
DECEMBER 2014 QUARTERLY ACTIVITIES REPORT

Significant progress at all three Polish Coal Projects underlines the continued development of Balamara to become the next significant European coal producer

HIGHLIGHTS

- *Balamara completes the ~\$10 million acquisition of priority Mariola Thermal Coal Project via award of 200 million shares to the shareholders of Polish company Carbon Investment.*
- *Balamara completes maiden Mariola JORC resource and a further upgrade to this JORC resource, both within the Quarter.*
- *Internationally-accredited coal specialist firm HDR Salva are appointed as lead consultants to conduct the Mariola Project Pre-Feasibility Study ("PFS"), with the PFS report expected in 1Q 2015.*
- *High quality coking coal indicated from two Nowa Ruda drill holes completed.*
- *Balamara awarded amended license for Sawin North Thermal Coal Project, changing the concession area as previously granted, delivering more coal, and allowing for a more beneficial split of the overall Sawin concession with neighbour Prairie Mining Ltd.*
- *Completion of sale for Balkan Mining Ltd, thus divesting the Company of the former base metals Projects in that region.*

PROJECT OVERVIEW

Balamara has continued the fast-track development of its three Polish coal Projects within its overall strategy to become the next substantial European coal producer.

Mariola Project

During the Quarter Balamara completed the maiden JORC resource report on the priority Mariola Project as part of the overall due diligence exercise to acquire the remaining 85% of the Project not held by the Company. As this maiden JORC resource fulfilled its investment criterion Balamara moved to complete this deal on 20 December 2014, whereby 200 million BMB shares were issued to the shareholders of Carbon Investment sp zoo in return for the remaining 85% equity in that company.



The overall value paid for 100% of Mariola is circa ~\$10 million in cash and shares, and the board considers this to be a low entry price for an asset of this quality and advanced status.

Internationally accredited coal consultants HDR Salva ("HDR") were engaged by Balamara during the Quarter to deliver a Pre-Feasibility Study on the Mariola Project and work commenced in November 2015.

As part of the PFS mandate HDR were tasked to review the maiden JORC resource initially provided by Wardell Armstrong and HDR provided an **updated, revised JORC resource** in December 2014, which showed a considerable increment to the previous resource.

Table 1: Revised Mineral Resource Estimate for the Mariola Thermal Coal Project as at 03 Dec 2014 (tonnes calculated on an air dried basis)

Resource Classification	Mass (Mt)	Ash (adb) (%)	Moisture (adb) %	GCV (adb) Kcal/kg)	Volatile Matter (adb) %	Relative Density (adb)	Total Sulphur (adb) %
Indicated	85.6	15.5	11.5	6,118	31.7	1.41	1.59
Inferred	35	16	12	5,975	31	1.4	1.5
TOTAL	120.6						

The estimate incorporates a minimum seam thickness of 0.6 m and a depth limit of not less than 80m below the topographic surface. Inferred Resource rounded to the nearest 5 Mt

This 120.6 million tonne JORC resource represented a 56% increase in overall Mariola coal tonnes and a 71% increase in tonnes stated within the Indicated category.

With 85.6 million tonnes now considered in the Indicated category Balamara and HDR are already working on mine planning and design within the Pre-Feasibility Study, with a view to completing this exercise in the first Quarter of 2015. Mariola is fast developing into a substantial coal project and Balamara will provide the first verification of the commercial value within this asset when the PFS is completed.

Nowa Ruda Project

Work also continued at Nowa Ruda Coking Coal Project during the Quarter, where a comprehensive drilling campaign has been underway for most of 2014. The first two holes at Nowa Ruda were completed in the September Quarter and test work was conducted on the coal quality. These holes were both at the Waclaw deposit and coal seams were located as expected, with approximate seam thickness also as expected. Coal quality data as reported was exceptional, with reports indicating a high quality coking coal available as per historical production records.

Balamara completed two further holes in the December Quarter, with coal quality test data due shortly. The Company will complete the remaining three holes within 1Q 2015 and assess any further exploration requirement thereafter. The drilling programme was designed to verify and revise the initial Nowa Ruda JORC resource and use this to underpin either a Scoping Study or a PFS at Nowa Ruda during 2015. Previous efforts to conduct a



meaningful Scoping Study at Nowa Ruda did not deliver the required result due to incomplete drilling and associated understanding of the ore bodies, hence completion of the current drill programme will become the catalyst for further development at this Project.

Sawin North Project

Balamara spent the Quarter digitalising the considerable historical data for the newest addition to its Polish coal portfolio, the substantial high grade thermal coal Sawin Project, for HDR to deliver a maiden JORC resource for that Project in early 2015.

During the Quarter, Balamara and its immediate neighbour on the Sawin concession, ASX-listed Prairie Mining Ltd, both submitted revised concession boundary proposals to the Ministry of Environment/Poland to better accommodate the needs of both parties as the previously awarded areas were considered less efficient to develop. The net effect of this administrative process was positive, with an award of a new three year exploration license for Balamara's Sawin North concession and a requirement of four holes to drill in that period. The new concession area covers the central and eastern part of the overall Sawin concession as opposed to a horseshoe-shape before.

Diagram 1: Previous split of overall Sawin concession in Lublin Basin, south-eastern Poland.

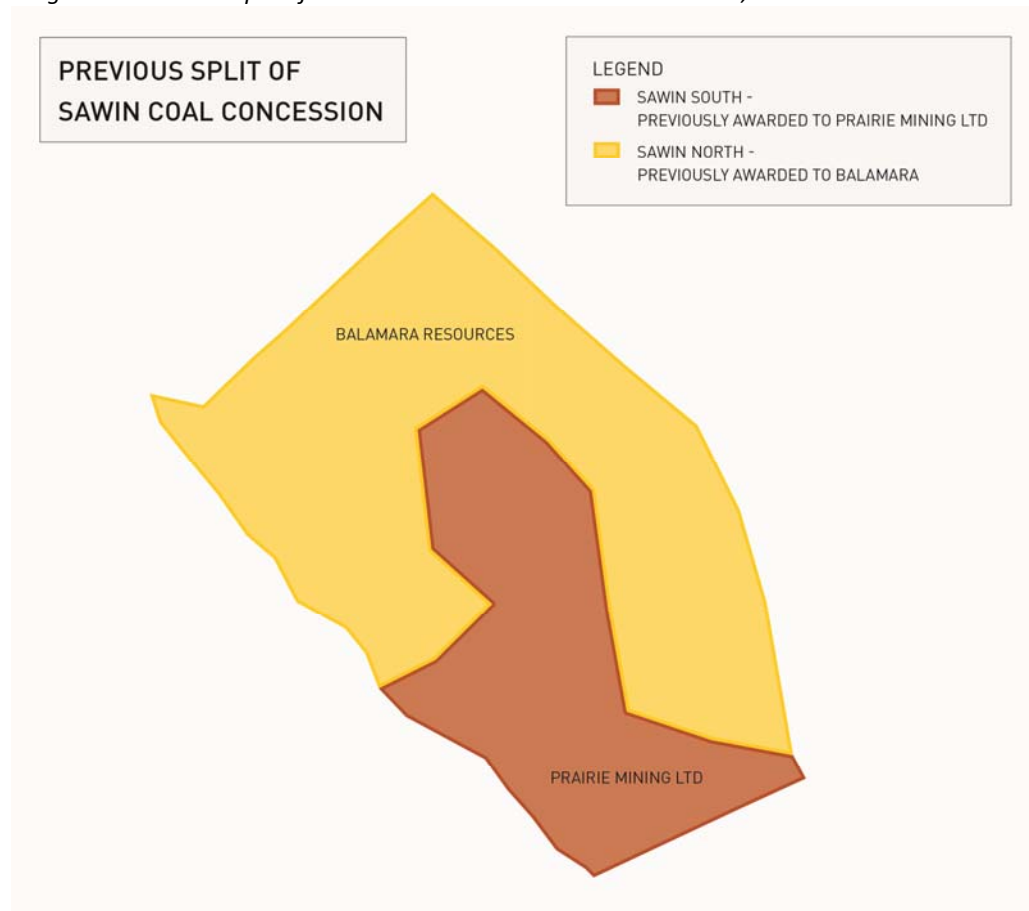
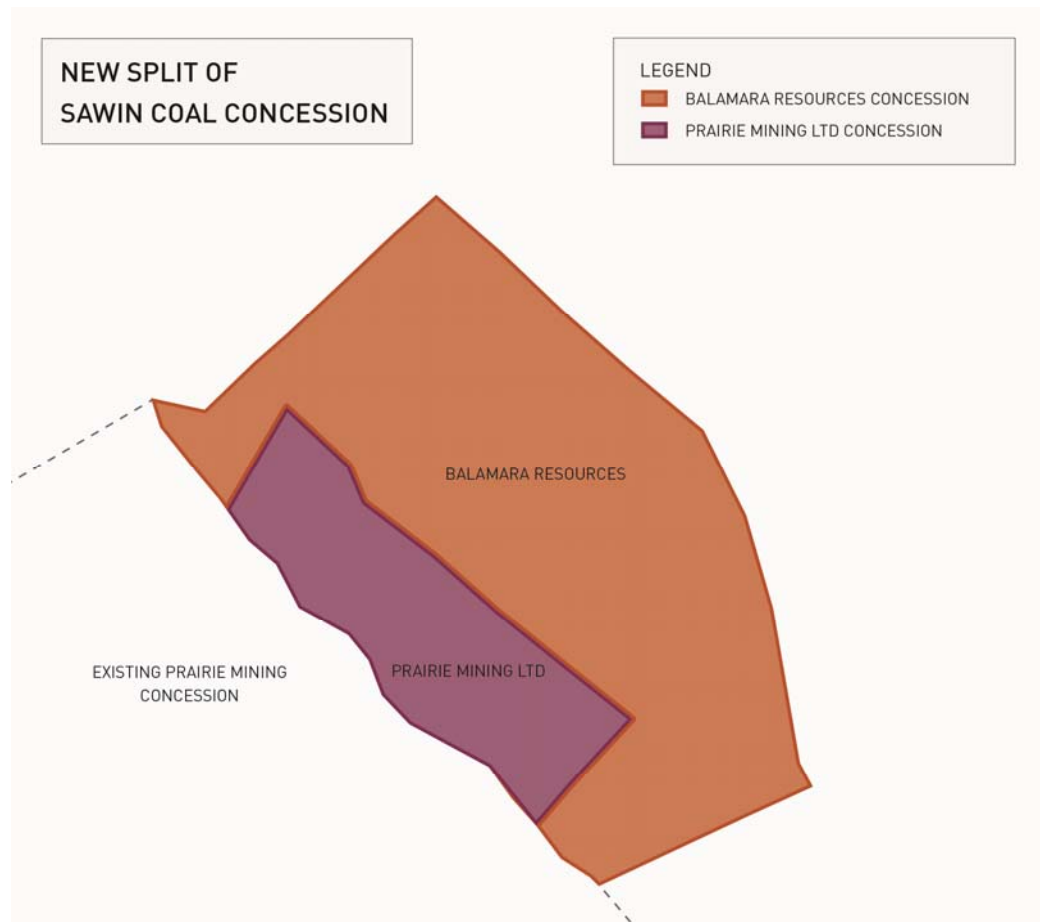




Diagram 2: Revised split of overall Sawin concession in Lublin Basin, south-eastern Poland.



Balamara estimates that the overall coal tonnage in this revised Sawin North concession area delivers marginally more coal than previously announced to market (see *ASX announcement dated 21 July 2014*), but not materially different. Sawin remains a huge, high quality thermal coal project that delivers considerable weight to the overall Balamara Polish coal inventory.

This exercise was considered a positive development for the cooperation of two ASX-listed junior companies (Balamara and Prairie Mining) working together in Poland to manage the system and deliver a better solution that is mutually beneficial to both organisations.

Balamara intends to deliver a maiden JORC resource for Sawin North over the next few months, and progress from there to either a Scoping Study or Pre-Feasibility Study, depending on the quality of the historical information available.



CORPORATE REVIEW

Togo Phosphate tender

Balamara still remains within the shortlist of final candidates for the Togo Phosphate tender, but there is little activity on this process and no meaningful progress has been made regards securing this project over the past 24 months.

The Company will continue to evaluate its position in this tender process in light of continued development in Poland on the three coal assets.

Balkans asset sale

Balamara announced the sale of its three Balkans base metal assets (Monty, Varesh & RSC Projects) in the last Quarter, to a local European private consortium, for \$15 million in production royalties. The major advantage to this deal beyond the potential for a future annuity income stream is the reduction of considerable overheads associated with the continued work as required on all three projects under the terms of the concession awards, with circa \$1.5m-\$2.0 million expected as direct savings in 2015.

Balamara viewed these assets as less strategic when compared to the substantial tonnes of high quality, low cost thermal and coking coal within the current Polish inventory, and in the current market where working capital is constrained and dilution prevalent the board believed it was better to remove the Balkans assets so they would not drain critical resources that could be better utilised elsewhere.

Cash Position

Balamara has ~\$2 million cash in bank at 31 December 2014 and has recently announced a convertible loan with its major shareholder Ample Skill Limited to bring in another \$4 million over the course of the next few months, subject to shareholder approval. The Company remains well supported by its major shareholder who understands the overall asset value within the current portfolio.

This cash will be used to continue development of all three coal assets during 2015 with work programmes in place to transform these Projects via exploration, feasibility studies and other key activities. Balamara continues to remain in discussion with several large strategic organisations involved in the Polish energy market with a view to considering all opportunities for parties to build value ahead.

The Company has consciously reduced its overheads to take into consideration the current market and will continue to look to reduce costs wherever possible to allow for the majority of cash to be spent adding further value to the assets in 2015.

-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")

31 Dec 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(1,009)	(1,810)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(667)	(1,289)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	14	18
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(1,662)	(3,081)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) Carbon Investment, net of cash received	148	(352)
	(c) other fixed assets	-	(2)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) Sale of Balkan Mining, net of cash forgone	(144)	(144)
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	4	(498)
1.13	Total operating and investing cash flows (carried forward)	(1,658)	(3,579)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,658)	(3,579)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	5,484	5,484
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	4,329
1.17	Repayment of borrowings	(4,329)	(4,329)
1.18	Dividends paid	-	-
1.19	Other – Issue/Raising costs	(79)	(241)
	Net financing cash flows	1,076	5,243
	Net increase (decrease) in cash held	(582)	1,664
1.20	Cash at beginning of quarter/year to date	2,632	387
1.21	Exchange rate adjustments to item 1.20	1	-
1.22	Cash at end of quarter	2,051	2,051

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'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(1,150)
4.2 Development / acquisitions	-
4.3 Production	-
4.4 Administration	(485)
Total	(1,635)

\$4million to be drawn down via convertible loan with Ample Skill Limited.

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'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,051	2,631
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,051	2,631

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	23/2013/p	Mariola Project (indirect via subsidiary)	15%	100%

+ 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	Preference securities (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	*Ordinary securities	624,408,440	624,408,440	Not required	Not required
7.4	Changes during quarter	200,138,927	200,138,927	\$0.042	\$0.042
	(a) Increases through issues	66,500,000	66,500,000	\$0.082	\$0.082
		500,000	500,000	\$0.05	\$0.05
	(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	*Convertible debt securities (description)	-	-	-	-
7.6	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted	-	-	-	-
7.7	Options (description and conversion factor)	15,000,000	Nil	<u>Exercise price</u> \$0.08	<u>Expiry date</u> 22/12/18
7.8	Issued during quarter	15,000,000	Nil	\$0.08	22/12/18
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-		
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (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~~^{does not*} (delete one) give a true and fair view of the matters disclosed.

Sign here: 

Date: 30 January 2015.

(~~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.