

31 October 2014

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## SEPTEMBER 2014 QUARTERLY ACTIVITIES REPORT

*Maiden JORC Resource at Mariola with pre-feasibility studies to commence shortly;  
Works progressing at both Nowa Ruda and Sawin*

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### HIGHLIGHTS

- ***Balamara reaches agreement to consolidate 100% ownership of the advanced Mariola Thermal Coal Project, located in the Upper Silesian Basin, Poland, subsequent to Quarter-end, after acquiring an initial 15% interest in the Quarter.***
- ***Balamara secures 100% of the substantial Sawin North Thermal Coal Project, located in the Lublin Basin, Poland.***
- ***Maiden JORC Resource completed at Mariola Thermal Coal Project, showing:***
  - *Indicated Resource of 43.6Mt;*
  - *Inferred Resource of 33.5Mt;****Plus a substantial additional Exploration Target.***
- ***Resource delineation drilling and initial pre-feasibility work progressing at the Nowa Ruda Coking Coal Project. Two diamond holes have been completed with four more underway.***
- ***Balamara's major shareholder injecting US\$5M into the Company through the issue of 66.5M shares, providing funding to continue the development of its coal assets.***
- ***Binding offer executed to divest the Company's non-core Balkans base metal assets, affirming its focus as a significant emerging European coal producer.***

### OVERVIEW

Balamara took further significant steps during the Quarter as part of its core strategy to transition as a significant European coal producer, with the introduction of two advanced Polish coal projects. Together with its existing Nowa Ruda Coking Coal Project, the new acquisitions give Balamara significant exposure to all three major hard coal basins in Poland, with substantial existing infrastructure such as rail networks already in place, and most power stations and coking plants located nearby.

The Company acquired an initial cornerstone 15% equity position in Carbon Investment, the holder of the Mariola Thermal Coal Project, located near Katowice, for ~\$1.67 million. Of this, \$500,000 was paid in cash and the remainder in shares, with 80% of the cash used for



ongoing development of the asset, including completion of an initial JORC Mineral Resource statement.

A Letter of Intent has recently been signed, under which Balamara has agreed, subject to completion of due diligence, to acquire the remaining 85% from the current shareholders of Carbon Investment, in consideration for 200 million Balamara shares.

Balamara believes it has acquired a substantial coal project in Mariola at the bottom of the resource cycle and this asset has the potential to provide considerable returns into the future.

## **POLISH COAL PROJECTS**

### **Nowa Ruda Coking Coal Project, Poland (85%)**

The Company continued to progress its coking coal Project at Nowa Ruda during the Quarter, with both resource delineation and initial pre-feasibility work progressing. There were some delays due to technical and mechanical issues within the rigs drilling these holes but diamond drilling is continuing with two holes completed, and the remaining four currently underway. Balamara will provide the market with a more extensive update on Nowa Ruda drilling results in the near future.

An application was granted to drill a further two holes into the Lech deposit, increasing the total number of holes that may be drilled at Nowa Ruda under the current programme to seven.

These extra holes will provide closer drill spacing to enable an upgrade of the JORC Mineral Resource in early 2015, as well as providing further information relating to the major coal seams within the Lech deposit that Balamara will target to mine first.

Balamara is aware that the initial Scoping Study for Nowa Ruda is delayed, primarily due to the need for further drilling to extend the JORC resource to provide sufficient mineable product for the study. Balamara will be mandating a third party coal expert to provide this Scoping Study over the near term as current drilling nears completion and the necessary information becomes applicable.

### **Mariola Thermal Coal Project (15%, moving to 100%)**

Mariola is located in the heart of the Upper Silesian Basin where most Polish thermal coal historically has been mined and where the majority of Polish thermal power stations are located. The Project has extensive historical drilling and is located immediately adjacent to a large operating coal-fired power station, and Mariola offers the potential to be mined 12-18 months ahead of Nowa Ruda for considerably lower CAPEX.

Mariola offers outstanding synergies with Nowa Ruda in terms of completing Feasibility Studies, progressing financing options and, ultimately, moving into development and



production. This includes potentially using early cash flows from Mariola to fund the larger-scale Nowa Ruda capital development.

On 15 October 2014 a maiden JORC Resource was announced for Mariola, stating a total of 77Mt as follows (refer ASX Announcement – 15 October 2014 for additional information):

- 43.6Mt Indicated Resource;
- 33.5Mt Inferred Resource; and
- In addition to this Resource is a large Exploration Target which provides the potential for a significant increment to this JORC resource once additional work has been completed.

Mariola will become the primary focus for Balamara over the next 12-24 months as the Company seeks to advance this asset into production before end 2016.

### **Sawin Thermal Coal Project (100%)**

During 2013, Balamara applied for several other Polish coal concessions that it believed might be complementary to its Nowa Ruda Coking Coal Project. During the Quarter, the Company's 100%-owned Polish subsidiary, Global Mineral Prospects ("GMP"), was awarded exploration rights for an initial period of 3.5 years for the Sawin North concession, located in the highly prospective Lublin Coal Basin in south-eastern Poland.

Sawin is a large concession spanning an area of 13,200 hectares 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, as underlined by both Lubelski Wegeil Bogdanka SA ("Bogdanka"), one of the most successful mining companies listed on the Warsaw Stock Exchange, and Prairie Mining Limited (ASX: PDZ).

During the Quarter, the Company worked on digitising all historical data, with the objective of updating the recently reported Foreign Estimate and announcing a maiden JORC Resource in early 2015.

### **Diversity of Coal across Poland**

Balamara is now represented in all three of the major hard coal Basins in Poland, which provides diversity of location as well as coal types. This will position the Company to benefit from current and future infrastructure development in each of these regions, given that it now has a strong presence in each area, either in coking or thermal coal.

This mitigates the overall risk profile of the Company's coal portfolio and provides Balamara with a strong platform to build a significant Polish coal company in the future.

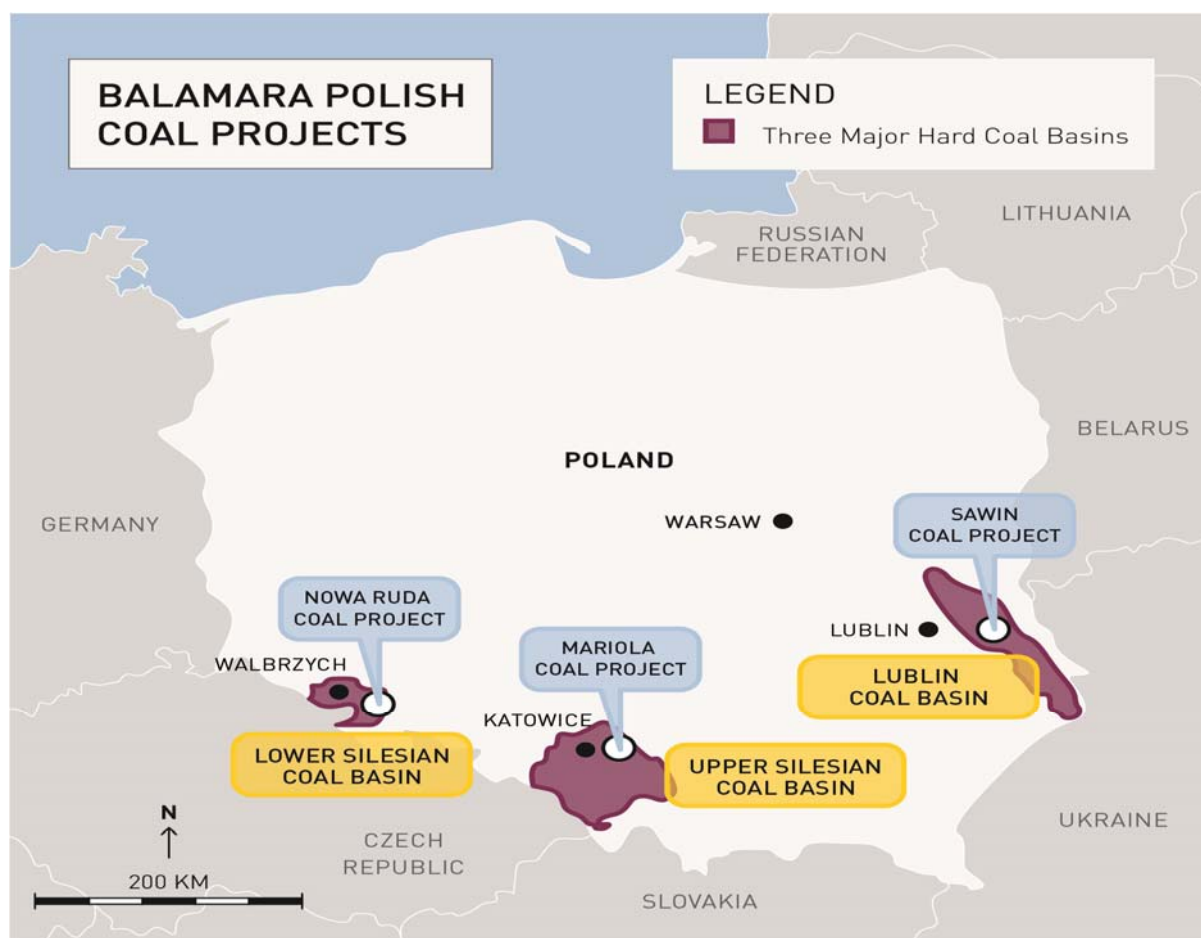


Figure 2: Balamara's coal projects located within all three major hard coal basins in Poland.

## OTHER PROJECTS

### **Bogdan Copper Project (85%)**

Balamara has retained its original contractual rights to the Bogdan Project (copper exploration, Poland) and will continue to review options to realise value from this asset without compromising its ongoing focus on its Polish coal portfolio. Balamara believes this remains a highly prospective concession and the target exploration area as previously identified remains an excellent opportunity to explore for a significant copper deposit.

Further work at Bogdan will be managed within availability of cash flow, with primary focus on coal assets.

### **Peelwood Zinc-Copper-Lead-Silver Project, NSW (80%)**

In line with the Company's divestment strategy for its non-core assets, Balamara entered into a farm-in agreement with UK-listed CEB Resources in December 2013. The key terms of the agreement are that CEB can earn up to a 49% of the Peelwood Project by spending \$1.2 million in three tranches within 12 months. No exploration activity was undertaken at



Peelwood during the Quarter. The Company will review this relationship with CEB and where to go from here as regards future work programmes.

### **Elsienora Gold Project, NSW (100%)**

In September 2013, Balamara signed a farm-in agreement with Alkane Resources Ltd. The terms of the arrangement are that Alkane can earn up to an 80% interest in the Elsenora Project by spending \$500,000 on exploration over three years, with a minimum of \$250,000 to be spent over two years. Alkane is currently planning the next phase of exploration, which may include drilling on a number of targets within EL 6082.

## **CORPORATE REVIEW**

### **Togo Phosphate tender**

Balamara still remains one of three short-listed finalists in the Togo Phosphate tender process. The Company met with Govt Togo officials in the Quarter and discussed the timing for the selection of a sole preferred party, with expectations being that this would be done by end September; however Balamara has not received any further updates during the Quarter relating to the decision of the final bidder. Balamara remains cautious as to any likely timeframe for the conclusion of this process owing to delays which have been experienced in the past.

### **Balkans asset sale**

Balamara announced the sale of its three Balkan base metal assets in a ~\$15 million cash deal in February 2014. As announced on 21 October, Balamara has received written communication from the Buyer stating that the sale will no longer be able to be completed, due to funding issues.

Balamara has since entered into another unrelated binding agreement for the sale of these assets, with key terms being the receipt of \$50,000 for 30 days of exclusivity/due diligence from the Buyer, with a further \$225,000 to be received upon completion and a 2% net smelter royalty up to \$10 million over all three projects.

The over-riding concern for Balamara to retain these assets going forward is the contractual requirement to continue exploring and developing at each, and the likely \$1m-\$2m spend this will incur over the next 12 months. Balamara wishes to deliver on its coal assets as priority and as such requires a divestment of Balkan base metal assets in order to do this both cost-effectively and with maximum focus.

### **Placement to Major Shareholder, Ample Skill Limited**

On 2 June 2014, the Company announced the placement of 15% of its wholly-owned Polish subsidiary company, Coal Holding, to its major shareholder Ample Skill Limited for US\$5



million. This transaction was subject to shareholder approval which was received at a General Meeting on 30 July 2014.

However, since the announcement of this deal, Balamara has introduced two further substantial Polish coal projects to its existing portfolio, namely the Mariola Thermal Coal Project (15%, with a transaction announced to move to 100%) and the Sawin Thermal Coal Project (100%). Both the Company and its major shareholder recognised the requirement for cash resources held by Balamara to be utilised across all three assets, not quarantined into just one through the original project-specific deal.

On that basis, Balamara reached agreement with Ample Skill to undertake a share placement at the corporate level via the issue of 66,500,000 ordinary shares, subject to shareholder approval at the upcoming AGM on 28 November 2014.

### **Summary of Tenements**

In accordance with ASX Listing Rule 5.3.3, below are the current tenements held within the Balamara Group, and the beneficial ownership of each tenement:

<b>Tenement</b>	<b>Interest</b>	<b>Project</b>
<b>NSW, Australia</b>		
EL 2934	80%	Peelwood
EL 6082	100%	Junction Point
EL 6767	100%	Elsienora
EL 6831	80%	Limerick
EL 6955	80%	Mount Costigan
<b>Montenegro</b>		
Concession Agreement no. 01-3660/1	100%	Monty Project
<b>Bosnia-Herzegovina</b>		
Concession# 04-18-21389-1/13	100%	Varesh Project
concession# 07/310-169/13	80%	RSC Project
<b>Poland</b>		
Licence no. 5/2008/p	85%	Bogdan Project
Licence no. 8/2013/p	100%	Nowa Ruda Project
Licence no. 23/2014/p*	100%	Sawin Project
Licence no. 23/2013/p*	15%	Mariola Project

*\*Relates to tenements acquired during the quarter. No tenements were disposed during the Quarter.*

**-ENDS-**

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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

**BALAMARA RESOURCES LIMITED**

ABN

84 061 219 985

Quarter ended ("current quarter")

**30 Sept 2014**

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(802)	(802)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(623)	(623)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	<b>Net Operating Cash Flows</b>	<b>(1,421)</b>	<b>(1,421)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	(500)	(500)
	(c) other fixed assets	(2)	(2)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	<b>Net investing cash flows</b>	<b>(502)</b>	<b>(502)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(1,923)</b>	<b>(1,923)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,923)	(1,923)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	4,329	4,329
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Issue/Raising costs	(162)	(162)
	<b>Net financing cash flows</b>	<b>4,167</b>	<b>4,167</b>
	<b>Net increase (decrease) in cash held</b>	<b>2,244</b>	<b>2,244</b>
1.20	Cash at beginning of quarter/year to date	387	387
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>2,631</b>	<b>2,631</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(197)
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' salaries, superannuation and consulting fees

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

n/a

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

	Amount available \$A'ooo	Amount used \$A'ooo
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

	\$A'ooo
4.1 Exploration and evaluation	(640)
4.2 Development / acquisitions	-
4.3 Production	-
4.4 Administration	(1,350)
<b>Total</b>	<b>(1,990)</b>

*Further US\$1million to be injected via loan. If shareholder approval obtained at AGM, the US\$5million debt will be offset via the issue of 66,500,000 Shares.*

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'ooo	Previous quarter \$A'ooo
5.1 Cash on hand and at bank	2,631	358
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,631</b>	<b>358</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	23/2014/p 23/2013/p	Sawin Project (indirect via subsidiary) Mariola Project (indirect via subsidiary)	- -	100% 15%

+ See chapter 19 for defined terms.

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> (description)	-	-	Not required	Not required
7.2	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	<b>*Ordinary securities</b>	357,269,513	357,269,513	Not required	Not required
7.4	Changes during quarter	15,000,000	15,000,000	\$0.078	\$0.078
	(a) Increases through issues	42,308	42,308	\$0.078	\$0.078
		546,667	546,667	\$0.075	\$0.075
	(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	<b>*Convertible debt securities</b> (description)	-	-	-	-
7.6	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted	-	-	-	-
7.7	<b>Options</b> (description and conversion factor)	-	-	-	-
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	<u>Exercise price</u>	<u>Expiry date</u>
7.11	<b>Debentures</b> (totals only)	-	-		
7.12	<b>Unsecured notes</b> (totals only)	-	-		

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~<sup>not</sup> (delete one) give a true and fair view of the matters disclosed.

Sign here: 

Date: 31 October 2014.

(~~Director~~/Company secretary)

Print name: Daniel Kendall

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.