

21 October 2014

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## **BALAMARA TO ACQUIRE 100% OF ADVANCED MARIOLA COAL PROJECT, POLAND**

***All-scrip \$13M deal set to deliver Balamara 100%-ownership of large thermal coal project with significant JORC resource of high-grade coal immediately next to a power station: targeted to become Balamara's first producing mine in 2016***

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Balamara Resources ("Balamara" or the "Company") (ASX: BMB) is pleased to announce that it has signed a Letter of Intent to consolidate 100% ownership of the advanced **Mariola Thermal Coal Project**, located in the Upper Silesian Basin in southern Poland.

The acquisition will add further weight to the Company's extensive Polish coal portfolio assembled over the past year, while also establishing a strong foundation for its staged development approach by providing an early production and cash flow opportunity.

Mariola will likely become the Company's first producing mine because of its advanced status, shallow coal seams, and outstanding location immediately adjacent to a thermal power station which represents a natural buyer for its high-quality coal.

Subject to completion of corporate due diligence, final Share Purchase Agreement and regulatory approvals, all expected shortly, Balamara will issue 200 million BMB shares, or similar, to acquire the remaining 85% of Carbon Investment Sp. Z o.o, the Polish company that owns the rights to the Mariola Project. Balamara acquired an initial cornerstone 15% interest in Carbon Investment in July 2014.

Based on the current 15-day VWAP for Balamara shares of 6.5 cents this values the Mariola deal at \$13 million. The original deal to acquire 15% of Carbon Investment in July was completed for a combination of cash and shares worth ~\$1.6 million.

The consolidation of 100% Mariola Project was subject to the completion of a suitable JORC (2012) compliant resource for the asset, substantiating the presence of significant tonnes of high-grade thermal coal at the Project.

On 15 October 2014, Balamara announced a maiden JORC resource for Mariola of 77 million tonnes of high grade thermal coal as delivered by European coal consultants Wardell Armstrong International ("WAI"); which successfully completes the project due diligence. This JORC resource is based purely on data compiled from historical drilling which Balamara has digitised and provided to WAI in the two months since the initial Project equity position



was acquired in July 2014. The Company confirms that it is not aware of any new information or data that would materially affect the JORC Resource as included above.

Balamara indicated in its original acquisition announcement that the official Polish geological standard for Mariola indicates the presence of a significantly larger tonnage of coal at the Project, and this was underlined by a substantial Exploration Target in addition to the JORC Resource at Mariola. The Company therefore expects that it may potentially deliver further JORC Resource tonnage into the future, once further work is conducted to bring additional existing coal to a JORC standard.

In the meantime there is over 40Mt in the Indicated category at Mariola which gives Balamara considerable coal with which to commence a Pre-Feasibility Study.

The Company believes that the Mariola acquisition is being undertaken at the bottom of the resource cycle and that the value of this Project will increase significantly as it progresses through feasibility studies towards production, targeted end 2016.

### **Mariola Project Overview**

The Mariola Project is a large thermal coal deposit in the Upper Silesian basin in southern Poland, close to Balamara's country office in Katowice. Historically this region is where the bulk of Poland's thermal coal has been mined and, as a result, most Polish thermal power stations are also located in this area, which provides a significant logistical advantage for the sale of end product into these natural off-takers.

The Project was targeted by Balamara because it offers a number of key advantages, namely:

1. **Size and scale**, including a 77 Mt initial JORC resource and the likelihood of further resource inventory.
2. **Advanced status**, with work underway to submit an application for a license to mine in 1H 2015. Balamara will commence Pre-Feasibility Study work at Mariola shortly.
3. **Shallow coal seams**, with first major coal seam commencing around ~80m below surface.
4. **Location adjacent to an existing, operating thermal power station** that has expressed an interest in purchasing Mariola coal.



*Figure 1: Tauron thermal power station located ~2km from the Mariola Coal Project concession*

There are several other factors that make Mariola attractive to Balamara, including:

- Previous exploration with over 200 holes drilled historically, delivering considerable data on coal quality as well as quantity and location;
- Shallow coal deposit (first major seam around 100m) making Mariola potentially one of the shallowest underground mines in Poland. Most other coal mines are operating at between 500m-1,000m;
- Continuous and thick coal seams with shallow dip across the Mariola concession. The average coal thickness within the JORC Resource is over 2.5 meters
- Expected low CAPEX and operating costs from shallow mining and favourable ground conditions, based on detailed mine planning underway by Carbon Investment;
- An existing, operating thermal power station less than 2km from the concession border, with a requirement for similar coal to that prevalent within Mariola; and
- The advanced nature of the environmental and other studies necessary for submission of application for license to mine in 1H 2015.

Balamara believes that Mariola provides a potentially low-cost, low-risk opportunity for the Company to make the transition to production earlier than previously anticipated through the development of its Nowa Ruda Coking Coal Project. Cash flow generated by Mariola would then assist in bringing the higher margin Nowa Ruda coking coal mine into production thereafter, following successful feasibility studies, licensing and development.

This strategic production funnel is aimed at minimising dilution to Balamara shareholders by bringing its three Polish coal assets into production in a staged approach over the next few



years, conceptually utilising cash flows generated by each successive mine as it comes on stream to help fund the development of the next project. By adopting this approach Balamara believes that issuing these shares now for Mariola can provide early cash flow to prevent considerably higher potential dilution ahead in terms of bringing its other higher capital cost projects into production later.

Balamara shareholders will vote on the issue of the 200 million BMB shares at the Company's Annual General Meeting, which is being set for 28 November. All shares issued would be held by individual shareholders of Carbon Investment and escrowed for a period of 12 months from the date of issue.

Carbon Investment also provides a strong Polish shareholder base with the experience to assist Balamara in-country and this provides a further strategic advantage to the Company, as all parties' interests to advance Balamara's value are now completely aligned through this deal.

Furthermore, Carbon Investment has a strong management team that will be incorporated into Balamara's existing Polish team, providing a further depth of in-country experience to deliver on all Projects within the current portfolio.

Balamara's Managing Director, Mike Ralston, said the completion of the merger with Carbon Investment by end November will mark another major milestone for the Company on its journey to become the next substantial Polish coal producer.

"Mariola provides Balamara with a substantial asset that will potentially deliver considerable returns through early production," he said.

"We welcome the new Polish stakeholders into Balamara and recognize that we are all now participating in the same value proposition, being the extraction of coal and delivery of substantial cash flows and profits from the three exciting Projects we have within our portfolio.

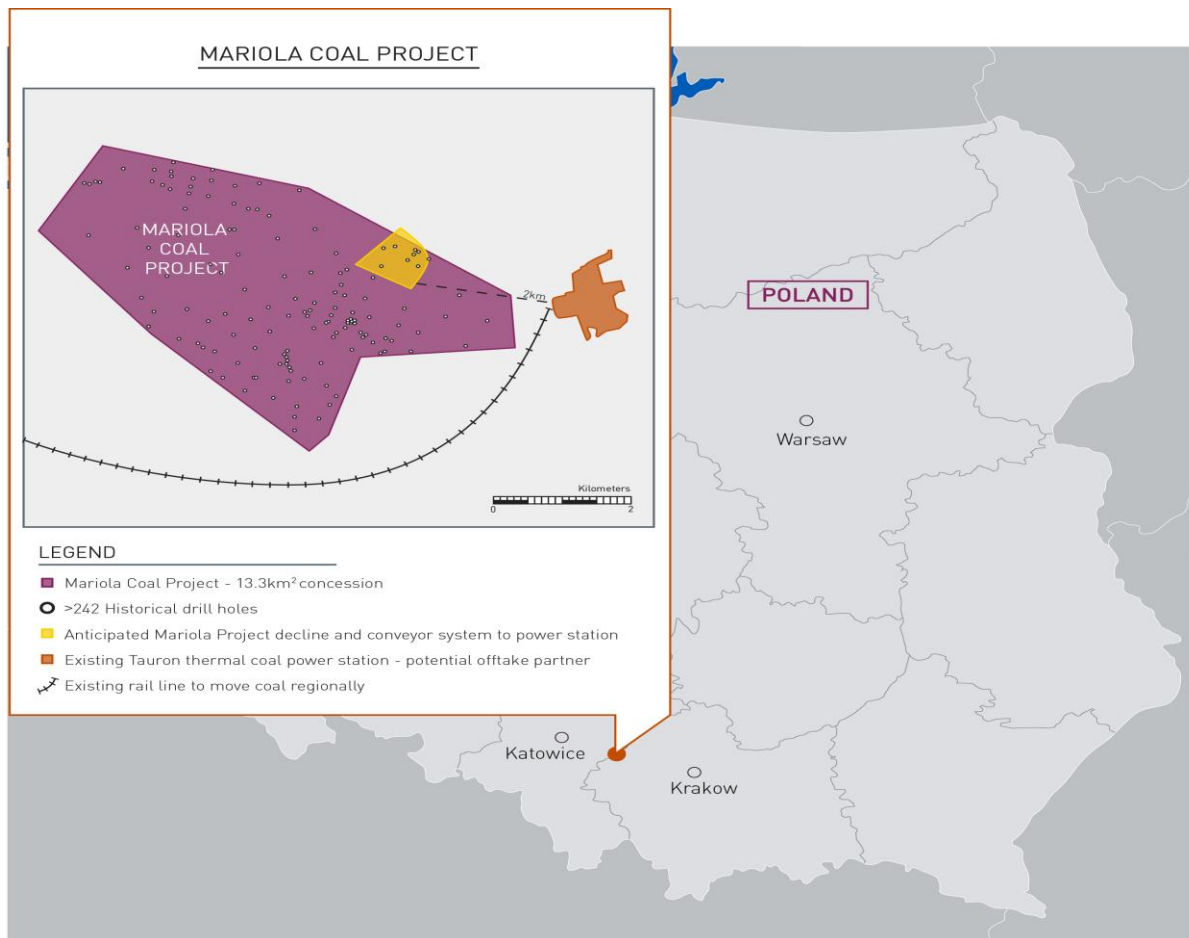
"With Poland being a low operating cost environment as well as a low sovereign risk location, we are well placed to deliver considerable value into Balamara moving forward," Mr Ralston said.

**-ENDS-**

For further information contact:

Mike Ralston  
Managing Director  
Balamara Resources  
(08) 6365 4519

Nicholas Read/Paul Armstrong  
Read Corporate  
(08) 9388 1474



*Figure 2: Location of Mariola Coal Project locally and regionally, within Upper Silesian Coal Basin where most of Poland's thermal coal has traditionally been mined, and where thermal power stations are located.*