

27 July 2015

FURTHER GROWTH FOR BALAMARA WITH AWARD OF SIGNIFICANT NEW COAL CONCESSION AT MARIOLA

Mariola 2 concession immediately next to Mariola 1 Thermal Coal Project, set to add significantly to Balamara's coal inventory with enlarged project unlocking considerable synergies

European coal developer Balamara Resources Limited (“Balamara” or the “Company”) is pleased to advise that it has been awarded a valuable new coal concession strategically located just 4km from its existing **Mariola Thermal Coal Project** in south-east Poland.

This new concession has been named “Mariola 2” and, together with the Company’s original Mariola 1 concession, will ultimately form the enlarged “Mariola Project”, immediately transforming it into a project of significantly increased size and scale moving forward.

Balamara has already initiated the calculation of a JORC compliant Coal Resource for Mariola 2 which will form the basis of a Pre-Feasibility Study (PFS).

The award of the new concession marks another step in Balamara’s development strategy in the Polish coal industry, adding further critical mass to its strategy to become a long-life, low-cost supplier of coal to the European market – positioning it to take advantage of strong medium and long-term demand forecasts which will be underpinned by continued regional economic growth.

Mariola 2, covers 11km² of the deposit locally known as ‘*Jan Kanty Szczakowa*’, and is located in Jaworzno (near Katowice) southern Poland, near to where Balamara has its local offices. The Company has been granted a two-year exploration licence through its 100%-owned Polish subsidiary, Carbon Investment, with a requirement to drill a single borehole commencing within the next six months, and to carry out testwork on this drill-hole and ultimately modify the geological information thereafter.

Like Mariola 1, the new Mariola 2 concession has multiple coal seams of medium quality thermal coal. Historical drilling data indicates that 62 holes have been completed to date for 23,825m, which provides considerable information under the Polish geological standard of reporting. Balamara will report tonnage and quality of this deposit when the maiden JORC resource is completed.



All historical data for the concession is being used by the Company's technical consultants, HDR Salva ("HDR"), who have commenced data validation work and will complete a maiden JORC Coal Resource by the end of August. This will lead directly into a Pre-Feasibility Study for Mariola 2, which is targeted for completion in the final Quarter of the year.

Balamara is in the process of completing the permitting process for a final four drill holes identified for the original Mariola 1 concession, designed to upgrade resources into reserves as well as to provide critical geotechnical, hydrology and coal quality information required for the Definitive Feasibility Study ("DFS").

Following the completion of the JORC resource for Mariola 2, any final holes required on that concession will also be identified, permitted and included in the same programme, with a view to completing all Mariola Project drilling by early 2016.

Balamara sees considerable synergistic value in mining both Mariola concessions as part of the same broader project as their close proximity affords significant advantages, mainly by way of capital cost reductions stemming from both operations utilising the same above-surface infrastructure wherever possible.

Further potential operating cost advantages will be targeted by utilising same management, contractors, equipment suppliers, freighting agents, processing facilities and potential off-take partners. Internal blending of coal between the two operations may also add value.

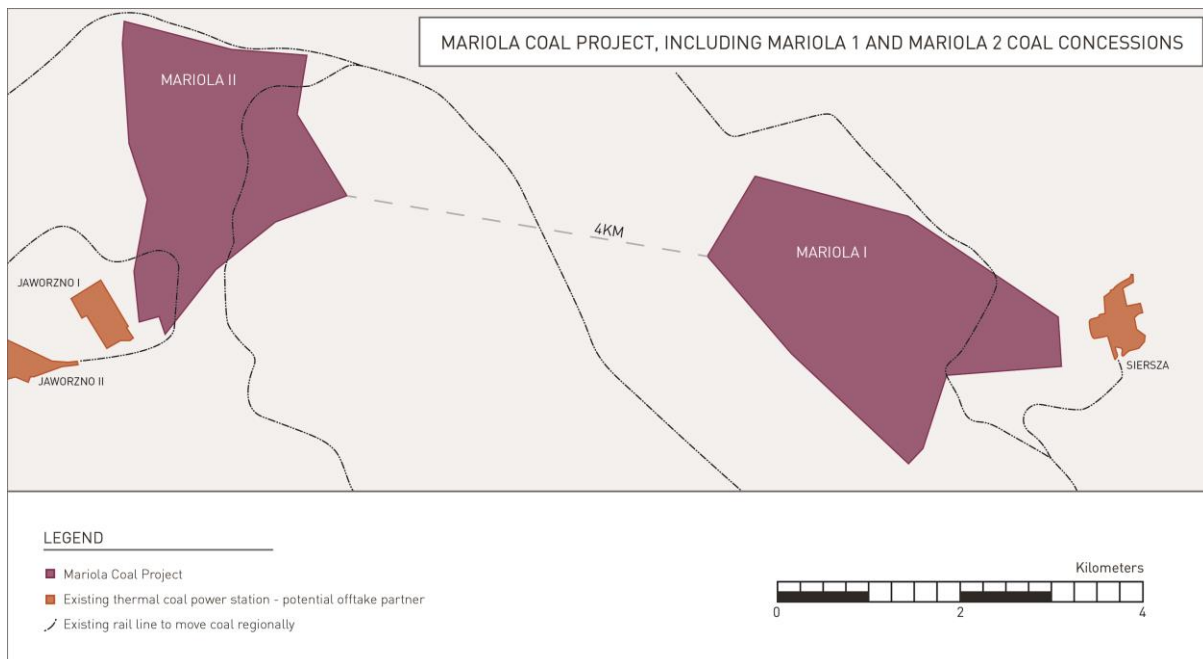


Diagram 1: Close proximity of the two Mariola coal concessions, also showing nearby thermal power stations.



Mariola Feasibility Studies

Balamara completed a Pre-Feasibility Study (“PFS”) on its Mariola 1 Project in March 2015 which returned the following highlights:

- Mineable tonnes – 39.5Mt
- Mine life – 15 years
- Capex requirement – US\$79M
- Average Annual Production – 2.7Mtpa
- Operating cost per tonne – US\$41.6/t
- Transport cost per tonne – US\$3.5/t
- Average sale price over life of mine – US\$68/t
- Cumulative Free Cash over life-of-mine – US\$881M
- IRR – 214%
- **Net Present Value – US\$312M (A\$416M)**

Cautionary Statement

The PFS Study referred to in this announcement is preliminary in nature as its conclusions are drawn on Measured Resource (0%), Indicated Resource (95.1%) and Inferred Resource (4.9%) 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 realized.

Balamara is currently revising this initial PFS to incorporate a Room & Pillar option for mining Mariola 1 (as opposed to longwall mining as previously considered), which will present the following key advantages:

1. **Increased mineable tonnes** – as mining can commence from first seams located just 30m below surface, not at 100m as previously considered, due to increased flexibility in the mining method.
2. **Decreased overall capital cost** – as there will be less decline development required, less underground development, and lower equipment costs.
3. **Lower operating costs** – as the Room & Pillar mining using a continuous miner will be more cost-effective in this operation than the longwall mining option.
4. **Faster commencement of mining operations** – as Balamara will intersect first production coal at just 30m below surface instead of 100m as previously considered.
5. **Less environmental impact** – Room & Pillar has flexibility in inducing subsidence. Areas not to be influenced can still be mined without interrupting the surface. This decreases risk associated with licensing and permitting.
6. **Lower mining risk** – as the continuous miner will track and mine the coal seams more effectively and will manage any underground faulting with less downtime, risk and ultimately cost to the Company.



These are all factors that are expected to have a considerable net positive impact on the revised Mariola 1 Pre-Feasibility Study. These same advantages will be also relevant to Mariola 2 and will be taken into consideration when producing the PFS for that project over the next Quarter.

The new concession will also allow for a greater tonnage of coal to ultimately be produced and sold from the overall Mariola Project than previously anticipated, which will generate a larger return for Balamara at its first mining operation.

It is Balamara's intention to provide an updated overall Mariola Project Pre-Feasibility Study during the final Quarter of 2015, which incorporates the Room & Pillar mining option as well as including Mariola 2 into the overall project through the completion of a PFS for that concession also within the same timeframe.

The Mariola thermal coal project lies in the heart of the Upper Silesian region in southern Poland where ~80% of all power stations within that country are located.

There are 16 thermal power stations within a 125km radius of Mariola that could all potentially be future off-takers as Mariola will be one of the lowest cost producers of coal in Poland/Europe. Balamara will be considering all of these off-take opportunities over the next 6-12 months as work intensifies in advancing Mariola towards first production.

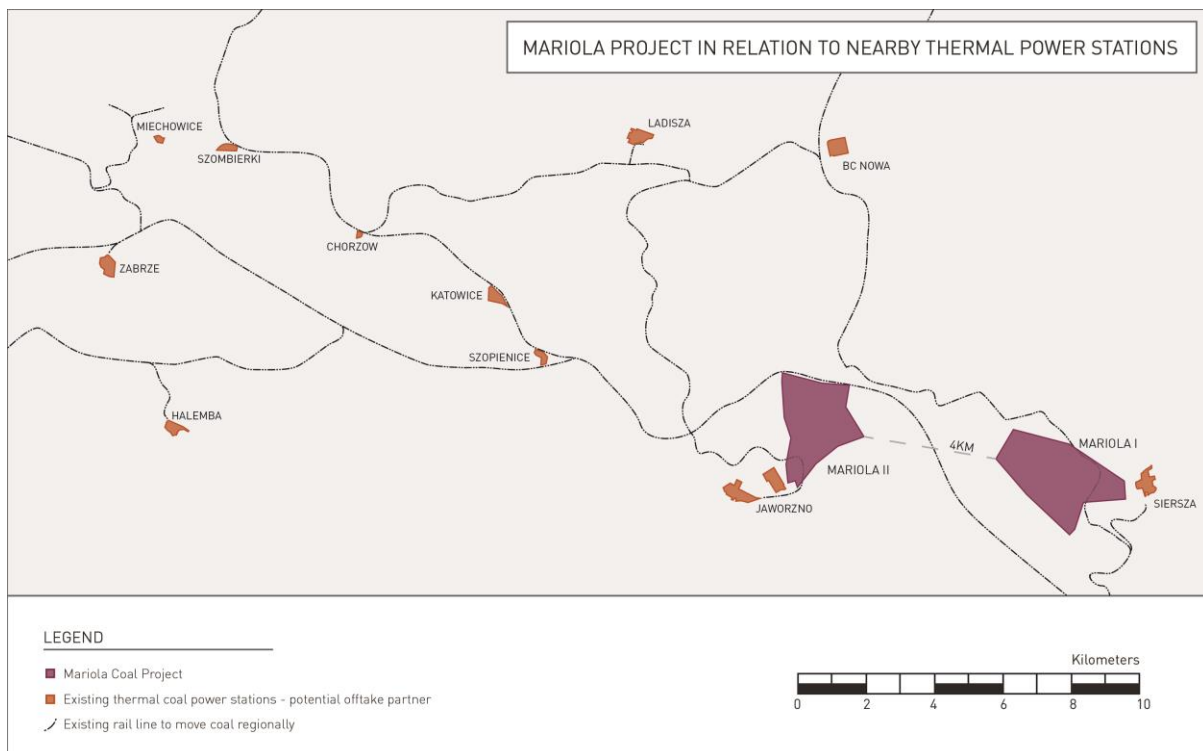


Diagram 2: Location of two Mariola coal concessions in Lower Silesia near to thermal power stations, and showing considerable rail infrastructure in place



Furthermore, there is a huge European market for coal that is readily accessible to Balamara and the largest importer of coal within Europe (Germany) is only ~400km from Mariola.

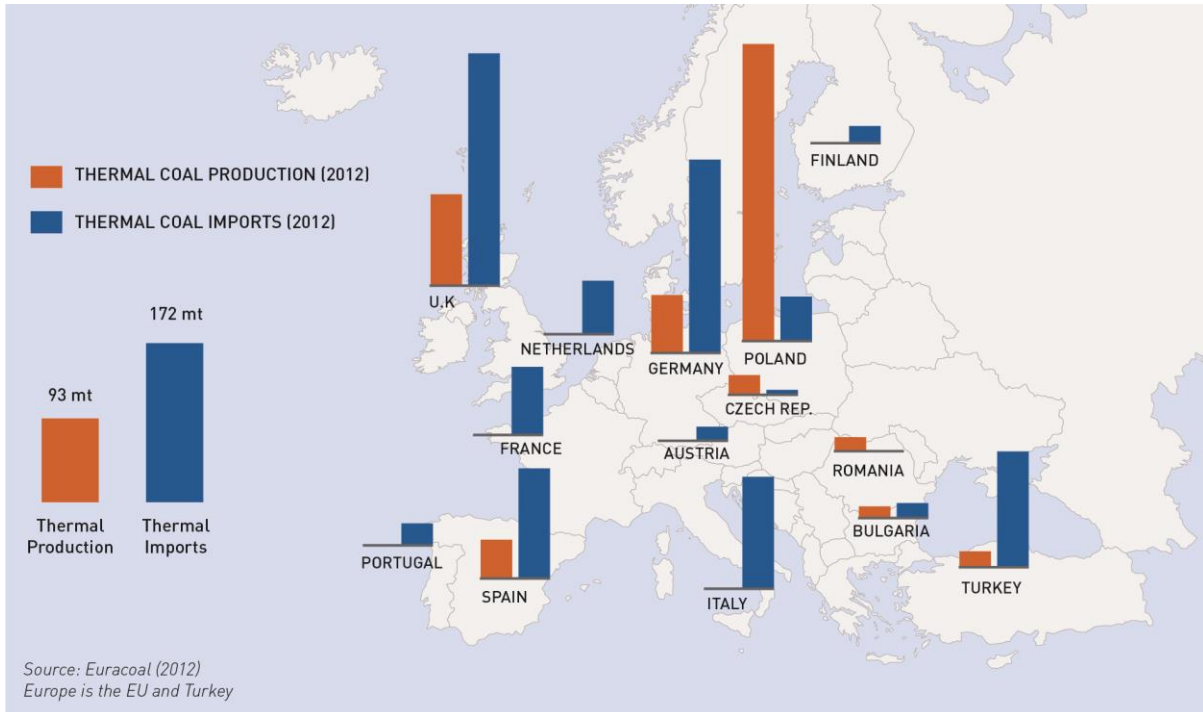


Diagram 3: European thermal coal imports 2012, indicating both production and imports of coal per country. Import tonnages have increased since 2012 to approximately ~180Mt in 2014.

Coal Market Outlook

Coal demand in Poland is forecast to remain high over the medium and long term, driven by increased energy requirements for a growing industrialised economy. Currently coal (including lignite) represents ~85% of the Polish energy mix and forecasts indicate coal will still supply more than 55% of the country’s energy mix by 2030.

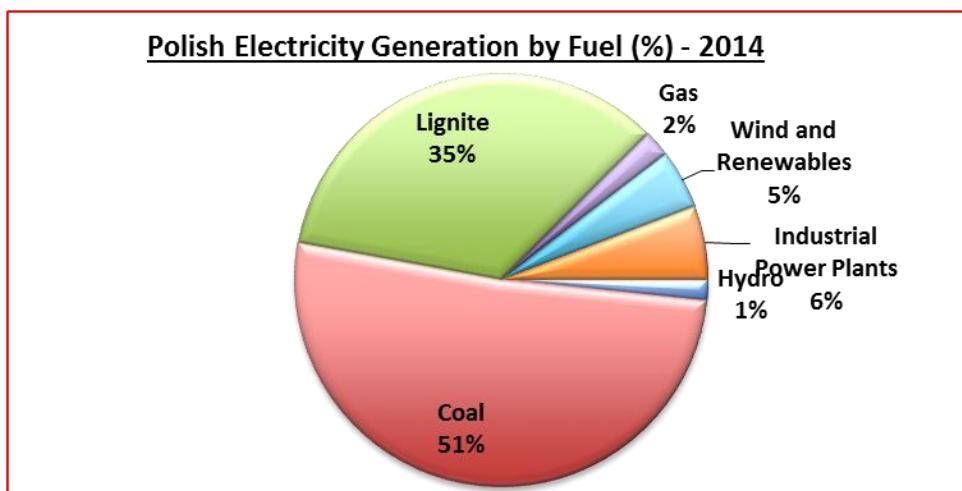


Diagram 4: Current Polish energy mix (source; Polish Ministry of Environment Energy Report 2014)

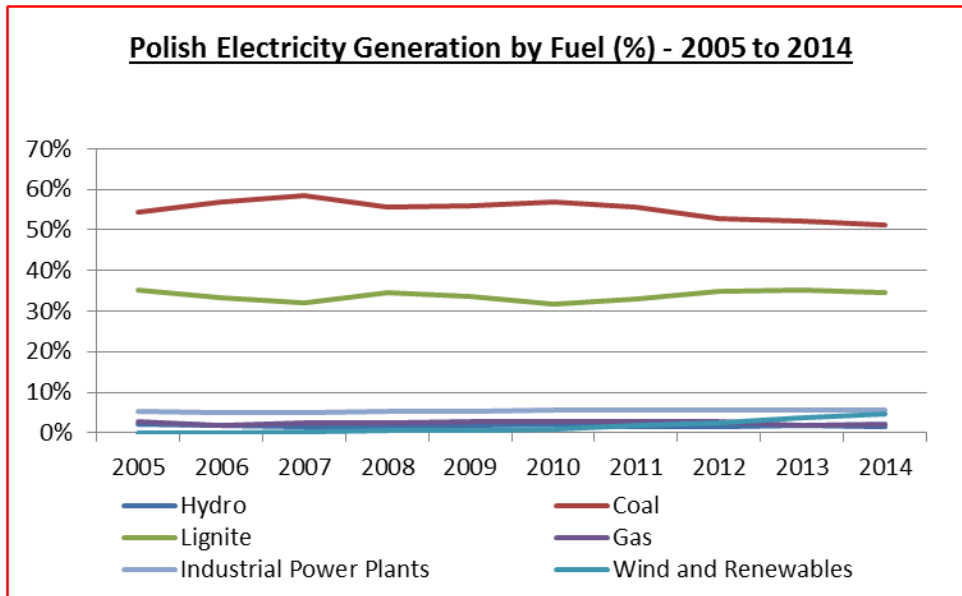


Diagram 5: Polish energy mix over the past decade, showing the continued dominant position of coal (source; Polish Ministry of Environment Energy Report 2014)

The incumbent large producers of coal within Poland are generally struggling to reduce their high unit costs to adapt to lower international coal prices (which set the benchmark for Polish coal prices) and supply of coal from these producers has fallen year-on-year for the past decade. Based on the PFS completed in March 2015, Balamara’s unit cost of coal at Mariola Project will be significantly lower when compared to these producers.

Under current world market conditions for coal this decrease in Polish production of coal is likely to continue, creating the opportunity for demand to outstrip supply moving forward, particularly when considering the wider European market as a whole. Europe is currently importing ~180Mt of coal per annum; while coal is produced in great abundance in many places around the world, it is a bulk commodity and there are high logistical costs associated with transporting coal significant distances from distant countries into the industrialised markets within Europe.

Balamara therefore has a considerable strategic advantage over most worldwide coal producers by virtue of being located much closer to the European market and therefore being able to deliver coal into this market via rail at a considerably lower overall total cost per tonne, including **both** logistical and operating costs.

Balamara’s Managing Director, Mike Ralston, said the Company was delighted to have secured the new Mariola 2 concession, which had the potential to deliver further transformational growth to what was already shaping up as a low CAPEX, low operating cost mining operation in a safe location.



“Work has already commenced to incorporate Mariola 2 into the overall Mariola Project with a view to unlocking as many synergistic advantages as possible. We will continue to update all interested parties in the months ahead with further news as we complete the maiden JORC resource for Mariola 2, a revised PFS for Mariola 1 and a PFS using similar methodology for Mariola 2” he said.

“Balamara is moving quickly towards its stated goal of becoming the next major European coal producer, targeting the sale of coal into the large internal Polish market as well as the wider European market that currently imports a huge quantity of coal per annum from abroad.”

“We believe that we can ultimately deliver a considerable tonnage of high quality coal into the European market at an overall landed price that very few of our competitors can match. This gives a substantial competitive advantage, and we will use this accordingly.”

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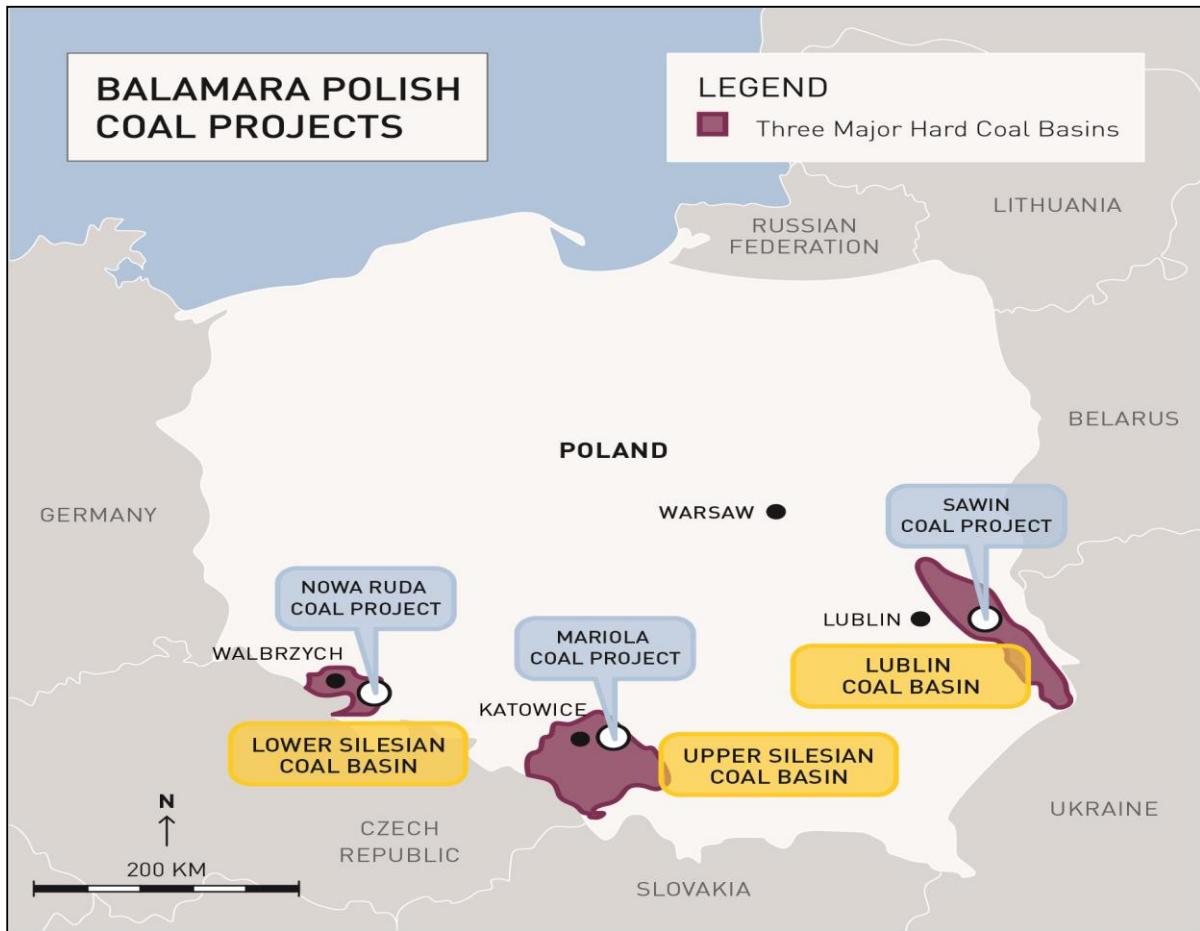
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About Balamara Resources Limited

Balamara Resources is an unlisted public company which de-listed from the Australian Stock Exchange in April 2015. The Company’s goal is to become the next significant coal producer in Europe and Balamara has made considerable progress on all three of its existing, 100%-owned coal assets over the past 12 months.



Balamara has three advanced coal assets in each of the three major coal basins in Poland, which delivers considerable advantages including availability of railway, power and other core infrastructure, close proximity to off-takers such as coke plants (coking coal) or power plants (thermal coal), and a considerable skilled low cost mining labour force. The Company’s Polish office is located in Katowice where most of the existing workforce reside full time.

Poland is viewed as a low sovereign risk location for mining ventures, being part of the European Union as well as a member state of NATO. It has well defined mining laws and a structured approvals process to completion of licensing and permits. The country itself is developing rapidly with growing heavy industry and manufacturing adding to the traditional mining focus within the economy.

Most analysts expect demand for energy in Poland to grow over the next decade in response to the expanding economic activity, and demand for coal is forecast to remain high as the most significant contributor to the energy mix. Local production of hard coal has fallen dramatically over the past decade from ~100Mt to current ~70Mt as a result of the large,



incumbent producers struggling to maintain cost-effective practices to deliver coal within the current environment.

Balamara believes that there is a significant opportunity for new, efficient producers to step in to fulfil this market by delivering high quality coal in a cost-effective manner.

About HDR Salva (“HDR”)

HDR is a global, employee-owned architecture, engineering, consulting and construction services firm. In total HDR employs in excess of 9,200 professionals in 225 offices worldwide, including 500 in the resource sector. HDR Resources team delivers exploration, mining and commodities consultancy services to some of the world’s largest mining and investment firms. HDR is committed to helping clients manage complex projects and make sound decisions.

Production Target Disclaimer:

The information within this announcement relating to production targets has been derived from the announcement released to the ASX on 4 March 2015. Balamara confirms that all the material assumptions underpinning the production targets, or the forecast information derived from the production targets in the initial report on 4 March 2015, continue to apply and have not materially changed.