

16 May 2016

BALAMARA OUTLINES SUBSTANTIAL ZONE OF +2 METRES THICK COAL AT SAWIN PROJECT

In-fill drilling exceeds expectations, paving the way for a resource upgrade

Highlights:

- **Successful drilling of the first four in-fill holes at Sawin identifies a large, previously unrecognized zone of +2m thick coal in seam S391.**
 - **Higher volume of coal identified in this area than previously anticipated.**
 - **Greater tonnages of coal mined in this area should translate into lower unit costs, delivering strong economic outcomes.**
 - **This area will be the focus of Balamara’s production strategy at Sawin over the first decade of operations.**
 - **New JORC Resource Report to follow once coal quality information is completed.**
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International coal developer Balamara Resources (“Balamara” or the “Company”) is pleased to advise that it is on track to publish an upgraded JORC Mineral Resource estimate for its flagship **Sawin Coal Project** in south-east Poland after receiving outstanding results from recent in-fill resource drilling designed to underpin an upgraded Pre-Feasibility Study.

The Company has now completed the first four holes of the in-fill program, with results outlining a **substantial zone of +2m thick coal in seam S391**, which is considerably thicker and more consistent than previously identified or modelled.

Historical drilling at Sawin was conducted under the direction of the Polish Geological Institute and was relatively wide-spaced, with holes generally ranging from 1.5km-2km apart. This led to Balamara’s initial 1.2 billion tonne JORC resource for Sawin, published in 2015, being categorised as Inferred Resources.

Balamara commenced a 9-hole in-fill drilling programme in late 2015 with the objective of selectively in-filling the major parts of the deposit to a spacing of approximately 1km. The results from the first four holes have confirmed the presence of this +2m thick zone within the S391 coal seam, which had previously not been recognised due to the wide-spaced nature of the historical drilling.

This result is important as the delineation of this significant thick coal seam (S391) will allow Balamara to focus its production strategy within this zone during the first decade of Sawin



production, allowing for greater tonnages of coal to be produced at lower unit costs than previously anticipated, thereby delivering a considerably stronger commercial result.

Sawin remains the “flagship” within Balamara’s portfolio of Polish coal assets and this result will reinforce the exceptional commercial outcomes associated with this project. The Company announced an initial Pre-Feasibility Study (“PFS”) for the Sawin Project in June 2015, which highlighted a low capital cost start-up mine (US\$152 million) with the potential to generate significant cash flow over a +50 year mine life, delivering a **Net Present Value of US\$920 million.**

These excellent results within the S391 seam – together with other technical work Balamara has been undertaking over the past six months – will help to underpin a revised PFS for the Sawin Project in the near term, and expectations are high that this will result in significantly enhanced financial and economic outcomes compared with the 2015 PFS.

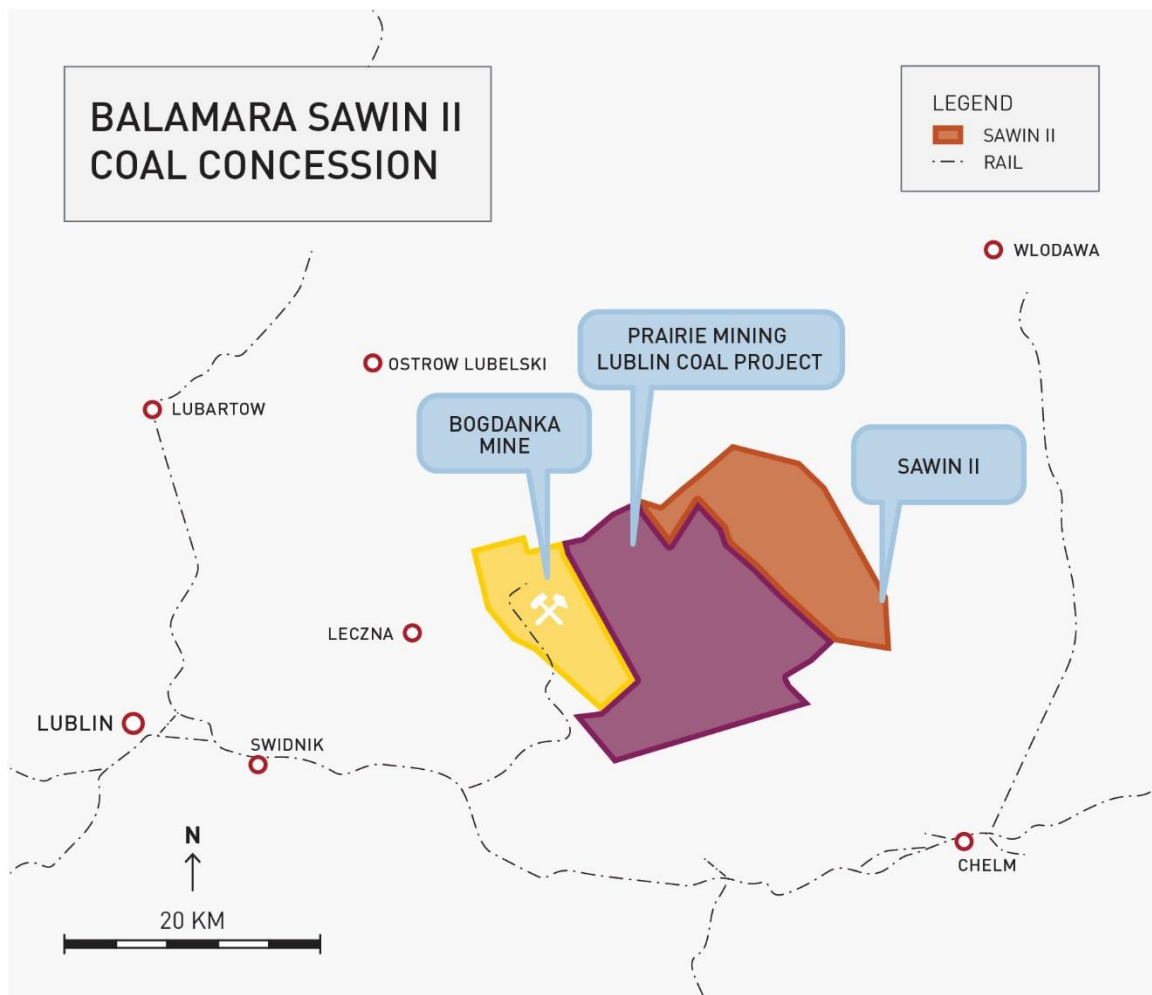


Figure 1 – Location of Sawin Coal Project in south-western Poland, in close proximity to other significant regional coal projects



The Sawin Project is a large coal concession located in the south-eastern Lublin region of Poland where the prominence of the world-class Bogdanka coal operation has drawn many coal experts to conclude that this will become the next major coal producing location within Poland/Europe.

Thick, continuous coal seams, high quality coal and favourable ground conditions all present a strong case for highly efficient and profitable longwall mining in the Lublin region, producing significant tonnes at lower unit costs than anywhere else in Poland. The Bogdanka mine has consistently produced coal at operating costs substantially lower than all other coal mines in-country and, more recently, ASX-listed Prairie Mining delivered their first Pre-Feasibility Study on their Lublin Coal Project, which also indicated very low operating costs.

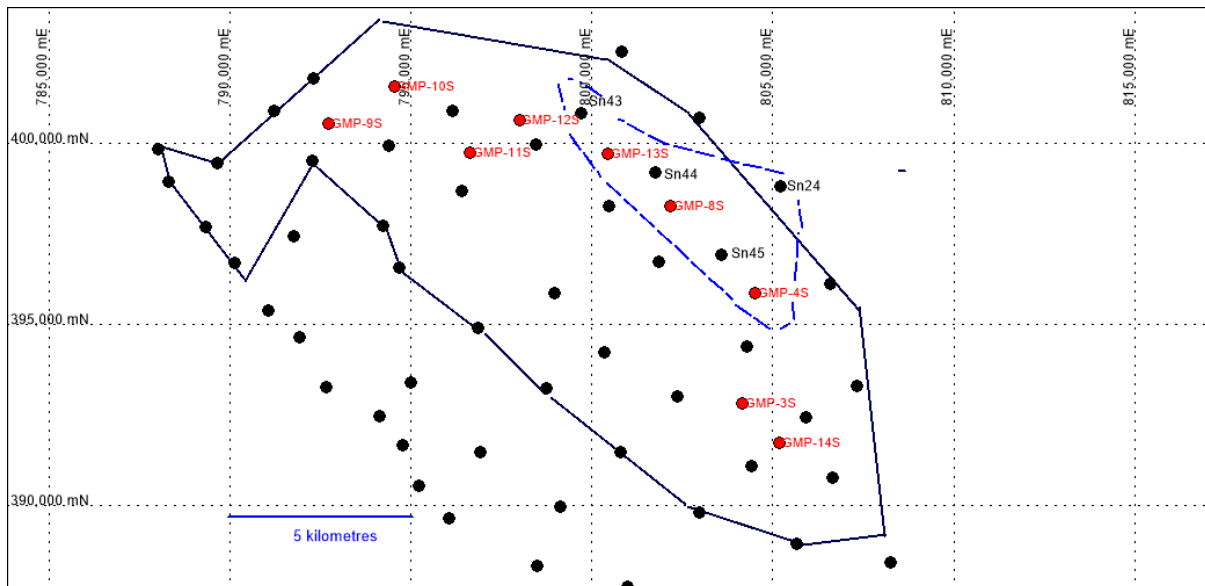


Figure 2 – +2m thick zone in seam S391 as defined by seven drillholes

Commenting on these latest results, Balamara’s Managing Director Mike Ralston said: “We are building a very strong commercial business model for the Sawin Project and the recent results from seam S391 will significantly enhance the Project.

“We now have the opportunity to deliver a substantially improved Net Present Value within a revised PFS for Sawin and, combined with the significant NPV’s we have delivered for both Mariola Projects over the past few months – and with the Nowa Ruda coking coal project PFS set to follow shortly – Balamara is in a very strong position to become a leading European coal producer at the bottom of the global cost curve.

“Balamara’s strategy has always been to identify the highest quality, advanced coal assets in Poland that can be brought into production relatively quickly, and for relatively low capital cost. Sawin is undoubtedly our flagship asset due to its size and scale, but the overall portfolio is fast emerging into what we consider to be the next substantial low-cost coal producer in



Europe, at exactly the time when the incumbent state-owned coal operations in Poland are struggling to remain in production due to their higher costs.”

Ends

For further information contact:

Mike Ralston/Managing Director
Or
Daniel Kendall/CFO-Company Secretary
Balamara Resources Limited
(08) 6365 4519

Nicholas Read/Paul Armstrong
Read Corporate
(08) 9388 1474

COMPETENT PERSON REQUIREMENTS

Coal Resources:

The information within this announcement relating to coal resources have been derived from the announcement released to the ASX on 23 March 2015, which can be found at www.balamara.com.au. Balamara confirms that it is not aware of any new information or data that materially affects the information included in the prior announcement and, in the case of coal resources that all material assumptions and technical parameters underpinning the estimates in the prior announcement continue to apply and have not materially changed.

Production Targets:

The information within this announcement relating to production targets has been derived from the announcement released to shareholders and included on the Company website on 16 June 2015. Balamara confirms that all the material assumptions underpinning the production target, or the forecast information derived from the production target, in the initial report on 16 June 2015, continue to apply and have not materially changed.



Balamara's Drilling Programme from late-2015

As a condition of obtaining the Sawin II concession Balamara has undertaken to drill a nine hole programme originally estimated at a total of 6885 metres. At this time drilling has been completed for five holes, GMP-3S, GMP-4S, GMP-8S, GMP-13S and GMP-14S.

Drilling is currently underway at GMP-11S and GM-12S with both holes more than half completed. GMP-9S and GMP-10S remain to be drilled and these are relatively deep holes. Holes GMP-9S, GMP-12S and GMP-13S have also been designed as hydrogeological holes in order to provide important information regarding the various aquifers in the area. The complete drilling programme including the coal parameter test work is expected to be completed around September 2016.

Holes are being drilled by a variety of open hole drilling methods down just above the contact between the Carboniferous sequence which hosts the coal sequence and the overlying Jurassic sequence. This depth is usually around 500 metres and the remainder of the hole containing the all-important coal seams is completed by PQ core.

Coal parameter testing took place on all coal seams greater than 0.60m in thickness, and included separate testing of partings. Whole cores were delivered to Główny Instytut Gornictwa (GIG) in Katowice, one of the most highly regarded technical laboratories in Poland.

Sampling is extensive, with standard tests including, but not limited to:

- Moisture content;
- Volatile content;
- ash content;
- calorific value;
- coal type;
- sulphur content.
- FSI (Free Swell Index)

Full records have been kept of core recoveries and will allow for statistical analysis of the influence of core recovery on coal quality which allowed for assessment of sample representivity during future Resource estimation.

The most significant aspect of Balamara's drilling to date has been the recognition within seam S391 of a large and continuous area with a thickness of 2 metres or more. This area is located on the eastern side of the exploration concession up against its eastern boundary. It is somewhat linear and has approximate dimensions of 8 km by 2 km. It trends approximately NW and is parallel to the regional geological strike.



The linear zone is predominantly defined by results in six holes. These are the historical holes Sn43, Sn 44 and Sn45 and the holes recently completed by Balamara which are GMP-13S, GMP-8S and GMP-4S (see Figure 3). Another historical hole Sn 24 lies just outside the concession and to the east of Sn 44 and within seam S391 it intersected 2.19 metres of coal plus 0.06 metres of coaly mudstone at the base. Hence the thick zone of S391 is locally wider than 2 km in the vicinity of Sn24.

Balamara has applied for a new exploration concession (Sawin III) to cover the area just outside Sawin II to the east (see Figure 2), where coal seam extensions have been identified, and the Company proposes to drill two additional holes adjacent to Sn24 to better define the eastern extent of the 2m thick zone.

Hence the 2m thick zone is defined from NW to SE by seven significant drill intervals and these are summarized below:

- Sn 43 – **2.35 metres** thick coal with 0.30 metres mudstone located at the base.
- GMP-13S – Balamara hole most recently completed with **2.36 metres** of coal including a 0.14 interbed.
- Sn 44 – **2.50 metres** intersection with 2.34 metres of coal and 0.16 metres of mudstone as an interbed within the coal.
- GMP-8S – Balamara hole with **2.16 metres** including 0.17 metres of clay interbed - so 1.99 metres of coal.
- Sn 45 – **2.20 metres intercept** including 2.02 metres of coal and 0.18 metres of Claystone interbeds.
- GMP-4S – Balamara hole with **2.49 metres of coal** including claystone interbed of 0.28 metres.
- Sn 24 – **2.19 metres of coal**.

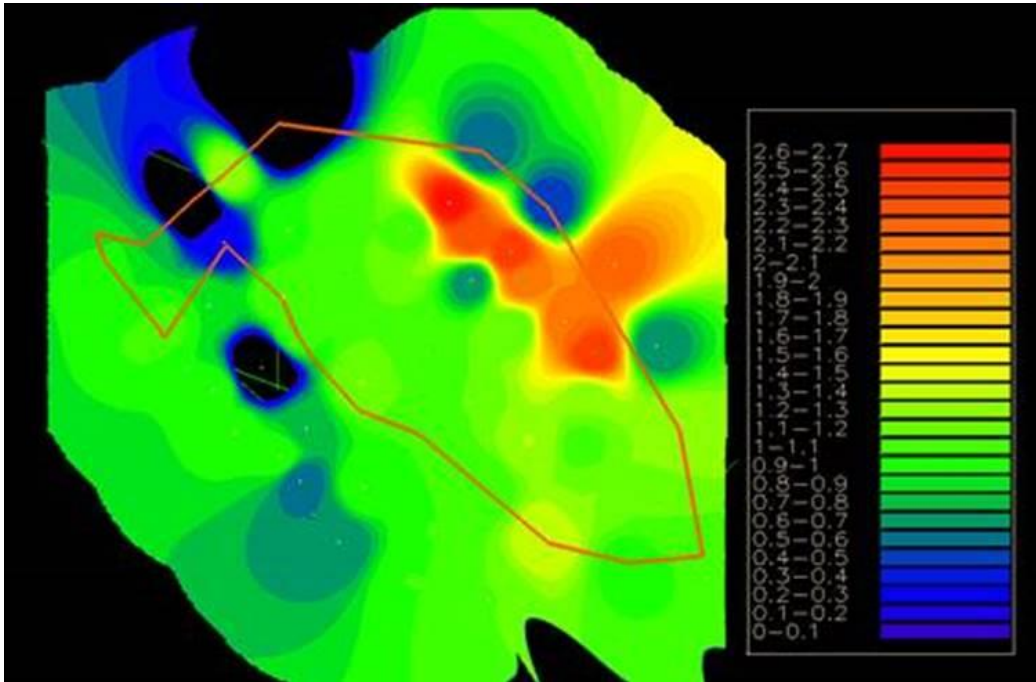


Figure 3 – Coal seam thickness colour diagram showing seam thickness of S391. Note the large reddish orange area denoting a large coherent zone of +2m thickness.

The current phase of drilling compares very well with historical results and there is an overall very consistent thickness of coal usually including an interbed of claystone or coaly shale of the order of 20 cm. The zone lies on the NW limb of the Bogdanka Syncline, so these holes are all essentially along strike, hence there is a good geological basis to explain the excellent continuity.

The 2m thick zone was not recognized in the earlier resource modelling associated with the initial HDR Salva March 2015 JORC and completed prior to Balamara's drilling. As previously noted historical holes Sn43, Sn44 and Sn45 had intersections in excess of 2 metres but their continuity as a coherent zone was not recognized due to the relatively wide drill spacing. The coal thicknesses contours were depicted as '*bullseyes*' with the +2 metre zones restricted to relatively close to the individual holes – this had the effect of depicting most of the material between the drillholes as being below 2m in thickness.

Drill spacing along this zone is now of the order of 1km in the NW to SE direction whereas previously it was approximately 2km. In their preliminary discussion of the latest modelling Balamara's technical consultant HDR Salva has recognized that with the new drilling Balamara now has a total of 7 adjacent holes all showing the S391 above 2 meters in thickness. As a consequence HDR Salva notes that any interpretation that overly restricts the extent of the 2m thickness contour appears not to be a true reflection of what now looks like quite a consistent area of +2m S391 seam.



HDR Salva has determined that the Inverse Distance to the power 4 interpolator at a search radius of 3000 m worked the best (See Figure 3 above). Balamara now has the 2 meter contour line surrounding all 7 holes without the drop down to sub-2m thickness between these holes.

Coal parameter test work results have been received for holes GMP-8S and GMP-4S and these are similar to the historical results. Results are awaited for GMP-13S and when these are received a more thorough review of coal parameters related to the +2m thick zone will be completed.

The identification of this previously unrecognized zone of +2m thick coal in seam S391 is very significant for mining and for the project as a whole. In general there is very good continuity at Sawin with limited in-seam faulting and this is known to be true for the adjacent Bogdanka mine and for the Lublin coal basin in general.

Sawin is a multi-seam project and a number of other seams such as S376, S377A, S382 and S389 have similarly large continuous zones of coal but generally the thicknesses are of the order of 1.5 metres or less. The +2m thick zone in S391 has the potential to support a substantial longwall mining operation and this will result in higher production rates. It is anticipated this zone can be mined at relatively very low cost per tonne and it is likely to form the main basin for the early years of what will be a long life mining operation. The mining of low cost coal in the early years is of great benefit to the overall economics of the future mining operation.

Table 1: Balamara drilling programme for Sawin II Exploration Concession

Hole No	Northing System Poland 1992	Easting	Elevation Kronstadt 86	Drilling Status	Depth (planned)	Depth (completed)
GMP-3S	392822.14	804166.46	204.83	completed	750	732.7
GMP-4S	395867.86	804503.98	181.66	completed	690	677.1
GMP-8S	398254.17	802179.37	186.03	completed	740	711
GMP-9S	400525.25	792721.67		planned	890	
GMP-10S	401554.89	794540.61		planned	770	
GMP-11S	399732.33	796639.77		currently drilling	800	
GMP-12S	400623.40	797993.23		currently drilling	760	
GMP-13S	399694.55	800454.92	171.42	completed	750	724.5
GMP-14S	391739.83	805191.13	192.98	completed	735	718.8