

Polish Coal : low cap.ex; low op.ex

BMB has acquired 3 Polish coal projects. First coal, 2Mt/yr at \$37/t from \$50m cap.ex, expected 2016

Recommendation

BUY; High Risk

Price

6.5c

Valuation

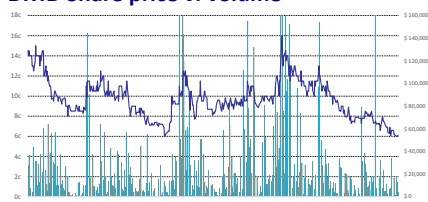
27c

- **Mariola thermal coal will be the first project developed due to the infrastructure in place. Cap.ex of \$50m is expected for over 2Mt/yr of saleable coal at an all in cost of under \$40/t, with first sales late in 2016.**
- **Nowa Ruda will be next. The project contains both hard and semi-soft coking coal, with cap.ex of about \$150m for 1Mt/yr of saleable coal at an all in cost of under \$70/t.**
- **Sawin is a large exploration project. It is adjacent to PDZ's Lublin project and the operating Bogdanka mine.**
- **Even at current prices, these projects all give good returns.**

Snapshot

Market Cap	\$22.2m
Shares on Issue	357.6m
Cash on hand (30 Sept 2014)	\$2.2m
52 Week High	16.0c
52 Week Low	6.0c
1 month / 6 month VWAP	6.5c / 8.6c

BMB Share price v. volume



BMB acquired Nowa Ruda in July 2013 by award of exploration rights. Nowa Ruda was an operating mine that was closed in 1996, having produced around 1Mt/yr of coking coal.

BMB acquired an initial 15% interest in the Mariola thermal coal project in July 2014. BMB is able to move to 100% of the project and will do that for scrip, following the maiden Mariola JORC resource report which is due in October 2014.

BMB acquired the Sawin exploration lease in July 2014. Sawin is adjacent to Prairie Mining (PDZ.ASX)'s Lublin project, which is adjacent to the operating Bogdanka mine.

Author : Pieter Bruinstroop
pbruinstroop@beerandco.com.au

Mariola : over 2Mt/yr of thermal coal at under \$40/t

BMB announced the acquisition of a 15% stake in Mariola for cash plus shares in July 2014. BMB is able to move to 100%. It is an advanced project that is expected to have a JORC Resource in October and a feasibility study early in 2015, for first coal late 2016.

The coal starts about 100m below surface in thick continuous seams. We expect capital cost of about \$50m for over 2Mt/yr of thermal coal at an all in cash cost of under \$40/t. Our estimated NPV, using a 10% rate, is US\$ 500m.

Nowa Ruda : was producing over 1Mt/yr of coking coal to 1996

BMB acquired Nowa Ruda via an exploration lease in July 2013. As a previously operating mine, it is largely developed. Much of the steelwork and machinery has since been removed, but the development is still in place.

A re-developed mine is expected to have a capital cost of about \$150m to produce 1Mt/yr of saleable coal at an all in cash cost of under \$70/t, despite first coal being 600m below surface. Our estimated NPV, using a 10% rate, is US\$ 230m.

Sawin : 132km² of exploration lease in the Lublin Basin

The coal is expected to be the same coal as the operating Bogdanka mine and PDZ's Lublin project. We expect it will take just over 5 years to bring Sawin into production. Our estimated NPV, using a 10% rate, is US\$ 590m.

Beer & Co's risked valuation is 27c.

Capital and operating costs are low in Poland; average Wages are €681/mth, or AUD 1,000, compared with AUD 6,550 in Australia. Skilled labour is available.

Poland is an importer of thermal coal and a small exporter of coking coal.

Beer & Co's risked valuation is 27c/share, allowing for equity to be raised to bring the projects into production.

We retain a BUY, High Risk recommendation.

This report was produced by Beer & Co Research, an independent research and advisory firm.

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BMB : Three coal projects in Poland

BMB now has 3 coal projects in Poland.

Poland has a long mining history and is now an importer of thermal coal.

Wages costs in Poland are low and skilled miners are available

Outline

BMB has been able to acquire 3 coal projects in Poland. The first, Nowa Ruda, was acquired in July 2013, while both Mariola and Sawin were acquired in July 2014.

Nowa Ruda has been a previously operated mine, closing in 1995. BMB acquired it as an exploration concession. Mariola is an advanced exploration project; BMB acquired a 15% stake for cash plus scrip, and is able to move to 100%. Sawin is an exploration project, adjacent to Prairie Mining's Lublin project, on which a scoping study was announced in April 2014, and near the 8Mt/yr Bogdandanka coal mine.

BMB is now focussed on these 3 projects and will divest of all other non-core assets in its portfolio. We expect that BMB will receive cash from the previously announced \$15m sale of its Balkan Metals projects and not spend more on the others.

Beer & Co estimated the cash costs for each project, starting from the mining units employed and the low wage rates in Poland. Low costs are supported by PDZ which advised C1 costs of \$37/t.

Mariola is a thermal coal project.

First coal is only about 100m below surface, but it will mined as an under-ground mine.

Beer & Co projects low cap.ex of US\$50m for over 2Mt/yr of saleable coal.

Mariola

Mariola was recently acquired and while it will be the first project developed, as its coal begins only 100m from surface. It is likely to be a good quality thermal coal which will be sold to an existing operating power station adjacent to the mine.

Despite this, we have assumed that the coal sells at a discount to benchmark, though it should attract a premium.

Figure 1 shows the key data for Mariola. Figure 2 shows Beer & Co's estimated costs for Mariola if Australian wage costs were to apply.

Figure 1 : Mariola : key data

Capital Costs	US\$ 50 m
Run of Mine production	3.0 Mt/yr
washery yield	75 %
Saleable production	2.25 Mt/yr
Coal type	thermal
First sales	Sep. 2016
average revenue	\$ 82.5/t
C1 costs	US\$ 29.4/t
<u>All In Costs</u>	<u>US\$ 36.8/t</u>

Source : Beer & Co estimates

Figure 2 : Costs – Poland v. Australia

	<u>Polish costs</u>		<u>Australian costs</u>	
C1 =	\$ 29.4/t	AUD 35/t	\$ 57.4/t	AUD 68/t
AISC	\$ 36.8/t	AUD 43/t	\$ 64.7/t	AUD 76/t

Source : Beer & Co estimates

Beer & Co's estimated cash cost is US\$ 37/t.

Beer & Co calculates that Mariola is valuable project EVEN AT CURRENT COAL PRICES.

Figure 3 shows Beer & Co's projected financial outcomes for Mariola.

Figure 4 shows Beer & Co's calculated NPV of the after-tax cashflows and the sensitivity to a change in throughput rates and also in the relation between Mariola's achieved prices and benchmark prices.

It shows a base case valuation of over US\$ 500m, for an initial investment of \$50m. Mariola still indicates a strong value with benchmark thermal coal at \$70/t

Figure 3 : Beer & Co's projected financial outcomes for Mariola

USD m	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026
Coal sold	0 kt	383 kt	1,753 kt	2,250 kt	2,250 kt	2,250 kt	2,250 kt	2,250 kt	2,250 kt	2,250 kt	2,250 kt	2,250 kt
Revenue per tonne	\$ 71/t	\$ 79/t	\$ 80/t	\$ 80/t	\$ 80/t	\$ 80/t	\$ 80/t	\$ 80/t	\$ 80/t	\$ 80/t	\$ 80/t	\$ 80/t
Revenue	0	30	140	180	180	180	180	180	180	180	180	180
Total Cash Costs	0	(15)	(46)	(54)	(56)	(57)	(58)	(60)	(61)	(63)	(64)	(64)
Royalties	0	(2)	(7)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)
Dep'cn & Amort'sn	0	(3)	(10)	(13)	(12)	(12)	(12)	(11)	(8)	(8)	(8)	(8)
E B I T	0	12	77	104	103	102	101	100	102	101	100	100
Interest Expense	(1)	(3)	(3)	(3)	(2)	(2)	(1)	(0)	0	0	0	0
Tax Expense	0	(2)	(14)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)
N P A T	(0)	7	60	82	82	81	81	81	83	82	81	81
Feasibility	(2)	0	0	0	0	0	0	0	0	0	0	0
Project Cap.Ex Cap.Ex	(50)	0	0	0	0	0	0	0	0	0	0	0
Sus. Cap. Ex	0	(2)	(6)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
Net Cashflow	(52)	8	64	87	87	86	85	84	83	82	81	81

Source : Beer & Co estimates

There is further upside to our valuation

BMB acquired Nowa Ruda as an exploration project in July 2013

It was an operating mine until it was shut in 1995.

As a result, there is much information on the coal geology and quality

Nowa Ruda is coking coal and there are many coke plants within 100km

Figure 4 : Estimated NPV of Mariola and its sensitivity

USD m	Base Case prices			Spot price = US\$ 70/t		
	(US\$5.0/t)	US\$ 0.0/t	US\$ 5.0/t	(US\$5.0/t)	US\$ 0.0/t	US\$ 5.0/t
3.0 Mt/yr RoM coal	517	577	638	336	397	457
3.0 Mt/yr Product coal	737	817	897	496	576	656

Source : Beer & Co estimates

Nowa Ruda

Nowa Ruda was acquired by BMB as an exploration project in July 2013, even though it had been an operating mine that was shut in 1995.

The mine has significant historical geological information and is extensively developed, though all the steel work, electrical and mechanical services will need to be replaced as most have been stripped.

Historical sales show a coking coal with low volatiles, moderate ash and low swell.

Figure 5 shows the key data.

The coal is in 2 related deposits; one is 600m from the surface and the other 750m from the surface. As a result, we expect a longer development time-frame.

Figure 6 shows that the costs are much higher if Australian wage rates are used, such that the project becomes marginal. Low operating costs in Poland are key to success

Figure 5 : Nowa Ruda key data

Capital Costs	US\$ 149 m
Run of Mine production	1.4 Mt/yr
washery yield	70 %
Saleable production	0.98 Mt/yr
Coal type	coking
First sales	June 2018
average revenue	\$ 125.7/t
C1 costs	US\$ 51.3/t
All In Costs	US\$ 64.9/t

Source : Beer & Co estimates

Figure 6 : Comparing Polish v. Australian costs

	Polish costs		Australian costs	
C1 =	\$ 51.3/t	AUD 60/t	\$ 92.0/t	AUD 108/t
AISC	\$ 64.9/t	AUD 76/t	\$ 105.6/t	AUD 124/t

Source : Beer & Co estimates

Figure 7 : Beer & Co's projected financial outcomes for Nowa Ruda

USD m	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Coal sold	0 kt	0 kt	21 kt	629 kt	968 kt	980 kt	980 kt	980 kt	980 kt	980 kt
Revenue per tonne	\$ 103/t	\$ 113/t	\$ 125/t	\$ 126/t	\$ 126/t	\$ 126/t	\$ 126/t	\$ 126/t	\$ 126/t	\$ 126/t
Revenue	0	0	2	74	121	123	123	123	123	123
Total Cash Costs	0	0	(2)	(34)	(48)	(49)	(49)	(49)	(50)	(50)
Royalties	0	0	(0)	(4)	(6)	(6)	(6)	(6)	(6)	(6)
Dep'n & Amort'sn	0	0	(1)	(17)	(24)	(24)	(24)	(24)	(24)	(18)
E B I T	0	0	(0)	19	43	44	44	43	43	49
Interest Expense	0	0	(5)	(9)	(8)	(7)	(5)	(3)	(1)	0
Tax Expense	0	0	1	(2)	(7)	(7)	(7)	(8)	(8)	(9)
N P A T	0	0	(5)	8	28	30	31	33	34	40
Feasibility	(1)	(0)	0	0	0	0	0	0	0	0
Project Cap.Ex Cap.Ex	0	(75)	(75)	0	0	0	0	0	0	0
Sus. Cap. Ex	0	0	(0)	(5)	(7)	(7)	(7)	(7)	(7)	(7)
Net Cashflow	(1)	(75)	(79)	20	45	48	49	50	51	51

Source : Beer & Co estimates

Due to its low costs, Nowa Ruda appears viable even at current prices

Figure 7 shows Beer & Co's projected financial outcomes. The base case NPV, using 10%, is US\$ 229m, as shown in Figure 8. Figure 8 shows that our assumed coal price is modest compared with the benchmark, and also that the project is still viable at current coal prices.

Figure 8 : Sensitivity of Beer & Co's valuation of Nowa Ruda

Base Case prices			Spot price = US\$ 120/t		
71 %	75 %	80 %	71 %	75 %	80 %
229	260	299	67	89	116

Source : Beer & Co estimates

Sawin

Sawin is an exploration tenement acquired in July 2014

It is in the Lublin Coal Basin, adjacent to PDZ's Lublin coal project, on which a scoping study was announced in April 2014.

Sawin is an exploration concession acquired by BMB in July 2014.

Despite its very early stages, we can gain insights from the scoping study on the adjacent Lublin project, announced by Prairie Mining (PDZ) in April 2014, and also by the nearby Bogdanka coal mining operations

Figure 9 shows the key data. Figure shows that using Australian wage costs, the project would not be viable.

Figure 9 : Sawin key data

Capital Costs	US\$ 600 m
Run of Mine production	7.0 Mt/yr
washery yield	75 %
Saleable production	5.3 Mt/yr
Coal type	thermal
First sales	March 2020
average revenue	\$ 82.5/t
C1 costs	US\$ 35.2/t
All In Costs	US\$ 44.7/t

Source : Beer & Co estimates

Figure 10 : Comparing Polish v. Australian costs

	Polish costs		Australian costs	
C1 =	\$ 35.2/t	AUD 41/t	\$ 57.0/t	AUD 67/t
AISC	\$ 44.7/t	AUD 53/t	\$ 66.5/t	AUD 78/t

Source : Beer & Co estimates

Figure 11 shows Beer & Co's projected financial outcomes and Figure 12 shows our base case NPV of US\$ 590m.

Figure 11 : Beer & Co's projected financial outcomes for Sawin

USD m	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026
Coal sold	0 kt	0 kt	139 kt	1,094 kt	2,847 kt	3,783 kt	5,231 kt	5,250 kt	5,250 kt	5,250
Revenue per tonne	\$ 82.5/t	\$ 82.5/t	\$ 82.5/t	\$ 82.5/t	\$ 82.5/t	\$ 82.5/t	\$ 82.5/t	\$ 82.5/t	\$ 82.5/t	\$ 82.5/t
Revenue	0	0	11	90	235	312	432	433	433	4
Total Cash Costs	0	0	(8)	(38)	(78)	(100)	(132)	(135)	(138)	(14)
Royalties	0	0	(1)	(5)	(12)	(16)	(22)	(22)	(22)	(2)
Dep'n & Amort'sn	0	0	(4)	(27)	(61)	(80)	(105)	(98)	(81)	(7)
E B I T	0	0	(1)	21	84	116	173	179	193	2
Interest Expense	0	0	(4)	(22)	(35)	(38)	(34)	(29)	(23)	(3)
Tax Expense	0	0	1	0	(9)	(15)	(26)	(28)	(32)	(4)
N P A T	0	0	(4)	(0)	40	63	113	121	137	1
Feasibility	(4)	0	0	0	0	0	0	0	0	
Project Cap.Ex Cap.Ex	0	(200)	(200)	(200)	0	0	0	0	0	
Sus. Cap. Ex	0	0	(1)	(7)	(16)	(21)	(28)	(28)	(28)	(3)
Net Cashflow	(4)	(200)	(201)	(180)	86	123	189	191	190	1

Source : Beer & Co estimates

Figure 12 : Sensitivity of Beer & Co's valuation of Sawin

Base Case prices			Spot price = US\$ 65/t		
(US\$2.5/t)	US\$ 0.0/t	US\$ 2.5/t	(US\$2.5/t)	US\$ 0.0/t	US\$ 2.5/t
593	642	690	207	255	303

Source : Beer & Co estimates

BMB Valuation

Figure 13 shows Beer & Co's projected financials for BMB at a corporate level,

Figure 13 : Beer & Co's projected financials for BMB

AUD m	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024
Mariola	0 kt	0 kt	383 kt	1,753 kt	2,250 kt	2,250 kt	2,250 kt	2,250 kt	2,250 kt	2,250 kt	2,250
Now Ruda	0 kt	0 kt	0 kt	17 kt	587 kt	966 kt	980 kt	980 kt	980 kt	980 kt	980
Sawin	0 kt	0 kt	0 kt	0 kt	0 kt	139 kt	1,094 kt	2,847 kt	3,783 kt	5,231 kt	5,250
Sales Revenue	0	0	36	167	299	368	463	633	724	864	8
Cost of Goods Sold	0	0	(17)	(56)	(104)	(131)	(169)	(218)	(247)	(286)	(2)
Royalties	0	0	(2)	(8)	(15)	(18)	(23)	(32)	(36)	(43)	(4)
Corporate Costs	(2)	(2)	(3)	(3)	(4)	(5)	(6)	(6)	(6)	(6)	
EBITDA	(2)	(2)	14	100	177	214	268	382	439	533	5
Dep'n & Amort'sn	0	0	(3)	(13)	(35)	(48)	(74)	(114)	(135)	(160)	(1)
Interest Expense	0	(1)	(3)	(10)	(14)	(17)	(35)	(48)	(48)	(42)	(5)
Tax Expense	1	1	(2)	(23)	(39)	(45)	(48)	(66)	(77)	(99)	(1)
NPAT	(1)	(2)	6	54	90	105	111	153	179	232	2
Shares on Issue	841m	841m	1,494m	1,524m	1,865m	1,865m	1,865m	1,865m	1,865m	1,865m	1,865
Equity raised	19	0	46	3	48	0	0	0	0	0	
Total Debt	0	0	138	135	287	481	490	462	425	346	2
Feasibility	(4)	(2)	(2)	(1)	0	0	0	0	0	0	
Project Capital	0	(58)	(88)	(88)	(235)	(235)	(235)	0	0	0	
Sustaining Capital	0	0	(2)	(7)	(15)	(18)	(25)	(35)	(41)	(50)	(6)
Earnings per Share	(0.3c)	(0.2c)	0.4 c	3.5 c	4.8 c	5.6 c	6.0 c	8.2 c	9.6 c	12.4 c	13.

Source : Beer & Co estimates

Figure 13 shows the Beer & Co allows for significant equity to be raised to bring the projects into production.

Figure 14 shows the detail of Beer & Co's base case valuation of BMB of 27c/share.

Beer & Co projects that, despite the equity to be raised, BMB will generate strong eps growth.

Our base case valuation is 27c/share

There is significant upside potential as the projects are progressively de-risked.

Figure 14 : Beer & Co's base case valuation : 27c

	discount rate = 12.0 %	30-Jun-14		29-Sep-14	
		risk :	100%	Product	per share
Mariola	40 %	\$ 495m	\$ 198m	10.7 c	11.0 c
Nowa Ruda	40 %	\$ 211m	\$ 84m	4.6 c	4.7 c
Sawin	30 %	\$ 494m	\$ 148m	8.0 c	8.2 c
Asset sale	100 %	\$ 13m	\$ 13m	0.7 c	0.5 c
Exploration	80 %	\$ 0m	\$ 0m	0.0 c	0.0 c
Corporate	100 %	(\$37m)	(\$37m)	(2.0c)	(1.6c)
Cash to be raised	100 %	\$ 79m	\$ 79m	4.3 c	4.1 c
Cash / debt	100 %	\$ 0m	\$ 0m	0.0 c	0.4 c
TOTAL		\$ 1,255m	\$ 486m	26.3 c	27.4 c
Shares on issue		342m	FPO shares	30.0m	perf shares
		484m	issued 2015		
		653m	issued 2016-17		
		341m	Issued 2018-19		

Source : Beer & Co estimates

Sensitivity Analyses

Figure 15 shows that even at current prices and with 30% higher costs, our valuation is still above the current share price.

Figure 15 : Sensitivity of Beer & Co's valuation

Cost penalty :	0 %	10 %	20 %	30 %
Base Case coal prices	27.4 c	24.1 c	21.3 c	18.8 c
spot coal prices	13.7 c	12.0 c	10.4 c	9.0 c

Source : Beer & Co estimates

Conclusions

Balamara Resources has three coal projects in Poland.

The projected capital and operating costs of these projects are low, due to low average wages in Poland.

Despite current low coal prices, Beer & Co's analysis shows that each project is a valuable project even at current prices.

In our analysis, Beer & Co showed that each project would be viable using Australian wage rates only with our base case coal prices and not viable at current prices.

Despite the fact that BMB will need to raise equity to develop each project, Beer & Co initiates research on BMB with a BUY, High Risk, recommendation.

Over time, the projects should be progressively de-risked and the valuation rise accordingly.

Beer & Co initiates research on BMB with a BUY, High Risk, recommendation.

Our valuation is fairly robust to current coal prices and higher costs.

Beer & Co Research

Balamara Resources (BMB.ASX)

September 2014

Year ended June	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
Section 1 - P&L								
Sales revenue	\$A m	0	0	0	36	167	299	368
Interest revenue	\$A m	0	0	0	0	0	2	1
Other revenue	\$A m	0	0	0	0	0	0	0
Total Revenue	\$A m	0	0	0	36	168	300	369
Cost of Goods Sold	\$A m	0	0	0	(17)	(56)	(104)	(131)
Royalties	\$A m	0	0	0	(2)	(8)	(15)	(18)
Exploration Expense	\$A m	(8)	0	0	0	0	0	0
Corporate Costs	\$A m	(2)	(2)	(2)	(3)	(3)	(4)	(5)
Other Operating Expenses	\$A m	(2)	0	0	0	0	0	0
Total Operating Expenses	\$A m	(13)	(2)	(2)	(22)	(68)	(123)	(155)
EBITDA	\$A m	(13)	(2)	(2)	14	100	177	214
Dep'n & Amort'sn	\$A m	0	0	0	(3)	(13)	(35)	(48)
EBIT	\$A m	(13)	(2)	(2)	11	87	142	167
Interest Expense	\$A m	0	0	(1)	(3)	(10)	(14)	(17)
Other	\$A m	0	0	0	0	0	0	0
Pre-Tax Profit	\$A m	(13)	(2)	(3)	8	77	129	150
Tax Expense	\$A m	1	1	1	(2)	(23)	(39)	(45)
NPAT	\$A m	(12)	(1)	(2)	6	54	90	105
Reported NPAT	\$A m	(12)	(1)	(2)	6	54	90	105

Section 2 - Key Data

Ordinary shares - year end	m	341.7	840.9	840.9	1,493.7	1,523.7	1,864.9	1,864.9
Fully diluted shares on issue	m	371.7	870.9	870.9	1,523.7	1,553.7	1,894.9	1,894.9
Weighted # shares	m	335.5	499.7	840.9	1,493.7	1,516.2	1,864.9	1,864.9
Earnings per Share	(3.9c)	(0.3c)	(0.2c)	0.4 c	3.5 c	4.8 c	5.6 c	
Dividends Per Share	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	

Section 3 - Balance Sheet

Cash	\$A m	0	27	2	1	64	15	91
Receivables	\$A m	0	0	0	5	21	33	38
Other	\$A m	1	0	0	0	0	0	0
CURRENT ASSETS	\$A m	1	27	2	6	85	48	129
Receivables	\$A m	0	0	0	0	0	0	0
P, P & E	\$A m	0	0	58	145	227	437	636
Mining Properties / Exploration	\$A m	2	6	8	10	11	10	9
Other	\$A m	0	0	0	0	0	0	0
NON-CURRENT ASSETS	\$A m	2	6	66	154	238	447	645
TOTAL ASSETS	\$A m	3	33	68	161	323	495	774
Payables	\$A m	1	0	0	3	8	14	16
Debt	\$A m	0	0	0	3	9	23	25
Other	\$A m	0	0	0	0	0	0	0
CURRENT LIABILITIES	\$A m	1	0	0	6	17	37	42
Long Term Debt	\$A m	0	0	0	135	126	264	456
Deferred Tax Liability	\$A m	0	0	0	0	0	0	0
Other	\$A m	0	0	0	0	0	0	0
Provisions	\$A m	0	0	0	0	0	0	0
NON-CURRENT LIABILITIES	\$A m	0	0	0	135	126	264	456
TOTAL LIABILITIES	\$A m	1	0	0	141	143	301	498
NET ASSETS	\$A m	2	33	68	20	180	194	277
Accumulated Profit (Loss)	\$A m	(63)	(65)	(67)	(61)	(7)	83	188
Reserves	\$A m	3	16	53	(47)	56	(68)	(91)
Contributed Equity	\$A m	63	81	81	128	131	179	179
Minority Interest	\$A m	0	0	0	0	0	0	0
Total Equity	\$A m	2	33	68	20	180	194	277

Section 4 - Cashflow

Net Cashflow from operations	\$A m	(2)	(2)	(2)	14	100	176	213
Net Interest Paid	\$A m	0	0	(0)	(3)	(9)	(12)	(16)
Taxes Paid	\$A m	0	0	0	(2)	(15)	(25)	(29)
Change in Working Capital	\$A m	(1)	0	0	(3)	(11)	(6)	(2)
OPERATING CASHFLOW	\$A m	(3)	(2)	(3)	7	64	132	166
Exploration Expenditures	\$A m	(3)	(4)	(2)	(2)	(1)	0	0
Maintenance Capex	\$A m	0	0	0	(2)	(7)	(15)	(18)
Expansion Capex	\$A m	0	0	(58)	(88)	(88)	(235)	(235)
PPE Acquisitions (Total Capex)	\$A m	(3)	(4)	(60)	(91)	(97)	(250)	(254)
PPE Divestments	\$A m	0	14	0	0	0	0	0
INVESTING CASHFLOW	\$A m	(3)	10	(60)	(91)	(97)	(250)	(254)
Change in Equity	\$A m	6	19	0	46	3	48	0
Dividends Paid	\$A m	0	0	0	0	0	0	0
Change in Debt	\$A m	0	0	0	0	0	0	0
FINANCING CASHFLOW	\$A m	6	19	0	46	3	48	0
Free Cashflow	\$A m	(6)	8	(63)	(85)	(32)	(118)	(88)
Net Cashflow	\$A m	0	27	(63)	(38)	(29)	(69)	(88)

Commodity price assumptions

Year ended June	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
HQ.HCC	US\$ / t	138	153	169	170	170	170
Semi-Soft	US\$ / t	98	108	120	121	121	121
Thermal	US\$ / t	71	76	84	85	85	85
AUD-USD		0.916	0.863	0.850	0.850	0.850	0.850

Mine Production and prices

Year ended June	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
Mariola							
coal price	US\$ / t	66	71	79	80	80	80
Run of Mine	000 t	0	0	600	2,478	3,000	3,000
Saleable	000 t	0	0	383	1,753	2,250	2,250
Nowa Ruda							
coal price	US\$ / t	103	113	125	126	126	126
Run of Mine	000 t	0	0	0	35	980	1,400
Saleable	000 t	0	0	0	17	587	966
Sawin							
coal price	US\$ / t	68	74	81	83	83	83
Run of Mine	000 t	0	0	0	0	0	250
Saleable	000 t	0	0	0	0	0	139

Minimng Inventory

	Indicated	Inferred	Target	TOTAL
Nowa Ruda				
Coking	8.8Mt	14.3Mt	70.0Mt	93.1Mt
Thermal			42.5Mt	42.5Mt
Mariola				
Thermal			200Mt	200Mt
Sawin				
Thermal			531Mt	531Mt

Asset based Valuation

discount rate = 12.0 %	30 June 2014	30-Sep-14
	risking	100% Product per share
Mariola	40 %	\$ 495m \$ 198m 10.7 c 11.0 c
Nowa Ruda	40 %	\$ 211m \$ 84m 4.6 c 4.7 c
Sawin	30 %	\$ 494m \$ 148m 8.0 c 8.2 c
Asset sale	100 %	\$ 13m \$ 13m 0.7 c 0.5 c
Exploration	80 %	\$ 0m \$ 0m 0.0 c 0.0 c
Corporate	100 %	(\$37m) (\$37m) (2.0c) (1.6c)
Cash to be raised	100 %	\$ 79m \$ 79m 4.3 c 4.1 c
Cash / debt	100 %	\$ 0m \$ 0m 0.0 c 0.4 c
TOTAL		\$ 1,255m \$ 486m 26.3 c 27.4 c
Shares on issue		341.7m FPO shares 30.0m perf shares
		483.8m issued 2015
		652.8m issued 2016-17
		341.2m Issued 2018-19

Estimated Cash Costs, US \$/t

	LoM	2016-17	2017-18	2018-19	2019-20	2020-21
Mariola						
C1	29	37	42	31	23	22
AISC	37	44	34	33	34	34
Now Ruda						
C1	51	0	69	51	48	48
AISC	65	0	82	65	62	61
Sawin						
C1	35	0	0	0	46	36
AISC	45	0	0	0	55	45

Financial Ratios

Year ended June	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenue	\$A m	0	0	36	168	300	369
EBITDA	\$A m	(13)	(2)	(2)	14	100	177
EBIT	\$A m	(13)	(2)	(2)	11	87	142
NPAT (reported)	\$A m	(12)	(1)	(2)	6	54	90
Adjusted EPS (cps)		(3.9c)	(0.3c)	(0.2c)	0.4 c	3.5 c	4.8 c
EPS Growth (%)		93 %	17 %	271 %	824 %	36 %	
DPS (c)		0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c
Dividend Yield (%)		0 %	0 %	0 %	0 %	0 %	0 %
PE adj. (x)	x	(2)	(23)	(28)	16	2	1
EV / EBITDA (x)	x	(2)	(13)	(24)	16	2	2
EV / EBIT (x)	x	(2)	(13)	(24)	20	2	3
Gearing (%)		0 %	0 %	86 %	42 %	58 %	62 %
Return on Assets		(6%)	(3%)	7 %	27 %	29 %	22 %
Return on Equity		(4%)	(3%)	29 %	30 %	46 %	38 %
EBITDA Margin (%)		n/a	n/a	n/a	40 %	60 %	59 %
Interest Cover (x)	x	n/a	n/a	(3.5)	3.5	8.9	10.4

Substantial Shareholders

Ample Skill	126.0m	35.2 %
Dereł Lenartowicz	16.7m	4.7 %
MBL Construction	16.6m	4.6 %
CEB Resources	11.8m	3.3 %

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The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

Report prepared by : Pieter Bruinstroop pbruinstroop@beerandco.com.au

BEER & CO PTY LTD ABN 88 158 837 186,
AUTHORISED REPRESENTATIVE MELBOURNE VENTURE SECURITIES PTY LTD AFSL No. 224 313

Melbourne Office:

Suite 4, Level 2, Bank House

11 - 19 Bank Place,

Melbourne, Vic, Australia 3000

Telephone: (+613) 9600 3599

Facsimile: (+613) 9602 2291

Email: info@beerandco.com.au

Web: www.beerandco.com.au