



Bounty Mining Limited ACN: 107 411 067
Suite 301, Level 3, 66 Hunter Street, Sydney NSW 2000, Australia

BOUNTY MINING LIMITED

A C N 107 411 067

HALF YEAR RESULTS FOR THE PERIOD TO 31 DECEMBER 2017

ATTACHMENT TO FORM 7051 DATED 22 March 2018

Bounty Mining Limited and its Controlled Entities

DIRECTORS' REPORT

Report for the Half Year to 31 December 2017

The directors present their report together with the consolidated financial report of Bounty Mining Limited ("Bounty" or "the Company") and its controlled entities for the half-year ended 31 December 2017 and the auditor's review report thereon.

The names of directors who held office during the half year and to the date of this report are:

Director	Appointed to the Board	Resigned from the Board
Gary Cochrane (Chair)	25 November 2007	-
Rob Stewart	17 November 2009	-
Kevin Jiao	18 August 2016	-
Julie Garland McLellan *	10 November 2017	-
Matthew Wood	29 March 2016	20 September 2017
Brian McMaster	29 March 2016	3 October 2017
Daniel Crennan	18 August 2016	23 November 2017

* Julie Garland McLellan was previously a director of Bounty between 2009 and 2016.

Operations Update

The Group's operations include the Wongai Project and the recently acquired Cook Colliery.

Wongai Project

As the Wongai Project is in the exploration and evaluation stage, no revenues were derived during the period. An amount of \$119k was invested in the Project during the period.

Cook Colliery

On 7 December 2017 Bounty announced that it had acquired the assets of Caledon Coal Pty Ltd (Caledon) and Blackwater Coal Pty Ltd (Blackwater) encompassing the established Cook Colliery and the Minyango Project. The acquisition includes all of the assets of Caledon and Blackwater, except for physical property associated with the Minyango Project.

In a separate but related transaction, Bounty has acquired the assets associated with the Cook Colliery that had remained the property of Cook Resource Mining Pty Ltd, a subsidiary of Glencore Limited. This acquisition places Bounty in full ownership and control of the assets related to the Cook Colliery, including the related Mining Lease, rail loop, Glencore washplant and coal marketing agreement.

Bounty took possession of the assets effective 8 December 2017. The Cook Colliery had been on "Care and Maintenance" since April 2017. Bounty will bring the Cook Colliery back into production as a more flexible and efficient bord and pillar style mining operation (previously longwall). Coal production is planned to commence in the first quarter of 2018.

Bounty Mining Limited and its Controlled Entities

DIRECTORS' REPORT

Bounty will pay a total of \$30 million in cash for both acquisitions, with \$6.7 million paid on completion and \$23.3 million deferred and payable over 18 months.

In addition Bounty will be required to provide a cash-backed Financial Assurance Bank Guarantee to Cook Resources Pty Ltd in November 2018. When the Department of Mines completes the process of transferring the mining leases to Bounty from Cook Resources Mining Pty Ltd the Financial Assurance will be paid to the Department of Heritage and Environment Protection (DEHP). In August 2017 DEHP decided that the amount of the Financial Assurance required was \$9.2m.

Financial Update

The loss after tax for the period was \$2.4m compared with a loss of \$0.3m for the half year ended 31 December 2016.

Company Structure

The Company is a public unlisted disclosing entity. The Company operates a Continuous Disclosure regime for unlisted companies aligned with ASIC's Regulatory Guide 198. Announcements are posted on the Company's website www.bounty.com.au and submitted to ASIC.

Ordinary Securities

During the period the Company issued ordinary securities to raise \$16.8m (net of the cost of the issues) as follows:

Ordinary Fully Paid Securities	Number	Share Price	Value
Balance at 1 July 2017	95,060,395	n/a	\$ 40,269,034
Issued to sophisticated investors	136,122,462	\$ 0.13	\$ 17,695,920
Cost of issuing securities			\$ (1,211,416)
Balance at 31 December 2017	231,182,857		\$ 56,753,538

The capital raised has been applied to:

- the initial payment relating to the Company's acquisition of the Cook Colliery assets and the Stamp Duty on that acquisition;
- fund working capital while the mine is brought back to production.

On 1 March 2018 the Company issued a further 23.2m shares at \$0.25 to sophisticated investors to raise \$5.8m. These funds will be used to make a further deferred payment in relation to the acquisition of the Cook Colliery and to fund the cost of the planned IPO.

Bounty Mining Limited and its Controlled Entities
DIRECTORS' REPORT

Options over Ordinary Securities

During the period the Company issued 16,301,614 options as capital raising fees conditional on the Company succeeding in its application to list on the ASX.

The terms and conditions of the options are as follows:

- a) All shares issued on exercise of the options will rank pari passu in all respects with the Company's then issued shares. These options will be unlisted;
- b) Exercise Price: the exercise price is the IPO issue price + 25%;
- c) Vesting: the options vest 12 months after issue;
- d) The options are not transferable and will not be listed;
- e) Expiry – The options expire 24 months following the successful listing of the Company's shares on the Australian Securities Exchange; and
- f) Escrow – shares issued on exercise of the options will be subject to the same ASX Listing Rule restrictions (if any exist) as the shares issued to the shareholders named on 7 December 17.

The Fair Value of these options has been measured at \$326,032 using the Black Scholes valuation method. Details of the valuation are as follows:

Grant date		7/12/2017
Options originally issued		16,301,614
Exercise price	\$	0.4375
Life of options (from ipo to expiry) (yrs)		2
Underlying share price at grant date	\$	0.1300
Expected share price volatility		87%
Risk free interest rate		2.21%
Fair value	\$	0.02

**Loan facility with VETL Pty Limited (“VETL”) and
other Related Party transactions.**

Until December 2017 the Company's sole lender has been VETL Pty Limited (“VETL”), a company associated with Chairman, Gary Cochrane. At 31 December 2017 the loan due to VETL was \$2.9m. By agreement, no interest was charged on the loan between 1 January 2015 and 31 July 2017. Interest has been paid on the loan from August 2017 to December 2017.

Bounty Mining Limited and its Controlled Entities

DIRECTORS' REPORT

At a General Meeting on 24 January 2018 shareholders approved settling \$2m of the VETL debt and \$320k of various accrued Non-executive Director fees by the issue of Bounty shares at 15c per share. An expert report obtained in relation to the transaction concluded that the transaction was fair and reasonable to the non-associated shareholders. This will result in the issue of up to 15,472,038 further shares.

The balance of the VETL loan is due for repayment by 31 December 2018.

Directors' Shareholdings

The share holdings of directors during the period are shown below:

Director	Ordinary shares at 01/07/2017 # and %	Issued during period (\$0.13ps)	Resignation of directors	Director Holdings at 31/12/2017 # and %	Other Share Issues 01 /3/2018 (\$0.25)	Directors holdings at date of this report # and %
Gary Cochrane	20,092,744 21.1%	-		20,092,744 8.7%	-	20,092,744 7.9%
Rob Stewart	414,787 0.4%	769,231		1,184,018 0.5%	-	1,184,018 0.6%
Brian McMaster *	5,942,844 6.3%	-	(5,942,844)	-	-	-
Matthew Wood *	5,942,844 6.3%	-	(5,942,844)	-	-	-
Daniel Crennan *	1,923,078 2.0%	-	(1,923,078)	-	-	-
Kevin Jiao	1,153,847 1.2%	3,000,000	n/a	4,153,847 1.8%	2,000,000	6,573,200 2.4%
Julie Garland McLellan	- 0%	-	n/a	- 0%	-	- 0%
Total Directors	35,470,144 37.3%	3,769,231	(13,808,766)	25,430,609 11.0%	2,000,000	27,430,609 10.8%
Total on issue	95,060,395 100%	136,122,462		231,182,857 100%	23,200,000	254,382,857 100%

* Directors Brian McMaster, Matthew Wood and Daniel Crennan resigned during the period.

Auditor's Independence

The Company has received the "Auditor's Declaration of Independence" as required by s.307C of the Corporations Act 2001, and it is set out on page 6 of this report.

Signed in accordance with a resolution of the Directors



Gary Cochrane

Chairman

22 March 2018

22 March 2018

The Directors
Bounty Mining Limited
Suite 301, Level 3
66 Hunter Street
SYDNEY NSW 2000

To the Board of Directors of Bounty Mining Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit director for the review of the half-year financial statements of Bounty Mining Limited for the half-year financial period ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia Sydney Audit Pty Limited



Gregory Ralph M.Com, FCA

Director

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Bounty Mining Limited and its Controlled Entities

Condensed consolidated statement of comprehensive income for the half year ended 31 December 2017

	Consolidated Group	
	31/12/2017	31/12/2016
	\$	\$
Revenue	7,444	701
Cost of services	(412,595)	-
Employee expenses	(880,172)	(224,406)
Legal and professional costs	(808,192)	(35,255)
Occupancy expenses	(33,989)	(2,336)
Finance costs	(119,393)	-
Other expenses from ordinary activities	(185,405)	(19,809)
Loss before related income tax expense	(2,432,302)	(281,105)
Income tax expense	-	-
Loss from continuing operations	(2,432,302)	(281,105)
Other comprehensive income for the half year, net of tax	-	-
Total comprehensive loss for the half year	(2,432,302)	(281,105)
Loss attributable to members of the parent entity	(2,432,302)	(281,105)
Total comprehensive loss attributable to members of the parent entity	(2,432,302)	(281,105)
	Cents	Cents
Basic and dilutive loss per share	(0.021c)	(0.025c)

The statement of comprehensive income should be read in conjunction with the notes to the financial statements.

Consolidated Group

Bounty Mining Limited and its Controlled Entities

Condensed consolidated statement of financial position as at 31 December 2017

	Notes	31/12/2017 \$	30/6/2017 \$
Current Assets			
Cash and cash equivalents		8,362,500	213,666
Trade and other receivables		143,338	8,506
Inventories	3	2,113,331	-
Other assets – prepayments and deposits	4	639,566	13,208
Total Current Assets		11,258,735	235,380
Non-current Assets			
Exploration and evaluation asset	5	2,385,552	2,266,543
Office equipment		5,023	-
Cook Colliery plant & equipment	4	12,843,630	-
Cook Colliery other mining assets	4	25,795,288	-
Financial assurance deposit	4	500,000	-
Total Non-current Assets		41,529,493	2,266,543
Total Assets		52,788,228	2,501,923
Liabilities & Equity			
Current Liabilities			
Trade and other payables	4	3,625,627	468,963
Liabilities in relation to the acquisition of Cook Colliery	4	16,250,000	-
Financial liabilities	7(a)	2,930,302	-
Employee entitlements	4	767,627	-
Total Current Liabilities		23,573,556	468,963
Non-current Liabilities			
Financial liabilities		-	2,930,302
Liability in relation to the acquisition of the Cook Colliery	4	6,481,949	-
Provision for rehabilitation	4	9,191,944	-
Employee entitlements	4	59,887	-
Total Non-current Liabilities		15,733,780	2,930,302
Equity			
Issued capital	6	56,753,538	40,269,034
Accumulated losses		(46,771,636)	(44,339,334)
Reserves		3,498,990	3,172,958
Total Equity		13,480,892	(897,342)
Total Liabilities & Equity		52,788,228	2,501,923

The statement of condensed financial position should be read in conjunction with the notes to the financial statements.

Bounty Mining Limited and its Controlled Entities

Notes to the Financial Statements for the half year ended 31 December 2017

	Ordinary Share Capital	Options Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1/7/2016	39,135,228	3,172,958	(43,664,259)	(1,356,073)
Loss attributable to members of the parent entity	-	-	(281,105)	(281,105)
Issue of ordinary securities	979,715	-	-	979,715
Cost of issuing ordinary securities	(61,890)	-	-	(61,890)
Balance at 31/12/2016	40,053,053	3,172,958	(43,945,364)	(719,353)
Balance at 1/7/2017	40,269,034	3,172,958	(44,339,334)	(897,342)
Loss attributable to members of the parent entity	-	-	(2,432,302)	(2,432,302)
Issue of ordinary securities	17,695,920	-	-	17,695,920
Cost of issuing ordinary securities	(1,211,416)	326,032	-	(885,384)
Balance at 31/12/2017	56,753,538	3,498,990	(46,771,636)	13,480,892

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

Bounty Mining Limited and its Controlled Entities

Notes to the Financial Statements for the half year ended 31 December 2017

	Consolidated Group	
	31/12/2017	31/12/2016
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,732,938)	(93,573)
Interest received	7,252	701
Interest and other costs of finance paid	(119,393)	-
Net cash flows used in operating activities	(1,845,079)	(92,872)
Cash flows from investing activities		
Investment in Financial Assurance term deposit	(500,000)	-
Investment in Wongai Coal project	(119,009)	(654,047)
Investment in Cook colliery	(6,192,592)	-
Investment in office equipment	(5,024)	-
Net cash flows used in investing activities	(6,816,625)	(654,047)
Cash flows from financing activities		
Gross proceeds from issue of shares	17,695,921	954,715
Costs related to issue of shares	(885,383)	(36,923)
Net cash flows provided by financing activities	16,810,538	917,792
Net increase in cash held	8,148,834	170,873
Cash at beginning of financial period	213,666	95,139
Cash at end of financial period	8,362,500	266,012

The statement of cash flows should be read in conjunction with the notes to the financial statements.

Bounty Mining Limited and its Controlled Entities

Notes to the Financial Statements for the half year ended 31 December 2017

1 Statement of Significant Accounting Policies

The condensed consolidated interim financial report is a general purpose financial report, prepared in accordance with AASB 134 "Interim Financial Reporting" and the requirements of the Corporations Act 2001.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the most recent annual financial report for the year ended 30 June 2017 and any public announcements made by Bounty Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial report covers the economic entity of Bounty Mining Limited and its controlled entities.

1(a) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were used in the most recent annual financial statements.

The company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the company's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the company's presentation of, or disclosure in, its half-year financial statements.

1(b) Going concern

During December 2017, the Group acquired the Cook Colliery and Minyango Project, largely comprising non-current assets, on deferred settlement terms. Whilst at 31 December 2017, the Group's total assets exceeded total liabilities by \$13.5m, current liabilities exceeded current assets by \$12.3m. Bounty incurred a loss from its continuing operations for the half year of \$2.4m. The Group has significant vendor liabilities (refer note 4) and future commitments (refer note 8) resulting from the acquisitions.

These matters give rise to a material uncertainty that may cast significant doubt upon the consolidated entity's ability to continue as a going concern.

Since 31 December 2017 Bounty has issued 23.1 million shares at 25c per share to raise \$5.8m to make a further deferred payment in relation to the Cook acquisition and to contribute to working capital. Bounty intends to issue a further 8 million shares at 25c to raise \$2 million as a further contribution to equipment

Bounty Mining Limited and its Controlled Entities

Notes to the Financial Statements for the half year ended 31 December 2017

refurbishment. Bounty has also executed a forward sales contract which will result in the Company receiving USD\$5.5 million prepayment by 15 April 2018.

Bounty is planning to raise up to \$22,000,000 further capital through an IPO in the current half year which should facilitate relisting of the Company on the ASX. These funds will be used to meet deferred payments in relation to the acquisition of the Cook Colliery and provide additional working capital for operations. In turn, the operations are expected to produce significant net cash flows to enable settlement of all other acquisition liabilities.

The ability of the Group to continue as a going concern is dependent upon both the further capital raising and generation of net cash flows from operations to meet these commitments.

Management have prepared a cash flow projection for the period to 30 June 2019 that supports the ability of the consolidated entity to continue as a going concern.

Based on the reasonable expectation that the necessary future funding will be obtained and cash flow generated over the forecast period, the Directors are satisfied that Bounty will be able to continue as a going concern and it is appropriate to prepare these financial statements on that basis.

Should the Directors not achieve the matters set out above, it is likely part or the whole of the consolidated entity will be unable to continue as a going concern and it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded assets amounts, or to the amounts or classification of liabilities, which might be necessary should the consolidated entity not be able to continue as a going concern.

2 Operating Segment

The Group's activities during the majority of the period were related to a drilling and exploration programme undertaken as part of a Farm In and life-of mine Management Agreement in relation to the Wongai Coal Project.

From 8 December 2017, the Group's activities also included readying the Cook Colliery in Queensland in order to recommence mining operations. The mine commenced operations on 15 January 2018.

Bounty Mining Limited and its Controlled Entities

Notes to the Financial Statements for the half year ended 31 December 2017

	Consolidated Group	
	31/12/2017	31/12/2016
	\$	\$
3 Inventories		
Equipment spare parts – at cost	<u>2,113,331</u>	<u>-</u>

4 Acquisition of Cook Colliery and Minyango Project

On 7 December 2017 Bounty announced that it had acquired the assets of Caledon Coal Pty Ltd (Caledon) and Blackwater Coal Pty Ltd (Blackwater) encompassing the established Cook Colliery and the Minyango Project. The Minyango Project, located less than 10km from the Cook CHPP, is a greenfield coking coal development project which the Company believes is primarily suited to bord and pillar underground mining methods. The acquisitions include all of the assets of Caledon and Blackwater, except for the 'above ground' real property associated with the Minyango Project.

In a separate but related transaction, Bounty has contracted to acquire the assets associated with the Cook Colliery that had remained the property of Cook Resource Mining Pty Ltd, a subsidiary of Glencore Limited. This acquisition will place Bounty in full ownership and control of the assets related to the Cook Colliery, including the related Mining Lease, rail loop, Glencore washplant and coal marketing agreement.

Bounty took possession of the mine effective 8 December 2017. Previously the Cook Colliery had been maintained on a "Care and Maintenance" basis since April 2017. Bounty intends to bring the Cook Colliery back into production with a more flexible and efficient bord and pillar style mining operation (previously longwall). Coal production commenced on 15 January 2018 and the volume of extraction will be increased over the coming months following acquisition and deployment of additional continuous miners and teams.

The Bounty Group will pay a total of \$30 million in cash to the vendors for both acquisitions, with \$6.7 million paid on completion and \$23.3 million deferred and payable over 18 months. As part of the acquisition, the Group will also take over the obligation to rehabilitate the mine site, the cost of which was estimated at \$9.2m by the Department of Heritage and Environment Protection (DEHP) in August 2017. This rehabilitation cost has been recognised as a component cost of mine and a corresponding provision in the statement of financial position.

Bounty Mining Limited and its Controlled Entities

Notes to the Financial Statements for the half year ended 31 December 2017

The acquisitions have given rise to the following significant asset and liability movements in the statement of financial position at 31 December 2017:

	Consolidated Group	
	31/12/2017	
	\$	
<i>Increases in assets:</i>		
Current Assets		
Inventories		2,113,331
Prepayments & deposits		639,566
Non-Current Assets		
Cook Colliery plant and equipment		12,843,630
Cook Colliery- other mining assets		25,795,288
Financial Assurance term deposit (which secures 5 year guarantee for Queensland Mines Rescue Services commitments)		500,000
<i>Increases in liabilities:</i>		
Current Liabilities		
Trade Payables		2,995,931
Acquisition liabilities due to vendors		16,250,000
Employee entitlements		767,627
Non-current Liabilities		
Acquisition liabilities due to vendors (present value of deferred liability)		6,481,949
Provision for rehabilitation of mine		9,191,944
Employee entitlements		59,887

Separately to the accounting recognition, Bounty will be required to provide a cash-backed Financial Assurance Bank Guarantee to Cook Resources Pty Ltd to support the rehabilitation commitment in November 2018. When the Department of Mines completes the process of transferring the mining leases to Bounty from Cook Resources Mining Pty Ltd the Financial Assurance will be redirected to the Department of Heritage and Environment Protection (DEHP).

	Consolidated Group	
	31/12/2017	30/60/2017
	\$	\$
5 Exploration and evaluation asset		
Wongai Coal Project – at cost	2,385,552	2,266,543

Recoverability of the carrying amount of the exploration asset is dependent on the successful development of the Wongai Coal Project.

Bounty Mining Limited and its Controlled Entities

Notes to the Financial Statements for the half year ended 31 December 2017

6 Equity securities issued

(a) Ordinary Securities

During the period Bounty raised net funds of \$16.8m through private placements to fund the initial payment in relation to the Cook Colliery and provided working capital.

Movements in issued shares were as follows:

Ordinary Fully Paid Securities	Number	Share Price	Value
Balance at 1 July 2017	95,060,395	n/a	\$ 40,269,034
Issued to sophisticated investors	136,122,462	\$ 0.130	\$ 17,695,920
Cost of issuing securities			\$ (1,211,416)
Balance at 31 December 2017	231,182,857		\$ 56,753,538

(b) Options over Ordinary Securities

During the period the Company issued 16,301,614 options as capital raising fees conditional on the Company succeeding in its application to list on the ASX.

The terms and conditions of the options are as follows:

- All shares issued on exercise of the options will rank pari passu in all respects with the Company's then issued shares. These options will be unlisted;
- Exercise Price: the exercise price is the IPO issue price + 25%;
- Vesting: the options vest 12 months after issue;
- The options are not transferable and will not be listed;
- Expiry – The options expire 24 months following the successful listing of the Company's shares on the Australian Securities Exchange; and
- Escrow – shares issued on exercise of the options will be subject to the same ASX Listing Rule restrictions (if any exist) as the shares issued to the shareholders named on 7 December 17.

The Fair Value of these options has been measured at \$326,032 using the Black Scholes valuation method. Details of the valuation are:

Grant date	7/12/2017
Options originally issued	16,301,614
Exercise price	\$ 0.4375
Life of options (from ipo to expiry) (yrs)	2
Underlying share price at grant date	\$ 0.1300
Expected share price volatility	87%
Risk free interest rate	2.21%
Fair value	\$ 0.02

Bounty Mining Limited and its Controlled Entities

Notes to the Financial Statements for the half year ended 31 December 2017

7 Related Party Transactions

(a) Gary Cochrane

The Group's main related party lender is VETL Pty Ltd ("VETL"), a company associated with Chairman Gary Cochrane. At 31 December 2017 the secured loan due to VETL was \$2,930,302 (30 June 2017: \$2,930,302).

The secured loan was assigned to VETL from the Company's external financiers in September 2009 on the same terms and conditions. The loan is therefore considered to be on an arm's length basis. The interest rate is 9.72% p.a. However by agreement with the lender, no interest was charged on the loan between 1 January 2015 and 31 July 2017. Since August 2017, interest has been paid monthly.

The loan is secured by a fixed and floating charge over the assets and undertakings of the Consolidated Bounty Group. Since 7 December this charge is subordinated to CC Pty Limited (In Liquidation) A C N 121 024 271 and Blackwater Coal Pty Ltd (In Liquidation) A C N 119 407 760, the vendors of the Cook assets acquired by Bounty, until the completion of all deferred payments in relation to the acquisition.

At a General Meeting on 24 January 2018 shareholder approval was obtained to settle \$2,000,000 of the VETL debt by the issue of shares at 15c per share. An expert report obtained in relation to the transaction concluded that the transaction was fair and reasonable to the non-associated shareholders.

During the half year, Gary Cochrane charged \$150,000 (2017: \$90,000) as a consultancy fee in relation to his role as Chief Executive Officer, Project Manager of the Wongai Project and Project Manager of the Cook acquisition.

During the half year the Company leased office premises from a company associated with Chairman Gary Cochrane at a cost of \$4,110 (2017: \$3,833) per month.

(b) Non-Executive directors

The Non-executive directors earn a monthly fee of \$6,500. For the period from August 2016 to August 2017, \$320,000 of Non-executive director fees were accrued but not paid. At a General Meeting on 24 January 2018 shareholder approval was obtained to settle the accrued fees by the issue of shares at 15c per share. An expert report obtained in relation to the transactions concluded that the transactions were fair and reasonable to the non-associated shareholders. Fees earned subsequent to 31 August 2017 have been paid monthly.

During the period the Company engaged Jukes Todd Pty Ltd to provide consulting services and was charged \$250,464 for these services, of which \$118,598 was for consulting services in relation to Director Rob Stewart. Rob Stewart is a director of Jukes Todd Pty Ltd.

Bounty Mining Limited and its Controlled Entities

Notes to the Financial Statements for the half year ended 31 December 2017

8 Subsequent Events

Subsequent to 31 December 2017 Bounty has issued 23.1 million shares at 25 cents each to raise \$5.8m which has been used to fund vendor payments and contribute to working capital. Bounty intends issuing a further 8m shares at 25 cents per share to raise \$2.0m which will fund further contributions to equipment refurbishments prior to the planned IPO.

Bounty proposes to raise up to \$22m further capital through an IPO in the first half of calendar 2018 which should also facilitate the Company seeking relisting on the ASX. These funds will be used in meeting deferred vendor payments and provide further working capital for operations.

The Company commenced limited mining at the Cook Colliery on 15 January 2018. It is expected the volume of extraction will be increased over the coming months following acquisition and deployment of additional Continuous Miners and teams.

On 19 January 2018 Bounty signed a 12-month contract with an independent mining contractor to provide labour services on standard commercial terms at the Cook Colliery on an as-needed basis.

At a General Meeting on 24 January 2018 shareholder approval was obtained to settle \$2,000,000 of the VETL debt and up to \$320,000 of accrued Non-executive Director fees by the issue of shares at 15c per share. An expert report obtained in relation to the transactions concluded that the transactions were fair and reasonable to the non-associated shareholders.

Since 31 December 2017 Bounty has acquired three Continuous Miners at a total of value of \$1.8m (exclusive of GST). Payment of \$0.6m for the first Miner was made in February 2018. Payment of \$0.6m was made for the second miner in March 2018. Payment for the third Miner is due in May 2018.

On 12 February 2018 Bounty signed a 25-month contract with UGM Engineering Pty Ltd to provide mining services, including labour and equipment, at the Cook Colliery. This agreement includes a commitment to a mobilisation fee totalling \$1.34m (excluding GST) which has been paid prior to the date of this report. A sum of \$600k of the total \$1.34m will be repaid to Bounty over a two-year period.

On 26 February 2018 Bounty and Aurizon Networks signed a Letter of Undertaking in relation to the Koorilgah train loop. Under this agreement Bounty has committed to funding an upgrade to the existing rail infrastructure at a cost of up to \$1.4m. Bounty has paid \$700k of this amount at the date of this report.

On 28 February 2018 Bounty signed an agreement with Aurizon Operations to provide rail haulage services to Cook Colliery. Bounty will be required to provide a Financial Assurance of \$500k by 30 April 2018.

Bounty Mining Limited and its Controlled Entities

Notes to the Financial Statements for the half year ended 31 December 2017

On 1 March 2018 Bounty signed an agreement to lease a Continuous Miner for a 12 month period at a total cost of \$1.56m.

On 12 March 2018 Bounty signed an agreement to refurbish an acquired Continuous Miner at a cost of \$0.9m. Performance based payments will be made over the course of 20 weeks from that date.

On 14 March 2018 Bounty entered into a Forward Sales Agreement with XCoal Energy & Resources GmbH for the sale of 275,000 tonnes of coal over the period to 31 December 2018. Pursuant to the agreement, the buyer will prepay US\$3.0m by 1 April 2018 and a further US\$2.5m by 15 April 2018.

No other matters or circumstances have arisen since the end of the reporting period which significantly affected or could significantly affect the operations of the consolidated group, the results of the operations, or the state of affairs of the consolidated group in future financial years.

Bounty Mining Limited and its Controlled Entities


DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes set out in pages 5 to 18:
 - a) Comply with Accounting Standard AASB134 : Interim Financial Reporting and the Corporations Regulations 2001; and
 - b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance, as represented by the results of its operations and its cashflow, for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Dated at Sydney this 22nd March 2018



Gary Cochrane
Chairman

Independent Auditor's Review Report to the Members of Bounty Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bounty Mining Limited, which comprises the Condensed Consolidated Statement of Financial Position as at 31 December 2017, the Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, of the group comprising Bounty Mining Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bounty Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been given to the directors of Bounty Mining Limited

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Bounty Mining Limited and its controlled entities is not in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(b) in the financial report, which advises the consolidated group is reliant upon raising further share capital and deriving significant net cash flows from operations in order to settle the acquisition liabilities and capital commitments in connection with the Cook Colliery and therefore realise its assets and discharge its liabilities in the normal course of business. These conditions, along with the other matters set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated group's ability to continue as a going concern.

Nexia Sydney Audit Pty Ltd



Gregory Ralph M.Com, FCA
Director

Sydney, 22 March 2018