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BALAMARA SHAREHOLDER UPDATE

Project development continuing successfully at all three Polish coal assets as Balamara advances towards a decision-to-mine and first production

Balamara Resources ("Balamara" or "the Company") is pleased to provide an update on recent progress and ongoing activities across its extensive portfolio of high quality coal assets in southern Poland. Recent progress at all three projects puts Balamara in a strong position to unlock significant value for its shareholders as these assets advance towards production.

Since de-listing from the ASX in May 2015 Balamara is not required to provide Quarterly Reports, however the Company has made a commitment that it will keep its shareholders regularly updated on all key events.

Polish Coal Development Strategy

Balamara has acquired three significant coal Projects in southern Poland, a low sovereign risk location, as part of an underlying strategy to identify and secure advanced coal assets that can be brought into production quickly and for a low capital cost relative to other similar coal projects worldwide.

Furthermore, these assets have been selected for their ability to deliver coal at very low operating costs, and Balamara believes that it can potentially **deliver up to 15Mtpa coal from its portfolio at lower operating costs than any other coal producer in Poland**.

Europe currently imports around 150Mtpa of coal with the majority coming from distant locations such as Colombia, South Africa and the United States. Balamara's objective is to provide a lower cost option for end-users of coal within the European market compared with imported coal from any of these countries – a strategy that would establish a strong foundation for a profitable long-term commercial business model.

Poland is one of the fastest growing EU markets with substantial manufacturing and industrial development underway – all of which requires significant energy – and nearly 90 per cent of Poland's energy currently comes from coal. Balamara therefore believes that coal will continue to play a very important part of the energy mix in Poland, as well as surrounding countries (including Germany), for a long time to come. At least three new thermal power stations are currently being built in Poland, providing a clear indication that the domestic market perceives coal as an integral component for energy into the future.

However, coal production in Poland is declining, largely due to inefficient production from state-owned mines (over 95% of all coal in Poland is state-owned). The current very high level of Government subsidies for the coal industry is also likely to be reduced in the medium-to-longer term due to increasing pressure within Poland and from the EU, which suggests that a significant supply-demand gap may emerge in the coal industry over the coming years.

For all of these reasons, a low-cost producer of high quality coal within Poland could find itself in a compelling macro-economic position over the coming years, with strong long-term demand for product and the ability to deliver a considerable margin on coal sales over a long mine life.

In the two years since Balamara took control of its current world-class 1.5 billion tonne coal inventory in Poland it has delivered several successful drilling programs, three JORC resource reports and four Pre-Feasibility Studies ("PFS"). Two more Pre-Feasibility Studies are currently underway and due for completion by mid-2016.

Balamara will continue to work on all of its assets in parallel as this diversifies and mitigates its risk profile across a portfolio of projects at different stages of development, in the event of an unforeseen event slowing progress at any particular project.

Balamara has built a strong operating presence in Poland, giving it the internal capability to secure the necessary permits and licences to mine coal, complete feasibility studies and ultimately develop and operate the projects. The Company has an office in Katowice (southern Poland) which lies in the heart of Upper Silesia and the Polish coal industry, and the Company will continue to add experienced resource professionals as required to deliver its stated objective of ultimately producing up to 15 million tonnes of coal per annum.

The Company's strategy to become the lowest cost domestic producer in Poland will help to mitigate the impact of lower international coal prices as domestic coal prices are generally US$5/tonne – US$10/tonne higher than the benchmark ARA coal price, due to the added logistics cost of moving coal from Antwerp/Rotterdam to power stations in Poland.

Mariola 1 Thermal Coal Project (100%)

Balamara completed a revised Pre-Feasibility Study (PFS) for Mariola 1 in late 2015, based on a Bord and Pillar extraction method which delivered a lower capital cost (US$64 million), a lower operating cost per tonne (US$40/tonne) and a substantially higher overall Net Present Value (US$410 million) than previously indicated.

The revised PFS increased the total tonnage of coal mined and extended the mine life from 15 to 20 years. The decline of the local currency (the Polish Zloty) to the US Dollar has also helped to lower both the capital cost and the operating cost as almost all of these costs are paid for in local currency, and long range forecasts indicate a further potential drop for the Zloty of 15-20 per cent over the next 12 months.

Balamara's third-party technical consultants, HDR Salva, take a long term view of exchange rates when signing off on all of Balamara's Pre-Feasibility Studies and the Definitive Feasibility Studies will therefore not be constantly changed to reflect ongoing currency fluctuations.

However, a further 15-20 per cent all in the value of the local currency in 2016 could logically be considered to reduce both capital and operating costs by a similar percentage, which would place Mariola 1 operating costs well below US$40/tonne, underlining its potential to become the lowest cost coal producer in Poland.

Mariola 1 is currently awaiting environmental permitting approval, which is the first step towards securing a mining licence. Balamara cannot accurately predict when this approval might be obtained but it is anticipated within the next few months. Other engineering and technical work has continued that directly relates to the Definitive Feasibility Study and the mining licence and Balamara will continue to advance Mariola 1 towards anticipated first coal production in 2017.

A final two-hole in-fill drilling programme is also underway at Mariola in order to deliver coal quality, geotechnical and hydrology information.

Mariola 2 Thermal Coal Project (100%)

Balamara acquired the Mariola 2 concession (located approximately 8km from Mariola 1) in mid-2015 and immediately produced a JORC resource on the coal inventory, through its technical partner HDR Salva.

Work commenced in Q4 2015 to complete a PFS for Mariola 1 and this has now been completed, with the highlights summarised below:

Mariola II Operating & Financial Figures	
Mining Method	Underground Bord and Pillar
Life of Mine	10 years
Mineral Resources within Optimised Mine Plan	15.4Mt
Annual Saleable Production (LOM Average)	1.5Mtpa
Operating Cost (LOM Average, including rehabilitation), at mine gate	US$33.3/t
Transport Cost (assumed average distance 42kms rail to end user)	US$2.9/t
Project Capital Cost (including contingency but excluding contractor/leased items & sustaining capital)	US$60.4M
NPV 10.5% Discount (nominal, post-tax)	US$123M
Post-tax IRR (nominal)	34%
Post-tax LOM Free Cash Flow (nominal)	US$349M

Mariola 2 represents a technically and financially robust project that may be considered for production in the future as a bolt-on to Mariola 1, to increase the overall tonnage of coal sold from both concessions. However, the scale of the Mariola 2 Project does not compare with the Company's other three Polish coal assets (Mariola 1, Sawin and Nowa Ruda) and therefore this project will not be considered as a priority in its overall development schedule.

The recently completed PFS does indicate the potential to extract 1.5Mtpa, adding to the targeted 2.5Mtpa production rate at Mariola 1. Overall this may provide 4Mtpa of sub-US$40/tonne operating cost coal which would likely make it a very profitable commercial enterprise. Mariola quality coal is currently selling in Poland for around US$55/tonne.

Environmental permitting for Mariola 2 is being progressed in tandem with Mariola 1 and the process remains similar for both, with approvals expected in the next few months.

Sawin Thermal Coal Project (100%)

The exceptional Sawin Project, located in the Lublin Basin in south-eastern Poland, is rapidly emerging as Balamara's flagship coal asset.

A PFS was completed on the Sawin Project in June 2015 indicating a US$925 million NPV from a mine life of 50 years, based on the sale of ~6Mtpa coal at an operating cost of approximately US$45/tonne. The presence of long, continuous coal seams with thicknesses ranging from 1.0m–2.5m provides the opportunity for highly efficient longwall mining, similar to the product currently being delivered by the Polish mining company Bogdanka, which mines coal at similar cost from their successful operation located nearby.

Balamara has spent considerable time in the past few months considering what equipment may yield the best results at Sawin, and engaging with equipment suppliers to understand both the equipment and the costs. This has been a valuable exercise and will positively impact the revised Sawin PFS and all of the Company's other projects as it moves closer to development and mining.

In the last quarter of 2015 Balamara embarked on an in-fill drilling programme at Sawin that was designed to provide adequate spacing to deliver an Indicated Resource, and later a Reserve, as well as providing further information on coal quality, coal seam locations (and thickness) and geotechnical and hydrology data. This drilling has been very successful to date and Balamara is currently completing the fourth of a total nine planned holes, with the full programme expected to be completed by September.

This drilling has highlighted a greater seam thickness than initially expected over a considerable strike area within the high quality 391 coal seam, and this will have a big impact on the revised mine planning and ultimately on the revised PFS which is currently underway. The final drill hole that impacts materially on the 391 seam is due for completion in the next few weeks and Balamara plans to update the Sawin JORC resource thereafter, once the coal quality information has been returned, adding this fourth hole to the previously completed three holes.

HDR Salva will provide an updated JORC Resource Report for Sawin in the next two months and will follow that with a revised mine plan and updated PFS that is expected to result in significant improvements on the previous PFS. This report will underline Sawin as a world-class resource asset.

Other work currently underway at Sawin has also returned positive results. Balamara has developed relationships with several potential off-take partners in the region and preliminary assessment of Sawin grade coal indicates that this product may not require further processing once mined. If this is confirmed and a wash-plant is not required, it will result in considerable capital cost savings as well as a reduction in the time required to license and build this infrastructure.

Equally importantly, the removal of a coal wash-plant will reduce operating costs, allowing Balamara to target a substantially reduced operating cost as part of the revised PFS for Sawin. Balamara believes that Sawin can become the lowest cost coal mine in Poland, with the potential to produce coal at a cost that will be even lower than Mariola.

Balamara has also identified its preferred locations for surface infrastructure at Sawin, which will allow it to commence the preparation of environmental reports as a first step towards securing a Mining Licence. Negotiations are currently underway with third parties to secure land as required and discussions have also commenced with relevant parties concerning a proposed railway spur to provide Sawin with a logistics solution to transport coal to market.

Sawin is expected to ultimately deliver the majority of both coal sales and earnings within Balamara's overall coal portfolio, and therefore every effort will be made to advance this Tier One asset towards first production, targeted for 2019.

Nowa Ruda Coking Coal Project (100%)

Further work has also been underway at the Nowa Ruda Project, which provides Balamara's coal portfolio with highly sought-after hard coking coal. An initial PFS was deferred in mid-2015 to allow the introduction of a Bord and Pillar mining method at Nowa Ruda, and the team is currently working on a revised mine plan for the project.

This mine plan will form the basis of the PFS for Nowa Ruda, which Balamara is aiming to complete before mid-2016. At that stage, all four coal projects will have revised PFS reports and the board can then reasonably compare and contrast these assets to prioritise them for development.

A further two holes will need to be drilled at Nowa Ruda to in-fill the Inferred Resource at the Waclaw deposit to provide an Indicated Resource and, ultimately, a Reserve. These holes have been planned already and drilling will commence in Q2 2016. Environmental permitting work has been underway at Nowa Ruda for some time and the Company is aiming to secure both the environmental approval and the Mining Licence by early 2017.

Summary – All Projects

The information outlined above highlights the ongoing nature of all work (drilling, feasibility and technical studies and licensing/permitting) at all three of Balamara's Polish coal projects. As noted previously, the Company will continue to allocate resources to progress these assets in parallel to that it can obtain all of the necessary information and data required to prioritise is development timeline and production strategy, as well diversify and mitigate its project development risk across a portfolio of assets.

Balamara plans to appoint an experienced Chief Operating Officer to the Polish team in the near term. The COO will have direct responsibility for all technical matters and delivery of the technical and financial studies on the Company's key projects. This key executive will also be ultimately responsible for advancing these coal projects towards production and commercial operations over the next few years.

Funding

Balamara currently has ~A$1.5 million cash in the bank and a commitment from its major shareholder to deliver a further A$2.5 million over the next 2-3 months, in accordance with the terms of the convertible loan agreement finalised in 2015 with the Company's major shareholder.

This will provide sufficient working capital for Balamara to continue advancing its Projects as outlined above, although the Company acknowledges that it will need to secure a substantial financing package in the course of this year in order to bring its first coal mine into production in 2017. The Company has been working on funding options for some time and will advise its shareholders accordingly once this position changes.

Listing and IPO

Balamara has repeatedly said that it intends to re-list on an appropriate stock exchange when it makes sense to do so, both from an internal perspective (as it moves closer to first coal production) and also taking into consideration external factors (world markets, resource markets in particular and the level of investor support for coal companies).

The de-listing in April 2015 has saved the Company considerable cash in both direct and indirect costs while also protecting the value within the Company held by the existing shareholders.

The strategy to re-list has not changed and Balamara will continue to monitor internal progress and external markets with a view to re-listing at some future date. In the meantime, Balamara shares have been traded off-market with both buyers and sellers informing the Company of their positions and being brought together to conduct business.

Commenting on the Company's recent progress and outlook, Balamara's Managing Director Mike Ralston said: "We have three excellent coal assets in a great location that have the potential to be significant low-cost, high-margin coal operations. We believe that the decision to de-list the Company during this period was the right strategy – allowing us to preserve value while advancing these assets rapidly towards production.

"We will continue to update our shareholders going forward as we deliver on key events and we have highlighted several of these in the coming months, including revised JORC reports, revised Pre-Feasibility Studies and p0ermitting. Balamara will continue to move as fast as it can in all respects while never compromising on our standards or our integrity."

-ENDS-

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