast for all types of coal going forward,” Mr Ralston added. “Against this backdrop, we are building a substantial coal portfolio in an excellent jurisdiction, with a diversified portfolio of two projects spanning both coking and thermal coal.”

Figure 1 – Location of Mariola Project in southern Poland near to Katowice (location of Balamara’s Polish offices) and also showing regional geography, including nearby Tauron Thermal Power Station.





About the Mariola Thermal Coal Project

Mariola Project is considered to be world-class by Balamara for all of the following reasons:

1. **Significant tonnage of high quality thermal coal as reported to Polish geological standard.** Wardell Armstrong International have been engaged with the objective of delivering a maiden JORC standard resource report in the next 60 days to underline the considerable coal tonnage and quality. Mariola already has a significant tonnage as defined by the Polish geological standard but this is not reportable under ASX Listing Rules until a JORC (2012) standard is defined.
2. **242 historical holes drilled in 13.3km² concesssion area, giving high degree of confidence in coal tonnage and quality.** Historical data, records and other information relating to this drilling is available and will provide the basis for the potential maiden JORC standard resource report. At this stage, no further resource drilling is considered necessary at Mariola.
3. **Shallow depth with first coal seams only ~100m underground, making for easy access and lower capital cost to develop Mariola into a mining operation.** With the first coal seams only ~100m below surface *Mariola would be the shallowest underground coal mine in Poland*, with associated savings in capital cost for mine development and lower operating costs when in production. Both of these are huge advantages which can ultimately deliver a far more valuable mining project once proven via completed Feasibility Study. With thermal coal having lower margins per tonne than coking coal it is important to reduce overall risk and lower capital and operating costs would provide a more robust Project for funding purposes as well as the overall value proposition.
4. **Coal seams can be accessed by development of a simple decline thus eliminating the need for costly and higher risk shaft development.** Again, this is as a result of Mariola coal being very shallow, allowing for a simple mine plan including declines (as opposed to the much higher cost of production shafts) with conveyors moving both waste and coal to local storage facilities and ultimately moving end product to market.
5. **Favourable geotechnical and environmental conditions.** Local ground conditions are favourable, thus further reducing risk and positively impacting operating costs. In addition, the concession area is undeveloped but also not forrested, which reduces environmental concerns and will assist to more quickly deliver the license to mine.
6. **Preliminary mine designs already completed.** Mariola is considerably advanced in terms of mine planning, even more so than Balamara's Nowa Ruda Project, which will allow for completion of feasibility studies and application for license to mine in 2015.
7. **Access to experienced, low cost workforce.** Poland has a low cost but very experienced mining work force, and, similar to Nowa Ruda, the Mariola Project has the ability to utilise this advantage as it is anticipated to be in the lowest 25% percentile cost for underground mining in comparison to other developed countries and mining locations. All mining projects regardless want to exist in the lowest cost percentile as this greatly reduces risk in the event



world prices drop, whereby only the lower cost producers will remain profitable and producing.

8. **All infrastructure 'at the gate', including rail, roads, power and water.** All key infrastructure is in place nearby, thus reducing costly capital development to deliver power to site, rail spur lines or other major infrastructure requirements that would take additional time and more cost to implement.
9. **Existing coal fired power station within 2kms from lease boundary, as possible off-take partner.** Probably one of the key advantages to Mariola Project is the existing, operating Tauron-owned Siersza thermal power station approximately 2km away, immediately adjacent to the concession, currently producing over 600Mw of power per annum and looking to expand, thus in need of further thermal coal. Carbon Investments are already in discussions with Tauron as regards waste storage, excess water storage, coal storage, and use of rail facilities, plus possible offtake of coal produced from any mining operation. Initial discussions have been favourable and both parties will be looking to lock in a preliminary agreement as soon as possible. If Mariola coal was ultimately sold into the Tauron power station, located just 2km away, this would provide a significant cost saving as well as a natural partner for further mine expansion and development.
10. **Strong support for the Project from local Government and community.** Carbon Investments has worked hard to ensure strong local support from both community and regional administrative bodies, which will assist to bring Mariola Project into production as quickly as possible and pave the way for a productive relationship during mine life.
11. **Experienced local partner to manage the development of the Project.** Carbon Investments has an existing, capable management team led by an experienced CEO, and Balamara is happy to work with this team wherever possible to add further value and ensure delivery of key milestones. This same management team have equity within CI and are therefore incentivised to deliver successful long term value into the Project going forward.
12. **Advanced status of Project with pre-feasibility study underway and lodgement for license to mine within 12 months.** Balamara is aware of the anticipated timelines for both Nowa Ruda and Mariola Projects and the Company believes the addition of this further Project will not in any way impact negatively in terms of delivery of key objectives. As noted previously, Mariola is further advanced to Nowa Ruda and does not require any further drilling, so both time and cost to completion of feasibility and decision-to-mine is lower and can be accommodated.

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