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## BALAMARA COAL PROJECTS AND COMPANY UPDATE

*Polish coal development strategy progressing with resource development and permitting activities on track*

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Balamara Resources (“Balamara” or the “Company”) (ASX: BMB) is pleased to provide an update on progress across its portfolio of coal projects in Poland, central Europe and other activities within the Company.

### **POLISH COAL PROJECTS**

Balamara is pursuing the evaluation, exploration and development of its portfolio of three Polish coal projects as the Company’s core growth strategy, and will focus on achieving production at all three projects as part of a staged development approach.

#### **Nowa Ruda Coking Coal (100%)**

As announced recently, Balamara retains 100% ownership of the Nowa Ruda Coking Coal Project after replacing the agreement to sell a 15% project equity stake to the Company’s major shareholder, Ample Skill Limited, for US\$5 million with a placement at corporate level for 66.5 million shares – subject to shareholder approval at the AGM in November.

Work remains on track at Nowa Ruda with the key objective of lodging the PZZ (Polish application for a licence to mine) by the end of Q1 2015. It is likely that this application will take 6-9 months to be approved, which will allow Balamara to complete all feasibility studies by end of 2015, positioning the Nowa Ruda Project to be ready for financing and development thereafter.

In order to achieve this target, Balamara will complete all resource delineation drilling by the end of 2014, including the two extra deep holes planned for the Lech Deposit, which are currently being permitted.

With seven holes expected to be completed by the end of 2014, Balamara will be able to update the JORC standard resource in Q1 2015 and, of equal importance, update the Polish geological report that will allow the PZZ application to be lodged.

Two holes have been completed to date and the remaining three holes are all underway. As soon as the remaining 2 holes are permitted, Balamara will have two additional drill rigs on site to ensure that both these new holes are also completed by December 2014.



The current drilling is confirmatory by nature and is designed to test overall coal quality and to deliver information for an updated JORC resource statement. Consequently Balamara will likely wait for a wider representation of coal from several completed holes at both deposits before making any announcement concerning Nowa Ruda coal quality. As stated previously and in the Quarterly Report, the holes completed to date have confirmed the known coal seams at the depths and locations as expected.

In addition to the above, the Company continues to make good progress on the critical environmental work for the PZZ application, with all environmental studies expected to be completed by Q1 2015. Mine planning and mine design work is also underway and the Company's consultant, Wardell Armstrong International ("WAI" or "Wardells"), is expected to deliver an initial Concept Study shortly.

### **Mariola Thermal Coal Project (15%)**

Balamara secured an initial 15% interest in the Mariola Thermal Coal Project through a \$1.6 million deal announced on 15 July, and work is now progressing towards completion of a merger between Balamara and Carbon Investment, the private Polish company that owns the remaining 85% of Mariola. This will enable the Company to achieve 100% ownership of this Tier One thermal coal asset in the near future.

Carbon Investment has already commissioned Wardell Armstrong International to complete a maiden JORC standard resource for the Mariola Project as the catalyst to complete this merger, with the JORC report expected before the end of September 2014. If the tonnage and coal quality meet the parameters Balamara expects, the proposed merger of the two companies will be completed quickly as due diligence is already underway. The merger will be subject to regulatory approvals.

Balamara believes that Mariola has the potential to be a significant first in-production asset; accordingly, this Project will become the Company's short-term priority from a permitting and development perspective assuming that a merger is concluded shortly.

Work will continue at both the Nowa Ruda and Sawin Projects, although these are likely to follow Mariola into production on the Company's critical path to deliver its first operating coal mine in Poland. The overall strategy is to focus on developing the asset which offers the quickest means into production at the lowest capital cost, and then utilise cash flows from this Project to advance the next two Projects into production thereafter. This strategy is designed to deliver maximum value for Balamara moving forward with minimum dilution to existing shareholders.

The Mariola Project will also target submission of the PZZ application for a licence to mine by the end of Q1 2015. Feasibility studies will be completed during 2015 in parallel with Nowa Ruda in order to have the Project ready for financing and development, targeting the end of 2016 for first coal production.



Balamara will aim to achieve the following milestones for the Mariola Project by the end of 2014, which will indicate significant progress on the pathway to production:

- Completion of a maiden JORC Mineral Resource;
- Completion of a merger to incorporate 100% of the Mariola Project into Balamara;
- Completion of a Scoping Study; and
- Completion of a Facilities Agreement with a nearby power station, which is critical for the licensing process and is the precursor to an off-take agreement for coal sales.

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

Balamara announced the addition of the Sawin Thermal Coal Project to its Polish coal portfolio in July 2014. Work is underway to commence digitisation of existing data in order to deliver a maiden JORC standard resource by the end of 2014.

Approximately 30,000m of historical drilling has been completed at Sawin, making this a substantially advanced asset; Balamara has already confirmed a significant foreign estimate of coal as per the Polish Geological Standard (*see ASX Announcement – 21 July 2014*).

Balamara views Sawin as directly comparable in size, scale and overall coal quality to the nearby large thermal coal projects, also within the Lublin Basin, which are owned and operated by \$1.8 billion Polish-listed coal producer Lubelski Wegeil Bogdanka SA (“Bogdanka”) and AIM-listed Prairie Mining Limited.

### **TOGO PHOSPHATE TENDER**

Balamara management recently met with the Government of Togo to conduct final stage discussions to complete the tender for the Togo Phosphate Project (West Africa). This tender has been ongoing for nearly three years and Balamara remains one of three final parties seeking an opportunity to develop this asset through a Joint Venture with the Government of Togo.

Balamara was informed that this tender will move to conclusion very shortly with the selection of a Preferred Bidder with whom the Government of Togo will conduct final contract negotiations prior to award. The Company is awaiting further information from the Togolese Government in this regard.

Balamara has already indicated that the Togo Phosphate Project and Polish Coal are not natural partners within the same corporate structure, but this issue will only need to be addressed if Balamara wins the phosphate tender. In the meantime, the Company will continue to advance the significant coal assets it already owns within its current portfolio.



## **DIVESTMENT OF BALKAN MINING PTY LTD**

Balamara has previously advised that the ~\$15 million divestment of its Balkans base metal projects has been delayed while the Buyer completes necessary work to fulfil its obligations for the acquisition.

The Buyer has been working through a comprehensive due diligence process with a new fund to finalise this deal, and Balamara understands that this process is nearing completion.

While the process has been significantly delayed so far, Balamara still believes this deal to be the best possible outcome for the divestment of these non-core assets, and will continue to work through this process as long as successful completion remains a realistic outcome.

## **STRONG CASH POSITION**

In August, Balamara announced the placement of 66.5 million shares at 8 cents to its major shareholder, Ample Skill Limited, for US\$5 million. This placement remains subject to shareholder approval which is expected at the AGM to be held in early November.

With this strengthened cash position, Balamara is ideally placed to continue fast-track development work at all three of its Polish coal assets, including all drilling, licensing and feasibility work.

**-ENDS-**

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