BALAMARA
RESOURCES LIMITED

21 July 2014

BALAMARA SECURES MAJOR NEW COAL PROJECT

Addition of third advanced, large-scale coal Project in south-east Poland puts Balamara firmly on track to be a substantial player in the European coal industry

Highlights:

- *Balamara awarded the concessions rights (for no acquisition cost) for the Sawin North Thermal Coal Project, located in the world-class Lublin Basin of south-eastern Poland.*

- *Sawin comprises a coal exploration licence covering a large area of 132km^2 (13,200ha), which has been granted to Balamara's 100%-owned Polish subsidiary, Global Mineral Prospects ("GMP") for an initial period of 3.5 years.*

- *Sawin has a significant thermal coal deposit, reported as a Foreign Estimate (see Page 3 Notes) as defined by the Polish standard and reported to the Polish Geological Institute.*

- *Sawin is located immediately adjacent to the large coal concession area owned and operated by ASX-listed coal developer Prairie Mining Limited (ASX: PDZ), which contains a reported JORC resource of 1.559 billion tonnes.*

- *Sawin is also located near a significant operating coal mine owned and operated by Lubelski Wegiel Bogdanka SA ("Bogdanka"), one of the most successful mining companies listed on the Warsaw Stock Exchange, with $1.7B market capitalization.*

- *Bogdanka has highlighted the vast potential within the Lublin Coal Basin by developing their mine into one of the best performing projects in Poland. The mine is acknowledged as one of the country's lowest cost coal producers and is currently ramping up to 10Mtpa.*

- *The Lublin Coal Basin (including Sawin and adjacent Bogdanka and Prairie Mining deposits) has a broadly similar geological setting, with similar coal parameters.*

- *Considerable information relating to historical drilling and other technical data exists for Sawin as the concession was extensively explored by the Polish Government previously. This data indicates a large underground deposit with high quality thermal coal.*

- *Balamara will begin collating this information into a digital format as it has done previously at Nowa Ruda, with a view to commencing confirmatory drilling in 2015.*

Balamara Resources Limited (ASX: **BMB**) is pleased to announce that it has been awarded the concession rights to a **third major coal Project** in Poland, complementing its existing two coal Projects and giving the Company substantial additional impetus to realise its objective of becoming a major player in the European coal sector.

1

Through the award of the rights to the **132km² Sawin North Coal Project** to its 100% Polish subsidiary, Global Mineral Prospects, Balamara has added a third potentially world-class coal Project to its Polish portfolio – giving it further size, scale and diversity as a significant emerging coal producer.

Balamara's portfolio now includes three major coal assets covering all three of the major hard coal basins of Poland, as shown in Figure 1 below:
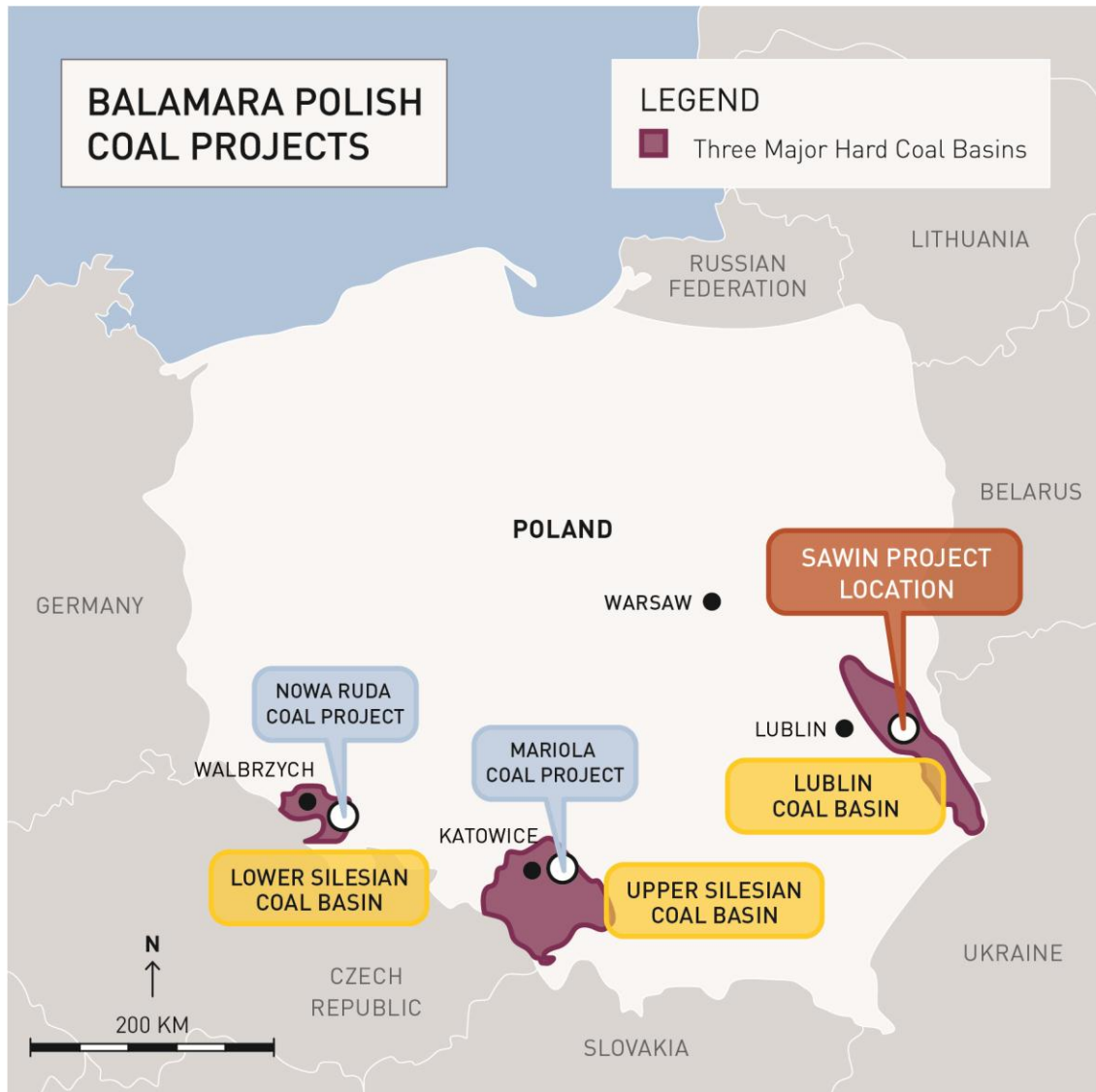

Figure 1: Location of Balamara's Three Coal Projects covering all three of the Major Hard Coal Basins in Poland

Background to Sawin North Thermal Coal Project

The Sawin tenement area covers an area of 132km² in the Lublin Basin, immediately adjacent to the concessions owned by Australian-listed coal developer Prairie Mining Limited and near to the world-class thermal coal mine operated by listed Polish mining company Lubelski Wegiel Bogdanka SA ("Bogdanka").

Balamara applied for the Sawin Concession in 2013, not long after the Company secured its first Polish coal asset, the Nowa Ruda Coking Coal Project. The Company has now been awarded the exploration rights for Sawin, enabling it to conduct drilling for a maximum of 4,750m within five holes over a period of 3.5 years.

This tenement was the subject of extensive exploration activities in the 1970's and 1980's when it was owned by the Polish Government and the existing data demonstrates the highly prospective nature of this area.

The Sawin North concession is part of a larger historical Sawin project area and has a Foreign Estimate that was completed by the official Polish Geological Institute on behalf of the Ministry of Environment.

An estimated 1.387 billion tonnes (see Table 1)* of thermal coal occurs within Sawin North and is part of a larger 2.243 billion tonnes within the overall, historical Sawin concession area. These estimates are reported as Foreign Estimates under ASX listing rules 5.10 and 5.12. All coal has been classified as category C2 under the Polish system of classifying reserves and resources.

*It should be noted that:
- *the Foreign Estimates are not reported in accordance with the JORC Code;*
- *A Competent Person has not yet done sufficient work to classify the foreign estimates as mineral resources or ore reserves in accordance with the JORC Code; and*
- *It is uncertain that following evaluation and/or further exploration work that these foreign estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code.*

Table 1: Sawin North Coal Project – Foreign Coal Estimates under Polish system of classification

Balance (MT) **	Off-Balance (MT)**	Total (MT)	Coal Types
530.8	856.2	1,387	31, 32, 33
			High grade thermal
Coal Parameters (average)			
Calorific Value Kcal/kg	6,488		
Dry Ash Content (%)	11.66%		
Total Sulphur (%)	1.64%		

** Refer Pages 8-9 for detailed explanation of 'Balance' and 'Off-Balance' tonnes per Polish classification.

ASX listing rule 5.12 specifies the additional information that must be provided in a market announcement that contains a Foreign Estimate. This information is contained in the Accompanying Notes at the end of this announcement.

Balamara will acquire existing data relating to exploration drilling, geophysical and other technical work from the Polish Government and digitise this information for review. A comprehensive 5,000m Sawin drilling programme has already been designated within Balamara's application and the Company will work closely on developing this asset going forward with its international coal consultants, Wardell Armstrong International ("WAI"), who have extensive experience in the Lublin coal region having produced both the JORC resource statement and the Scoping Study Report for Prairie Mining's Lublin Coal Deposit.

Close Proximity to World-Class Bogdanka Thermal Coal Project

The Sawin Project is located near the operating thermal coal mine owned by Polish-listed company Lubelski Wegiel Bogdanka S.A. ("Bogdanka"), which is currently the only operating coal mine in the region.

Bogdanka has effectively ramped up this operation over the past few years from an initial 2Mtpa to its current production level of 8Mtpa and, in the process, has grown the company to a $1.7 billion market capitalization and one of the biggest success stories in recent years on the Warsaw Stock Exchange.

During this time, they have developed a very efficient and profitable thermal coal mine which is generally accepted as one of the lowest cost producers of coal in Poland, despite mining ~900m below surface. Their longwall mining method is suited to the thick, continuous coal seams and the ground conditions, and Bogdanka publicly stated in 2012 that they had achieved a world record 24,400 tonnes daily production of coal from a single face.

Bogdanka coal is considered as high quality thermal coal with an average calorific value of 6,202kcal/kg; ash content of 8.4% and sulphur content 1.11% (*source: Bogdanka website*).

Bogdanka delivers their coal to several local thermal power stations through an extensive rail network in the region. Balamara would ultimately consider using the same infrastructure to deliver coal to market in the future.

Balamara's Managing Director, Mike Ralston, said the Company was delighted to have secured such an outstanding coal asset to add to its portfolio, particularly considering the impressive credentials of its existing assets – the Nowa Ruda Coking Coal Project and the recently secured cornerstone position in the Mariola Thermal Coal Project.

"We are pleased to introduce Sawin as our third high quality Polish coal asset," he said. "The award of this valuable concession represents tangible evidence that the Polish Government is very supportive of all the work and the progress we have made at our other concessions, in particular at Nowa Ruda."

"We have now established a substantial portfolio of three exceptional coal assets which give us all the ingredients we need to become a substantial force in the Polish coal industry," Mr Ralston said. "We now have an asset base that gives us size, scale and diversity – all within quality locations."

"**Balamara is now represented in all of the three major hard coal basins in Poland**, that is Lower Silesia (Nowa Ruda), Upper Silesia (Mariola) and now the Lublin Basin (Sawin). The Company has high grade coking coal at Nowa Ruda together with significant volumes of quality thermal coal at both Mariola and Sawin. We have specifically identified and selected these three particular assets because they stand apart from many other Polish coal projects in a number of key respects."

"These Projects can be explored and advanced towards development in a staged manner, enabling us to realise development, financing and operational synergies," Mr Ralston added. "This includes the potential to utilise cash flow from the earliest producing mine (Mariola), which is expected as requiring the lowest CAPEX, to assist with financing and development of the other two projects thereafter."

"With our asset pipeline now fully stocked, we will turn our attention to bringing all three of these quality assets to account – and in the process unlocking substantial value for our shareholders. Balamara is now in a unique position, and we will be working hard to capitalise on this good fortune in the months and years ahead."
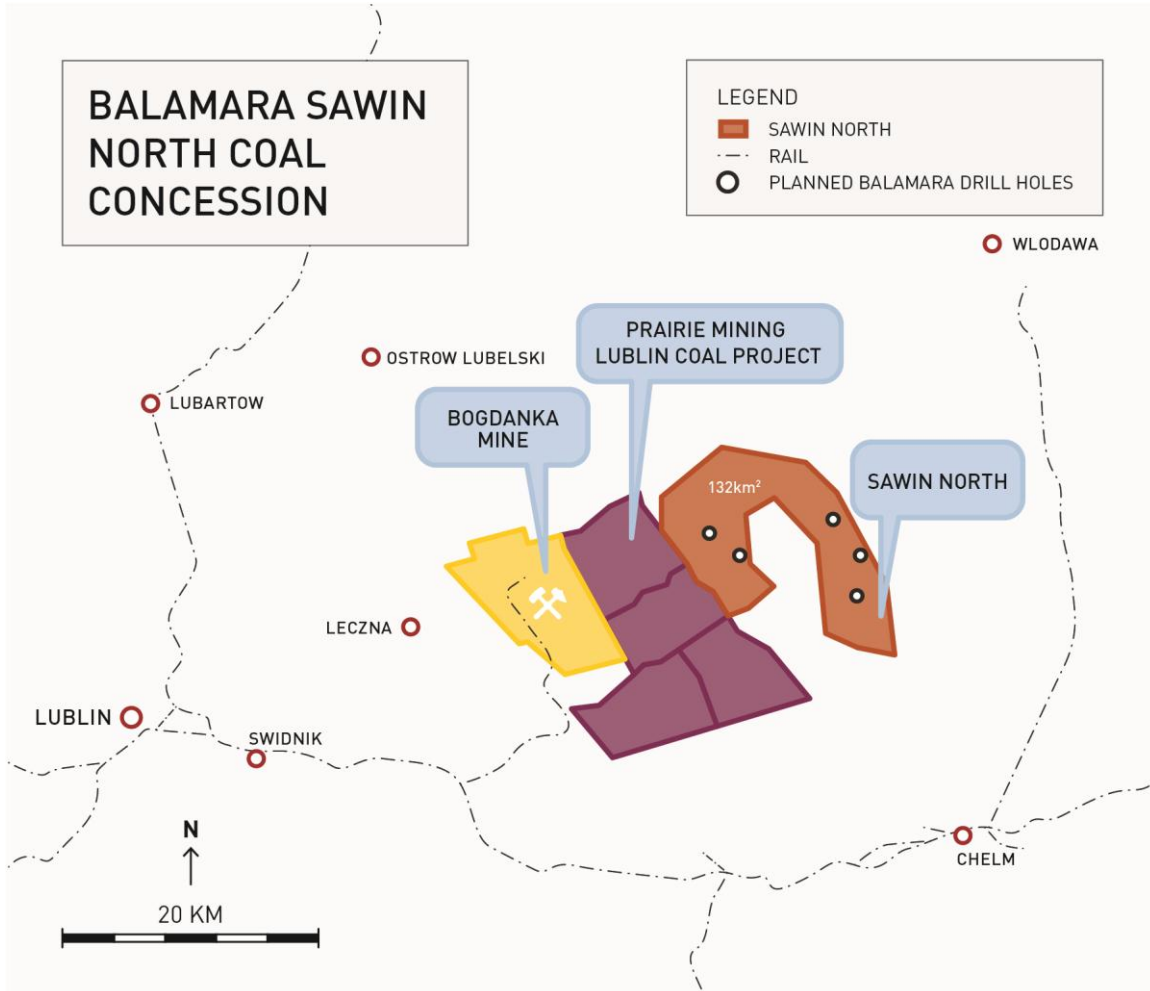

Figure 2: Location of Sawin Project in Lublin Coal Basin, south-eastern Poland, adjacent to the Bogdanka coal mine and Prairie Mining's four exploration coal tenements

-ENDS-

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ACCOMPANYING NOTES:

1. ASX Listing Rule 5.12.1 – Provide the source and date of the foreign estimates:

These foreign estimates are based on an official geological report commissioned by the Ministry of Environment and undertaken by the Polish Geological Institute. The foreign estimates are as of 31 December 1999 and were reported in November 2000.

Source of Geological Report:
Dodatek nr 1 do dokumentacji geologicznej w kategorii C2 zloza wegla kamiennego SAWIN w Lubelskim Zaglebiu Weglowym. Opracowanie Zamowione Przez Ministra Sprodowiska. Przedsiebiorstwo POLGEO ZAKLAD W LUBLINIE. Glowny dokumentator mgr inz. Grazyna Sieron upr. Nr. 020832. Lublin, Listopad 2000.

Supplement No. 1 to the geological documentation in the category C2 deposits of hard coal in Sawin Lublin Coal Basin. Commissioned by the Minister Sprodowiska. Enterprise POLGEO ZAKLAD Lublin. Major author M.Sc. Eng Grazyna Sieroń No. 020,832. Lublin, November 2000.

2. ASX Listing Rule 5.12.2 - If the Foreign Estimates use categories of mineralisation other than those defined in Appendix 5A (JORC Code) provide an explanation of the differences.

The system of classification of mineral resources in Poland is based on the system that was developed and used in the Comecon countries in the period from 1949-1991. A comprehensive description of the system with some comparisons with other classification systems is given in Jakubiak, Z. and Smakowski, T. (1994). - Classification of mineral reserves in the former Comecon countries. Geological Society, London, Special Publications 1994, v. 79, p. 17-28.

Under the Polish system classification of reserves is based on two reference criteria, with the first representing the degree of resource definition and the second related to the possibility of economic exploitation. This is conceptually similar to JORC (see Figure 1, JORC Code 2012 Edition) where the axis from top to bottom represents the increasing level of geological knowledge and confidence proceeding through the categories from Inferred to Indicated to Measured. Also in JORC the axis from left to right represents the "Modifying Factors" including mining, processing, infrastructure, economic and others. There is a difference in terminology in that under the Polish system the single term reserve is used more generally and differentiation is based on category whereas JORC differentiates on category and also between resources and reserves.

Under the Polish system of resource and reserve classification there are four major categories based on levels of geological confidence. Ranging for highest to lowest levels of geological confidence these are A, B, C1 and C2. Reserves are classified as 'identified' and 'prospective' and as 'economic' and 'uneconomic', depending upon the application of the variously modifying factors. The identified Polish reserves for the Sawin project are all reported as category C2.

Categories A and B relate only to developed and blocked reserves, with category A being in practical terms restricted to reserves under advanced exploitation. These materials have been selected for mining and partially exploited based on a very high degree of geological confidence and the application of "Modifying Factors". Category B also corresponds to a category of reserve or resource known to a relatively high degree of confidence. Depending on the application of specific "Modifying Factors" under the Polish system Category B represents material that is ready for exploitation.

Category C1 comprises reserves which have been identified and examined to such an extent as to enable a positive definition of their suitability for exploitation - these reserves are often in early production phases. They are similar to an 'Indicated Mineral Resource' in that the quantity, grade (or quality), densities, shape and physical characteristics have been estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support preliminary mine planning and evaluation of the economic viability of the deposit.

Category C2 relates to reserves which have been identified and documented at a preliminary stage only. Under the Polish system the C2 reserves have not been documented with sufficient confidence to apply economic parameters. This is similar to Inferred Mineral Resources under JORC where confidence in the estimation of resources is not sufficient to allow the application of technical and economic parameters for detailed planning in Pre-Feasibility or Feasibility Studies. For this reason under JORC, there is no direct link under Inferred Mineral Resources to any category of Ore Reserves.

3. ASX Listing Rule 5.12.3 – Provide the relevance and materiality of the Foreign Estimates to the entity/project.

The new Sawin North Project is located immediately to the east (see Figure 2) of the large coal concession area owned and operated by ASX-listed coal developer Prairie Mining Limited (formerly 'Prairie Downs Ltd'; ASX: PDZ), which contains a reported JORC resource of 1.559 billion tonnes. The major operating Bogdanka coal mine is located immediately to the west of the Prairie Mining concession.

The operating Bogdanka mine, the Prairie Mining Lublin Coal Project and Balamara's Sawin North Project are all located within the Lublin Coal Basin, one of the three major coal basins in Poland. There is broad geological setting is relatively similar across the basin and a number of the major seams are known to be continuous but the relative importance of individual seams can vary in different parts of the basin.

The Foreign Estimate* of the historical Sawin coal project is material in size with:
1.084 billion Tonnes of Balanced Reserves in C2 category
1.159 billion Tonnes of Off-Balanced Reserves in C2 category
Total: 2.243 billion tonnes*

The Foreign Estimate* of the Sawin North concession that has been granted to Balamara consists of most of the eastern and northern parts of the historical Sawin project and is reported below:
0.531 Billion tonnes of Balanced Reserves in C2 category
0.856 Billion tonnes of Off-Balanced Reserves in C2 category
Total: 1.387 billion tonnes*

It should be noted that:
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- *A Competent Person has not yet done sufficient work to classify the foreign estimates as mineral resources or ore reserves in accordance with the JORC Code; and*
- *It is uncertain that following evaluation and/or further exploration work that these foreign estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code.*

All of the Foreign Estimate coal has been estimated to a maximum depth of 1000 metres below surface. The vast majority of all coal has been classified as ranks 31, 32 and 33 under the Polish classification and this is high quality thermal coal.

4. ASX Listing Rule 5.12.4 – Detail the reliability of the Foreign Estimates, including by reference to any of the criteria in Table 1 of Appendix 5A (JORC Code) which are relevant to understanding the reliability of the foreign estimates.

The Sawin North Project is located within the Lublin Coal Basin and lies immediately to the east of Prairie Mining's Lublin Coal Project (1.559 billion tonne JORC). The operating Bogdanka mine in turn lies immediately to the west of the Prairie Mining project (see Figure 2).

The broad geological setting is relatively similar across the basin and seventeen coal seams have been designated in the historical project area. Many of the major seams are known to be continuous but the relative importance of individual seams can vary in different parts of the basin. For example seam 382 is well developed in terms of thickness and continuity at both Bogdanka and Sawin North. Seam 385 is present at both projects but is relatively well developed at Bogdanka whereas 389 and 391 are well developed at Sawin North but not as strongly developed at Bogdanka.

In general the Sawin North project is characterized by relatively simple geology (Group I Polish Classification) with low dips usually of < 5 degrees. Continuity is strong and there are relatively few offsetting faults of any significance.

The foreign estimation has been obtained entirely from drilling and there has been no historical underground mining or development. A total of 42 drill holes are associated with the Sawin North concession area with 27 of these forming the boundary of the concession and 15 located within the concession itself. A further four holes are located outside the concession boundary, however within a few hundred metres and are also relevant for the purposes of the estimation. Drill spacing's are quite regular with the majority of the drillholes approximately 2km apart within an overall range of 1.5km to 2.5km apart.

The entire Foreign Estimate has been classified as C2 under the Polish system of classification of mineral resources and this is broadly correlated with Inferred Mineral Resources under the JORC classification. Confidence in the estimation of resources is not sufficient to allow the application of technical and economic parameters for detailed planning in Pre-Feasibility or Feasibility Studies.

Inventory Coal and Coal Resources can only be estimated from data obtained from Points of Observation and the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves (2003) has recommendations regarding the appropriate spacing of the Points of Observations and the various categories of Measured, Indicated and Inferred Resources. In coal deposits such as Sawin North which have strong continuity and relatively simple geological structure the recommended distance between Points of Observation are generally less than generally less than 500 metres. Similarly for an Indicated confidence level the recommended spacing is normally less than 1km and Inferred Cola Resources may be estimated using data obtained from Points of Observation up to 4km apart. At Sawin North the Points of Observation are all obtained from drill holes and the overall spacing of these holes is 2km apart. This spacing is consistent with a potential Inferred classification under the JORC system and as all coal in the foreign estimate is classified as C2 it is consistent with the general proposition that the Polish C2 classification is broadly equivalent to Inferred under JORC.

The Foreign Estimate has been obtained using classical polygonal methods. The real block surface area is calculated using the planimetric surface and the dip angle of the coal seam. The tonnage is then calculated by multiplying the real block surface area by the thickness of the coal seam and by the density. The Polish estimates have been classified as 'balanced' and 'off-balance'. For 'balanced' the minimum average thickness allowed for any particular coal seam is 1 metre while for off-balance the minimum average thickness must be greater than 0.6 metres. Hence 'off-balance' material represents the coal with a minimum average seam thickness of between 0.6 and 1.0 metres. Summary estimation parameters are given below.

Polish reserve estimation parameters:
1.   Maximum depth for all coal reserves - 1000m below surface.

2.   **"Balanced reserves"**
    -   minimum thickness >1m (incl. <5cm partings)
    -   minimum cv (incl. <5cm partings) = 15 MJ/kg
    -   maximum ash content in enriched coal <10%
    -   total sulphur content <2% for 31-33 ranks
    -   total sulphur content <1% for 34 rank

3. "Off-balance reserves"
    -   minimum coal thickness >0.6m (incl. <5cm partings)
    -   min. cv (incl. <5cm partings) = 12.6 MJ/kg
    -   maximum ash content in enriched coal <10%
    -   total sulphur content <1% for 34 rank

98% of the coal inventory has been classified in ranks 31, 32, 33.
Rank 34 (coking) has been found in deep 389 coal seam only.

5. ASX Listing Rule 5.12.5 - To the extent known provide a summary of the work programs on which the Foreign Estimates are based and a summary of the key assumptions, mining and processing parameters, and methods used to prepare the foreign estimates.
This tenement was the subject of extensive exploration activities in the 1970's and 1980's when it was owned by the Polish Government. The foreign estimate is derived entirely from drilling information and a total of 42 drill holes are associated with the Sawin North concession area. Additionally there are a further four holes that are very close to the concession boundary and are relevant to the estimation. There has been no historical underground mining or development.

A very substantial amount of coal parameter test work has been carried out in association with the historical drilling. There are results for a total of 634 samples and samples were distributed relatively consistently across all 17 coal seams. Samples were analysed for dry ash content (%), calorific value MJ/kg and total sulphur (%).

6. ASX Listing Rule 5.12.6 – Are there any more recent estimates or data relevant to the reported mineralisation available to the entity.
These primary source foreign estimates are based on an official geological report commissioned by the Ministry of the Environment and undertaken by the Polish Geological Institute. The report was completed in November 2000 but is based on official Polish estimates are as of 31 December 1999. There has not been any official revision undertaken subsequent to this report.

7. ASX Listing Rule 5.12.7 – Detail the evaluation and/or exploration work that needs to be completed to verify the foreign estimates as mineral resources or ore reserves in accordance with Appendix 5A (JORC Code).
Balamara has planned a programme of exploration and evaluation in order to convert the foreign estimates to resources/reserves under JORC. The programme involves:
*   Official acquisition followed by collation of the existing database relating to exploration drilling, geophysical and other technical work;
*   Approval and permitting from the local mine authority and local government authorities for a drilling programme as designated as part of the concession;
*   Preliminary JORC resource based on historical data to be undertaken by international coal consultants, Wardell Armstrong International ("WAI");
*   Drilling programme of 5 holes for 4,750 metres to be commenced in the first half of 2015.
*   Updated JORC (2012) resource in the second half of 2015, based on the results of the 4,750 metre drilling programme; and
*   Pre-Feasibility Study based on updated JORC and other studies such as baseline environmental and hydrological studies and also including permits and approvals.

8. ASX Listing Rule 5.12.8 – Explain the proposed timing of any evaluation and/or exploration work the entity intends to undertake and how the entity intends to undertake that work.
The official acquisition followed by collation of the existing database relating to exploration drilling, geophysical and other technical work will commence very soon. This will be followed by a preliminary JORC resource based on historical data to be undertaken by international coal consultants, Wardell Armstrong International ("WAI") in late 2014.

Approval and permitting from the local mine authority and local government authorities for a designated drilling programme will be undertaken in the second half of 2014 and drilling will commence in the first half of 2015. This is to be followed by an updated JORC (2012) resource in the second half of 2015, based on the results of the 4,750 metre drilling programme.

Following the completion of successful JORC associated studies such as environmental, hydrological, geotechnical and general ongoing community consultation activities will be completed as part of pre-feasibility and feasibility studies and these will be ongoing through 2016.

Competent Person Statement

The information in this market announcement that relates to the reporting of Foreign Estimates is provided under ASX listing rules 5.12.2 to 5.12.7 and is an accurate representation of the available data and studies for the Sawin North Coal Project and is based on information compiled by Mr. Kevin Alexander.

Mr. Alexander is a full time employee of Balamara Resources Limited. Mr. Alexander is a member of The Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists.

He has sufficient experience that is relevant to the style of mineralization under consideration and to the activity which he is undertaking to be qualified as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting on Exploration Results, Mineral resources and Ore Reserves". Mr. Alexander consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.