

17 February 2012

BALAMARA REPORTS FURTHER ENCOURAGING RESULTS FROM GOLD DRILLING AT ELSIENORA, NSW

DEEP DRILLING INDICATES POTENTIAL FOR LARGE-SCALE GOLD SYSTEM

- *Strongly anomalous gold and zinc results returned in all holes from recent deep diamond drilling program (3 holes, 1,378m) at Elsienora, NSW*
- *Drilling designed to test for the presence of a large-scale McPhillamy's-style gold system*
- *Results include a significant intercept of 21m @ 0.89g/t Au from 207m, including 1m @ 14.7g/t Au, 1.48% Zn and 22g/t Ag from 215m*
- *Potential high-grade gold targets identified for follow-up drilling*

Balamara Resources Limited (ASX: BMB) ("Balamara" or the "Company") is pleased to report encouraging results from a program of follow-up deep diamond drilling at its 100%-owned **Elsienora Prospect** in NSW, providing further evidence of the potential for a large-scale gold system at the project.

The program, comprising 1,378m of drilling, was undertaken in the October-December 2011 period by Techdrill Services Pty Ltd of Orange, NSW. The Elsienora Project is located approximately 80km south of Bathurst in NSW (*Figure 1*).

Previous work conducted by Balamara indicated that the Elsienora prospect has the potential to host a large-scale gold and base-metal mineralised system similar to the McPhillamy's deposit (3Moz gold, 60,000t of copper), located 50km to the north, which is being developed by a Joint Venture between Newmont and Alkane Resources.

The geological setting includes strong structural control, potassic alteration and highly anomalous gold (Au) and zinc (Zn) geochemistry.

In July 2011, Balamara completed an initial drilling program comprising 10 Reverse Circulation (RC) drill holes for a total of 1,850m. This drilling outlined a large zone of altered rocks with extensive disseminated pyrite and anomalous zinc-lead with intermittent strongly anomalous gold results. The mineralisation was particularly strongly developed in holes SERC004, -005, -006, -007, -008 and -010 (*see Figure 2 for drill-hole locations*).



This broad zone is best defined by zinc, which is consistently anomalous and averages around 0.2% over very wide intervals. The zone is 500m long, up to 100m wide (see Figure 2) and is open both to the north and at depth. The anomalous gold values are more restricted but occur within or immediately adjacent to the zone of 0.2% Zn.

At the McPhillamy's deposit there is typically a very strong vertical zonation with low-grade zinc and anomalous gold nearer the surface (similar to Elsenora) and higher grade gold with minimal zinc occurring at depth.

The recently completed drilling programme at Elsenora was designed to test a target zone commencing from 100-200m vertical below the near-surface mineralization. **Strongly anomalous gold and zinc mineralization was intersected in all three holes** with the more significant intercepts shown in Table 1 attached. The drilling programme confirmed and extended the very large anomalous zone of previously defined zinc geochemistry down-dip.

The most significant intercepts were obtained from hole SEDD013:

- **21 metres at 0.89 g/t Au** from 207-228m, including a high-grade core of:
 - **1 metre at 14.7 g/t Au, 1.48% Zn and 22 g/t Ag** from 215-216m; and
- **1 metre at 6.55 g/t Au and 17.7 g/t Ag** from 320 to 321m.

The SEDD013 intercept from 207-228m is immediately down-dip of the strongly anomalous gold intercepts obtained in SERC005 and SERC008 in the July 2011 programme. Of particular note, hole SERC008 returned **12 metres at 0.58 g/t Au** from 63-75m and SERC005 returned **3 metres at 1.74 g/t Au** from 30-33m.

The SEDD013 intercept also appears to be down-dip of the intercept in SERC005, of 3 metres at 1.16 g/t Au from 180 to 183m. These intercepts are shown on cross section 7000mN in Figure 3. **Balamara believes there is potential for high-grade gold shoots in the vicinity of 7000mN between the intersections obtained in SEDD013, SERC005 and SERC008.**

The existing drill spacing is generally of the order of 100 metres between sections. This spacing is adequate to outline the extensive continuous low-grade zinc zone but is too wide for potential high-grade gold zones, which typically have smaller strike lengths. Balamara will therefore consider a follow-up drilling programme to in-fill current wide spaced sections. The mineralized system remains open at depth and follow-up drilling may also include a component of deeper drilling to test for down-dip extensions.

Balamara Managing Director, Mike Ralston, said: "These results continue to strengthen our view that there is potential for a valuable large-scale gold system within the Elsenora tenement, supported by zinc and other base metals. Like McPhillamy's and other gold deposits in this region, it will require extensive and thorough investigation in order to



develop this into a resource. However, based on the evidence we've seen to date there is sufficient potential to warrant undertaking such an investigation.

“With this in mind, Balamara will consider all options to progress this project ahead after taking into consideration the other projects are also developing overseas. We will ultimately make a decision as regards Elsenora that best delivers value to the Company and our shareholders.”

ENDS

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Competent Person Statement:

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr. Kevin Alexander. Mr. Alexander is a full time employee of Balamara Resources Limited. Mr. Alexander is a member of The Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. He has sufficient experience that is relevant to the style of mineralization under consideration and to the activity which he is undertaking to be qualified as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting on Exploration Results, Mineral resources and Ore Reserves”. Mr. Alexander consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Table 1: Significant intersections - Elsenora diamond drilling programme October-December 2011

Hole ID	From	To	East (MGA)	North (MGA 94)	Azimuth	Inc.	Length	Au g/t	Zn %	Pb %	Cu %	Ag g/t
SEDD012	141.00	147.00	714528	6216746	90	-65	6.00	0.16	0.47	0.12	0.00	3.82
including	141.00	143.00					2.00	0.35	1.01	0.22	0.01	6.25
SEDD012	151.00	158.00					7.00	0.11	0.24	0.09	0.00	2.57
SEDD012	188.00	278.00					90.00	0.01	0.25	0.11	0.00	1.23
SEDD013	183.00	279.00	714545	62107015	90	-60	96.00	0.28	0.37	0.14	0.01	3.02
including	198.00	199.00					1.00	2.34	1.22	0.45	0.05	17.00
	215.00	216.00					1.00	14.70	1.48	0.28	0.39	22.30
	274.00	275.00					1.00	1.02	0.25	0.09	0.00	0.90
	207.00	228.00					21.00	0.89	0.31	0.11	0.02	3.35
SEDD013	320.00	321.00					1.00	6.55	0.10	0.37	0.59	17.70
SEDD013	352.00	397.00					44.80	0.03	0.17	0.06	0.01	1.81
SEDD014	104.30	115.70	714651	6217130	91.5	-65	11.40	0.16	0.39	0.16	0.01	2.76
including	110.90	111.70					0.80	1.30	2.07	0.66	0.01	6.90
SEDD014	119.70	136.00					16.30	0.19	0.37	0.07	0.01	1.70
including	119.70	120.20					0.50	1.07	3.57	1.04	0.05	22.10
SEDD014	145.00	153.00					8.00	0.05	0.64	0.31	0.00	6.01
SEDD014	181.20	218.70					37.50	0.16	0.36	0.16	0.00	2.80
including	200.60	202.00					1.40	2.17	0.13	0.27	0.00	3.50



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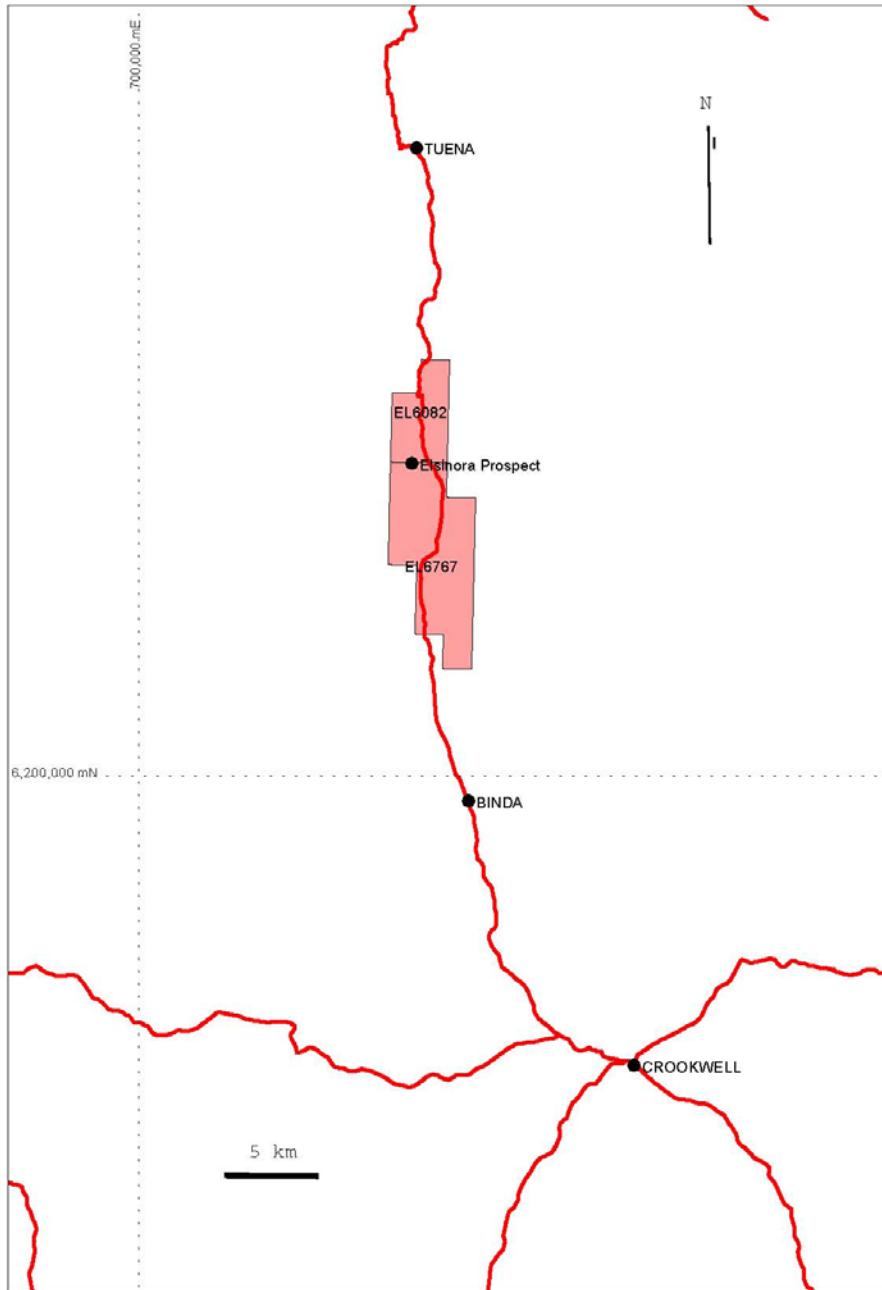


Figure 1 – Elsihora Prospect: Location Map



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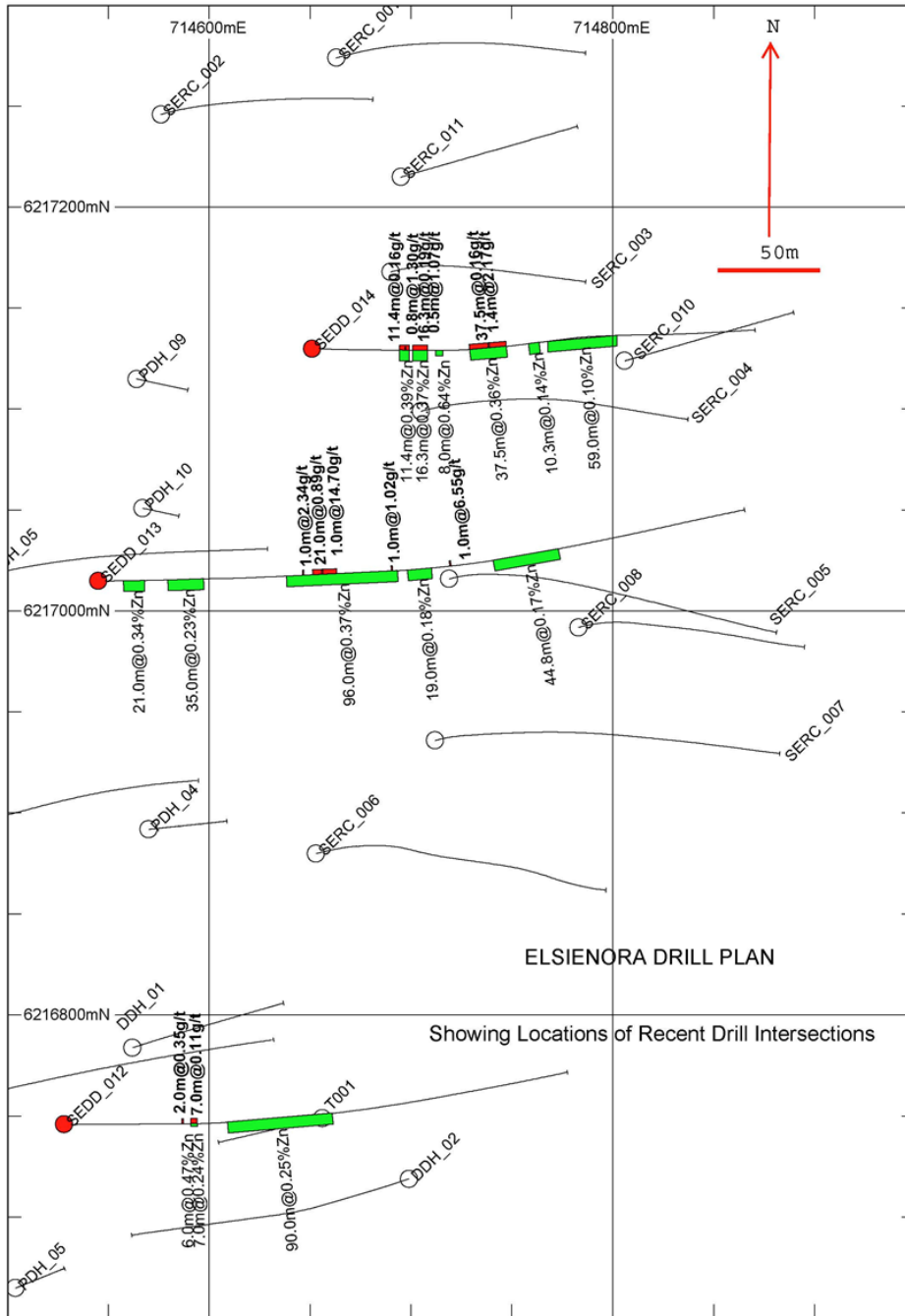


Figure 2: Drill hole location plan Elsenora prospect



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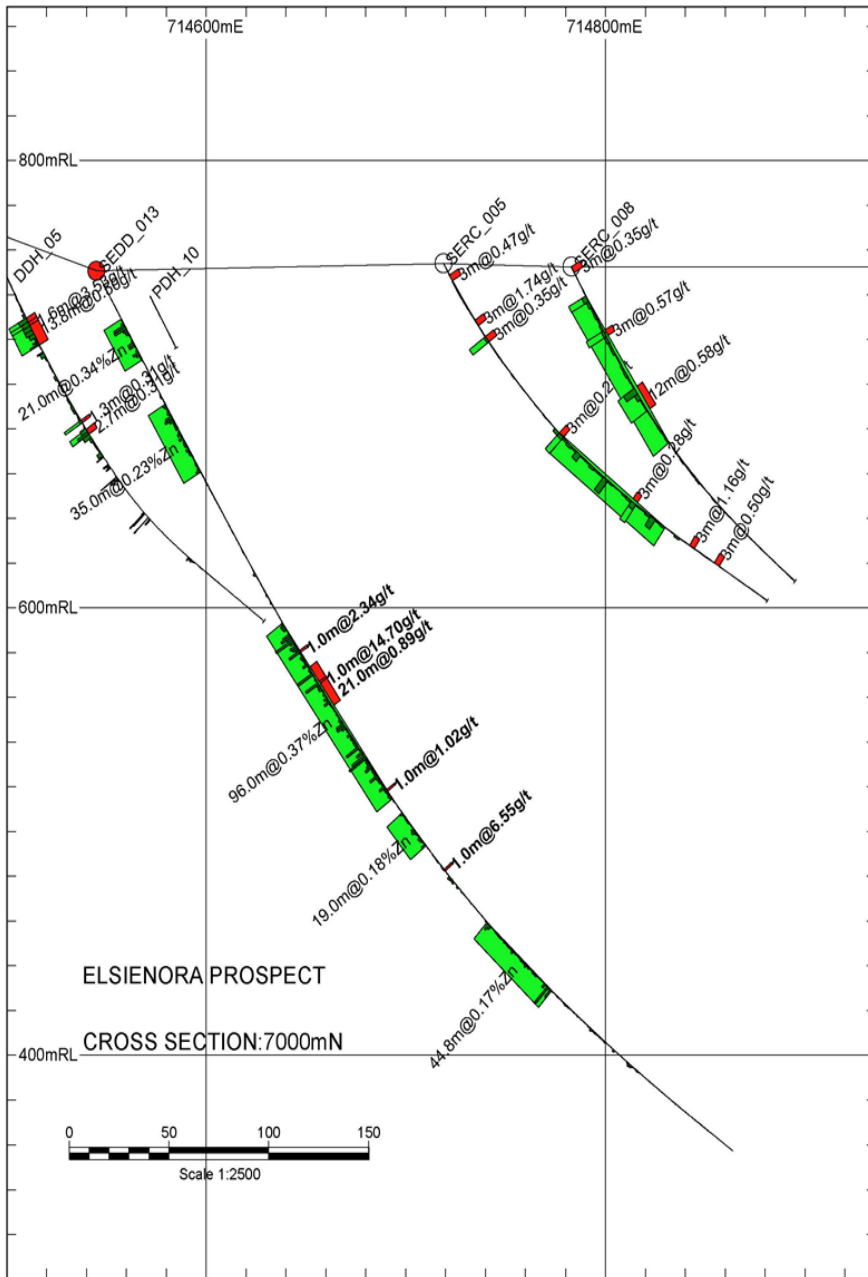


Figure 3: Elsiadora prospect Cross Section 7000mN