

16 June 2015

## EXCEPTIONAL CASH FLOWS AND RETURNS FROM 51-YEAR SAWIN THERMAL COAL PROJECT: PRE-FEASIBILITY STUDY

*Confirms world-class development opportunity with highlights including US\$921M NPV and forecast cumulative free cash-flow of US\$1.75B from a capital outlay of just US\$151M*

### HIGHLIGHTS:

- Outstanding results received from recently completed Pre-Feasibility Study (PFS) for Sawin Thermal Coal Project in SE Poland by experienced international technical consultants, Salva Resources (“HDR”).
- PFS demonstrates robust project economics and exceptional returns:

<b>Mineral Resources within Optimised Mine Plan:</b>	<b>288Mt</b>
<b>After-tax Net Present Value (NPV):</b>	<b>US\$921M (A\$1.2 billion) @ 10.5% discount rate (nominal, after tax)</b>
<b>Initial Mine Life:</b>	<b>51 years</b>
<b>Cumulative Free Cash Flow:</b>	<b>US\$1.75 billion (A\$2.25 billion)</b>

- Average life-of-mine total cash cost of US\$42.8/t ROM, Free on Rail (FOR) mine site.
- Planned average production of 5.8Mtpa over current mine life, using highly efficient underground longwall extraction techniques.
- Capital development cost of US\$151M, inclusive of 25% contingency but excluding leased equipment capital cost.
- Balamara to proceed with an in-fill drilling programme, leading into Ore Reserve definition and Definitive Feasibility Study (DFS) in 2016, to advance Sawin to production thereafter.

International coal developer Balamara Resources (“Balamara” or the “Company”) is pleased to announce that it has taken another significant step towards realising its objective of becoming a substantial low-cost European coal producer after completing a highly successful Pre-Feasibility Study (“PFS”) on its recently acquired **Sawin Thermal Coal Project** in south-eastern Poland.

The PFS, which was prepared by internationally accredited mining and engineering consulting firm Salva Resources (“HDR”), has outlined an exceptionally robust project capable of generating very strong returns for Balamara over a long mine life.

Sawin is Balamara’s third and most recently acquired coal asset in Poland. The highly successful Sawin PFS follows the PFS completed on the Mariola Coal Project in March and comes ahead of the PFS expected to be finalised shortly and delivered by the end of June on



the Nowa Ruda Coking Coal Project – demonstrating the Company’s rapid progress in advancing all three key assets towards development and production.

Key highlights of the PFS include an after-tax Net Present Value of **A\$1.2 billion** (US\$921 million) and projected cumulative free cash-flows of A\$2.25 billion (US\$1.75 billion) over a 51-year mine life. This is based on the development of an underground mining operation using state-of-the-art, highly efficient longwall extraction techniques capable of delivering average annual production of 5.8Mtpa.

The upfront capital development cost is estimated at just A\$194 million (US\$151 million), including a 25% contingency but excluding leased equipment capital cost, for the establishment of a longwall underground mining operation. Similar longwall mining at the nearby Bogdanka coal mine has consistently delivered very low cost and efficient mining, including several world records for coal extraction over the past few years.

This exceptional PFS result has given Balamara sufficient confidence to move ahead as soon as possible with a final Ore Reserve drilling programme at Sawin, which is the initial step required before moving to Definitive Feasibility Study (DFS) in 2016, paving the way for further development towards production thereafter.

Balamara will work closely together with HDR moving forward to complete this work.

## Executive Summary of the Sawin Pre-Feasibility Study

The following table summarises the key statistics relevant to the Sawin Coal Project, as determined by international mining & engineering consultant HDR:

Sawin Operating & Financial Figures	
<b>Mining Method</b>	Underground Longwall
<b>Life of Mine</b>	51 years
<b>Mineral Resources within Optimised Mine Plan</b>	288.4Mt
<b>Annual Saleable Production (LOM Average)</b>	5.8Mtpa
<b>Operating Cost (LOM Average, including rehabilitation), at mine gate</b>	US\$42.8/t
<b>Transport Cost (assumed average distance 130kms rail to end user)</b>	US\$5.6/t
<b>Project Capital Cost (Including contingency but excluding contractor/leased items &amp; sustaining)</b>	US\$151.3M
<b>NPV 10.5% Discount (nominal, post tax)</b>	US\$921M
<b>Post-tax IRR (nominal)</b>	28.4%
<b>Post-tax LOM Free Cash Flow (nominal)</b>	US\$1.75 billion

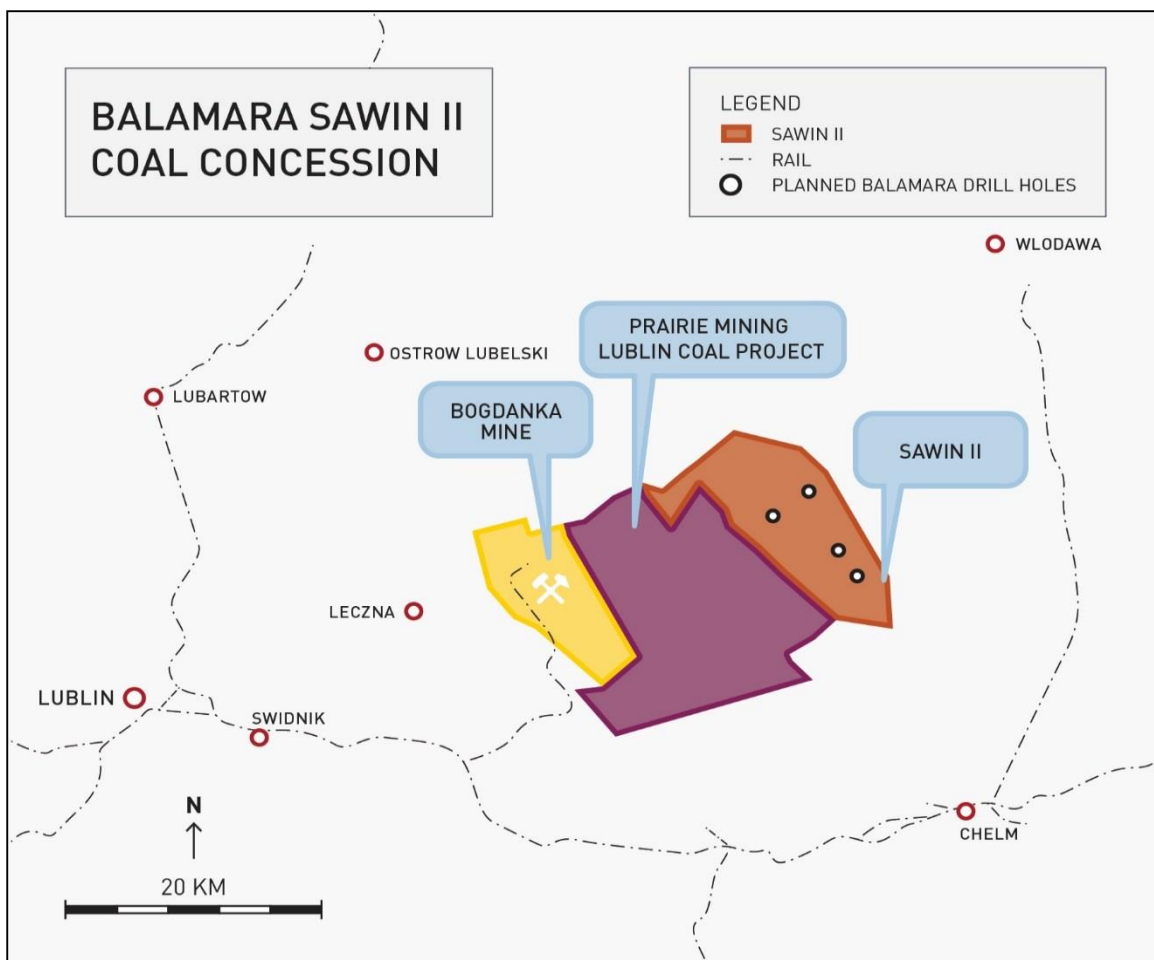


Commenting on the PFS results, Balamara’s Managing Director, Mr Mike Ralston, said:

*“This is a tremendous result for our shareholders, which clearly demonstrates the world-class nature of this project. The Sawin PFS has exceeded our expectations in almost every respect, demonstrating exceptional returns from what is clearly a Tier-1 asset with the potential to underpin a very robust, long-life underground coal mining operation.*

*“This supports Balamara’s aggressive development strategy within the strong Polish coal sector. We are committed to transforming Balamara into a major European coal producer in the near term and we see the Sawin Project playing an important role in this process.”*

*“We have said all along that we consider Sawin to be a world-class coal project and these PFS results support this assertion, with the key financial highlights demonstrating the potential to achieve exceptional returns from a relatively low upfront capital spend for an asset of this size and quality. Sawin clearly has the potential to generate substantial free cash flows over a very long mine life, providing a strong foundation for our ambitions to build a significant European coal company. On the strength of these results, the Balamara Board has agreed to move forward to the next stage of development as soon as practically possible.”*



**Figure 1: Location of Sawin Project in Poland, in close proximity to one of the largest underground mines currently operating in Poland (Bogdanka) as well as considerable infrastructure**



## EXTRACTS FROM SAWIN PRE-FEASIBILITY STUDY

The following key information has been extracted from the PFS report:

### Location & Tenement Details

Balamara Resources Limited was granted a revised 100% interest in the Sawin II Concession (Sawin Project) on 29 December 2014. The Sawin Project is located within the Lublin Coal Basin (LCB). The Sawin Project lies immediately adjacent to the concession owned by Australian-listed junior Prairie Mining Limited, which in turn is adjacent to the Bogdanka thermal coal mine operated by listed Polish mining company Lubelski Wegiel Bogdanka SA ("Bogdanka"). The Sawin Project is situated within the eastern limb of the generally north-west trending Bogdanka Syncline, approximately 22 km due east from the currently operating Bogdanka coal mine.

Sawin is located close to well established regional rail infrastructure with underutilised bulk cargo capacity for low transportation costs within Poland as well as to regional European markets, and to the seaborne export market through underutilised ports in the north of Poland. The concession is connected by local roads to the Polish road networks.

**Table 1: Sawin Concession Details**

Concession No.	Concession Type	Area (km <sup>2</sup> )	Status	Granted	Term
34/2014/p	Exploration	137.27	Granted	29 December 2014	3 years

### Geology and Geological Interpretation

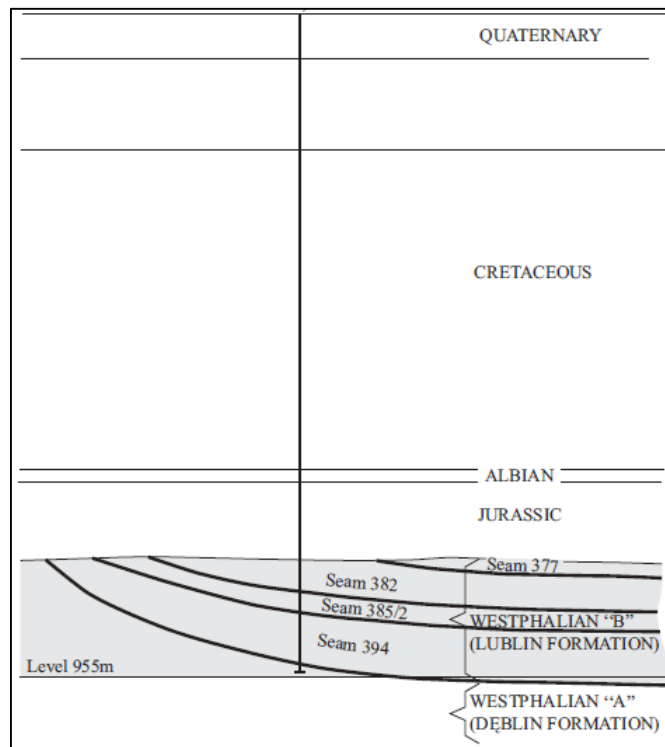
The Lublin Coal Basin (LCB) is a pericratonic depression trending in a north west – south east direction within the Precambrian Platform of eastern Poland (Figure 4:1). The rocks of the LCB are of Carboniferous age and within the vicinity of the LW Bogdanka S.A. Coal Mine occur within the north east trending Bogdanka Syncline, at depths of between 650 to 1300 m below surface. The main coal bearing formation within the Carboniferous sequence is the Lublin Formation which is Westphalian A to C in age. In comparison with the Silesian Coalfields, the seams within the Bogdanka Syncline are only moderately structurally disturbed with less faulting.

Overlying the coal bearing Carboniferous sequence from youngest to oldest in age are the following major stratigraphic sequences, namely: Quaternary glacially derived sediments, Cretaceous limestones followed by Jurassic limestones which unconformably overlie the Carboniferous formations of the Lublin Coal Basin.

The Sawin Coal Deposit is situated within the eastern limb of the generally north-west trending Bogdanka Syncline, approximately 22 km due east from the Bogdanka coal mine. In general the



stratigraphic sequence within the Sawin North Concession, from the youngest to oldest is shown in Figure 2 below.



(Source –Philpott, 2002)

**Figure 2: General Stratigraphic Sequence Lublin Coal Basin**

### Coal Resources

Coal Resources for the Sawin Project have been estimated in accordance with the guidelines contained within the Australian Guidelines for the Estimation and Classification of Coal Resources (2014 Edition) and are reported in accordance with the JORC (2012 Edition) Guidelines.

The resource model contains 26 seams to a maximum depth of 929.9m below surface, which upon review of data quality and seam thicknesses were reduced to 21 'key' seams for resource classification purposes

A total of 52 drill holes which varied in depth from 681 m to 1350 m were used to construct the geological model of the coal deposit. The Coal Resources that have been estimated, classified and reported according to the JORC Code (2012) and the Coal Guidelines (2014) are detailed in Table below.



**Table 2: Sawin Coal Project Resource Estimation**

Resource Classification	Mass (Mt)	Ash (adb) %	Moisture (adb) %	GCV (adb) kcal/kg	Volatile Matter (adb) %	Relative Density (adb) %	Total Sulphur (adb) %
Inferred	1,200	10.0	3.5	6,900	33.0	1.3	1.7
Total	1,200						

Adb: air-dried basis. GCV: Gross calorific value. Kcal/kg: kilocalories per kilogram

*Note: the estimate incorporates a minimum seam thickness of 0.6 m and a depth limit of no less than 80 m below the topographic surface. The final Inferred Resource has been rounded to nearest 5 Mt.*

No coal resources were reported above a depth of 80m below surface. A minimum seam thickness limit of 0.6m has been used to define Resources as this is considered to be the minimum mineable thickness for applicable mining methods.

Resource Classification is based on an assessment of the variability of critical values (raw ash and seam thickness) through statistical analysis, geostatistical analysis and by an assessment of the degree of geological complexity (general seam dip and structure).

### Mine Design

To prepare conceptual mine plan and production schedule for the Mineral Resources within the Optimised Mine Plan, HDR has used the most recent geological model and the coal Resources estimate. Deswik software was used to for mine planning and to schedule and estimate the quality of Mineral Resources within the Optimised Mine Plan. This was done to ensure that the proposed mining method would be practicable and achievable. Furthermore, an economic model was prepared for the mining operation for the Sawin Project to ascertain its economic viability.

Modifying factors were considered in estimating Mineral Resources within the Optimised Mine Plan. These include such: overall seam characteristics, major structural features like faults, roof and floor conditions, available information of geotechnical parameters, degree of gassiness of mine, surface constraints, processing factors, and costs and revenue.

### Mining Schedule within Optimised Mine Plan

Coal Resources within Optimised Mine Plan were used to prepare mine schedule. The mining schedule includes Coal Resources that are classified as Inferred Resources. Under the JORC Code, these Resources cannot be converted to Reserves because of insufficient boreholes present within reasonable proximity, where core samples were collected and analysed. Hence, these Coal Resources have been classified as Inferred Resources within Optimised Mine Plan.



The mine schedule was developed using the Deswik software and was based on the transferring Australian mining practice to the Polish operation where suitable. Hence, this schedule has been developed on the basis of using miner/bolters on the development as is current practice in Australian longwall operations.

The mining schedule targeted production of 0.3 Mt in year one, 1.9 Mt in year two, 3.1 Mt in year three and 3.8 Mt in year four, ramping up thereafter to a steady state production of 6 Mtpa (average) for the life of mine. The following Table details the life of mine schedule and percentage of Inferred Resources included in the Optimised Mine Plan.

**Table 4: Inferred Resource included within Optimised Mine Plan**

	Scheduled Tonnes within Optimised Mine Plan (Mt)	Inferred Resource included within Optimised Mine Plan (%)
Sawin Project	288.3	100%

### Coal Processing

HDR investigated the option of coal de-stoning on a toll basis. The overall yield for the coal de-stoning has been estimated to be around 80% (+/-15%) based on similar operations. This is considered to be preliminary in nature requiring further work based on planned future drilling.

An economic analysis was carried out on processing the product and the project NPV was calculated. The results from economic analysis did not yield any incremental NPV to justify additional operating cost associated with transportation of coal to toll washing plant and subsequently selling the coal as a washed product. The incremental revenue generated from higher value coal did not offset the loss of coal tonnes because of yield and the incremental processing and logistical costs.

As the ROM coal quality is acceptable to the local power plants it has been decided not to opt for toll de-stoning within this PFS.

### Logistics

The Sawin Project is located approximately 25 km north of the major PKP No 7 railway line. The Polskie Koleje Państwowe (PKP) No 7 railway line is a double tracked standard gauge line (1435 mm) which is electrified and connects Warsaw to Kiev, the capital of Ukraine.

Balamara intends to sell the Sawin Project coal to local Polish power plants and/or to the regional export market, most likely to Germany and Ukraine. All of the potential domestic customers for the Sawin Coal are accessible by rail network. There are 11 coal fired power plants (10 operational and 1 proposed) located within 250 km radius of the Sawin Project and there are two power plants



operational located within 50 km radius. Balamara proposes to operate train load-out on 24/7 basis to ensure the flexibility to operate within the train paths allocated to the haulage contractor.

The export market can be served directly via substantial rail network connecting Poland to EU nations and to Ukraine or via the Port of Gdańsk, located in the central part of the southern coast of the Baltic Sea.

### **Environment and Communities**

There are several protected areas located on or close to the concession including national parks, nature reserves or national monument sites. One national park “Ostoja Poleska” is largely located within the tenement boundary. The mine plan for the Sawin Project has been prepared after considering the location of these surface features, and after leaving proper offset from them to minimize any subsidence within the environmentally sensitive areas.

Balamara is in the process of completing all necessary environmental assessment studies to then obtain environment clearance. Mining activity is not likely to have any adverse impact on local communities.

### **Capital and Operating Cost**

At present, Balamara plans to develop the Sawin Project as an underground mine by using a third party contractor. Two longwall mining packages including shearers and shields will be leased from local suppliers with relevant costs included in the operating cost schedules over life of equipment. The overall estimated capital cost for the Sawin Project (including land compensation for LOM and contingency) is detailed in the table below.





**Table 5: Estimated Capital (US\$M, Real, 2015)**

Particulars	Direct Cost (\$M)
Mine development	39.2
Underground Transport	20.6
Pumping	4.0
Support Equipment	4.1
Technical Services and Safety	1.5
Surface Infrastructure	14.7
Ventilation and Gas	5.2
Stockpile and Loading	10.3
EPCM Cost	10.8
Others	10.5
Contingency	30.3
<b>Total Project Cost</b>	<b>151.3</b>
Leased longwall package including contingency	71.6
<b>Total Project Cost (including leased capital items)</b>	<b>222.9</b>

**Table 6: Estimated Operating Cost (US \$/t, Real, 2015)**

Cost Item	US \$/t ROM
Mine development cost	13.9
Labour	5.3
Consumables	9.7
Power and other utilities	3.2
Coal handling and load out	1.4
Corporate overhead	1.5
Lease of longwall package	3.0
Contingency	2.1
Royalties, Environment and Nature Fund	1.7
<b>Operating cost, to mine gate</b>	<b>42.8</b>
Coal Transport (estimated)	5.6
<b>Operating cost including royalties and transport</b>	<b>48.4</b>

*In HDR's opinion these estimates can be considered reasonable at this level of study.*



## Coal Price Outlook

The coal price outlook for the Sawin Project’s ROM coal is based on the historical price differential of the Polish Coal Index PSCMI-2 and the Newcastle Coal Index. HDR used a coal price outlook provided by Consensus Economic Inc. to estimate the long-term price of the Sawin Project’s Coal. HDR has adopted average premium of 9.2% for PSCMI-2 over future price of Newcastle Coal Index to determine the long-term price forecast for PSCMI-2.

The Gross Calorific Value (GCV) of Sawin ROM coal is higher than the average GCV of coal types included in PSCMI-2.; however, considering the current stage of the Project and to be conservative, HDR has assumed that Sawin Coal will be sold at a price similar to the PSCMI-2 index. The forecasted coal price in real terms for the Sawin Project’s ROM coal is provided in Table below, with prices generally expected to rise higher than current positions over the longer term, as indicated by most industry experts and coal analysts.

**Table7: Coal Price Forecast, Real Sawin Coal**

	2015F	2016F	2017F	2018F	2019F	Long Term
Price forecast PSMCI-2, US\$/t, real	63.7	65.3	68.2	72.1	69.4	82.5
Price forecast, Sawin	63.7	65.3	68.2	72.1	69.4	82.5

## Discounted Cash Flow Model for the Sawin Project

The net present value (NPV) for the Sawin Project has been derived from analysis of cash flows calculated for the over the life of mine. The cash flow model was designed in such a way that input parameters could be varied to investigate different scenarios to determine the Project’s sensitivities. HDR included a range of appropriate economic and other factors in our model. These including costs associated with:

- Royalties
- The National Fund for Environment Protection and Water Management
- Corporate tax
- Depreciation.

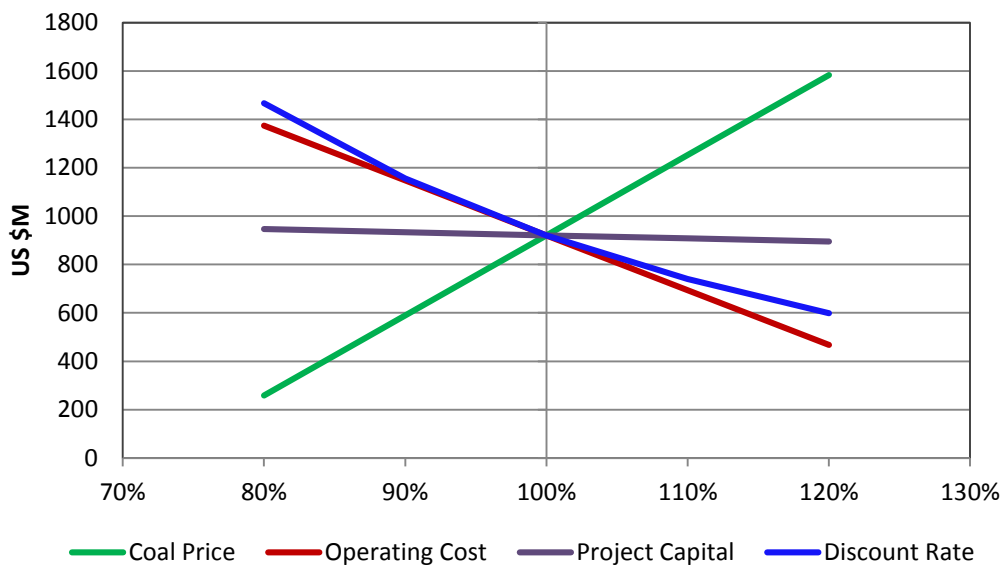
A discount rate of 10.5% (after tax, nominal) was used. The results from the discounted cash flow model are presented in the table and in the chart below.



**Table 8 Financial Summary – Sawin Project**

Financial Summary (Nominal Terms)	US \$M
Revenue	50,147
Operating cost including royalty and transport	27,947
Corporate tax expenses	4,124
Initial capital	151
Sustaining capital (over life of mine)	341
Cumulative free cash flows	17,584
NPV	921
Internal rate of return	28.4%

The key sensitivities for the NPV of the Sawin Project have been shown in figure below.



**Figure3: Key Sensitivities**

### Funding Strategy

Once the Definitive Feasibility Study approaches completion, Balamara will seek a combination of debt and/or equity funding to cover capital and operating costs necessary to bring Sawin into production. The substantial positive Project economics together with the short payback period relative to the scale of the Project, suggest that this Project may be an attractive proposition to investors and management will consider all options available within the market, including both strategic and financial partners.



Balamara's management has raised substantial capital for other resource projects in the past and has the experience required to deliver this funding for Sawin in the medium term.

### Permitting

Balamara will be undergoing all necessary permitting as required in Poland to bring Sawin to production over the next 24 months. This includes necessary environmental approvals which are critical in order to submit an application for a mining licence thereafter.

Balamara has been working on permitting in Poland for a substantial period of time for its other two coal Projects, and understands the process well. The Company will be seeking all permits and licences required to bring Sawin into production over the next 24 months and at present there is no reason to believe that these will not be granted, provided Balamara delivers on all requirements and adheres to the legal processes within Poland.

#### **Cautionary Statement**

The PFS Study referred to in this announcement is preliminary in nature as its conclusions are drawn on Inferred Resource (100%) classification, according to JORC 2012 guidelines.

There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. The stated production target is based on the Company's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.

Further, the Company cautions that there is no certainty that the forecast financial information derived from production targets will be realised. All material assumptions underpinning the production targets and forecast financial information derived from the production targets are set out in this announcement.

The estimated mineral resources underpinning this Study production targets have been prepared by Competent Persons in accordance with the current JORC Code 2012 Edition.



## **Competent Persons Statement**

This report has been written following the guidelines contained within the 2005 Edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports (“the VALMIN Code”) and the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“the JORC Code”). It has been prepared under the supervision of Mr. Manish Garg (Director – Consulting, HDR) who takes overall responsibility for this report and is an Independent Expert as defined by the VALMIN Code.

Sections of the report that pertain to Coal Resources have been prepared by Mr. Craig Williams (Principal Consultant, Geology) who is a subject specialist and a Competent Person as defined by the JORC Code.

Sections of the report that pertain to optimised mine plan have been prepared by Mr. Guy Boaz (Principal Consultant, Mining) who is a subject specialist and a Competent Person as defined by the JORC Code.

Mr. Garg, Mr. Williams and Mr. Boaz consents to the inclusion of such information in this Report in the form and context in which it appears.

## **Forward Looking Statements**

This release includes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue” and “guidance”, or other similar words and may include, without limitation statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs. Forward looking statements in this release include, but are not limited to, the capital and operating cost estimates and economic analysis from the Pre-Feasibility Study.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company’s actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or quality of resources or reserves, political and social risks, changes to the regulatory framework within which the company



operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relation issues and litigation.

Forward looking statements are based on the company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the company's business and operations in the future. The company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or management beyond the company's control.

Although the company attempts to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be anticipated, estimated or intended, and many events that are beyond the reasonable control of the company. Accordingly readers are cautioned not to place undue reliance on forward looking statements.

Forward looking statements in this release are given as at the date of issue only. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any statement is based.