



Bounty Mining Limited



June 2018 Quarterly Production Report

Highlights

- Quarterly production from Cook Colliery totals 100,335 tonnes of mid-volatile hard coking coal as ramp-up continues;
- First shipment of Cook coal, purchased by major shareholder Xcoal Energy & Resources, sails from Port of Gladstone;
- Additional early production sold to neighbouring Coronado Coal prior to Bounty securing its own stockpile pad at RG Tanna coal terminal, Gladstone;
- Completion of oversubscribed \$18 million initial public offering and successful listing on the Australian Securities Exchange welcoming domestic and international institutions along with retail investors
- Three continuous miners in operation underground at Cook, with a fourth to commence in July.

Safety

Bounty recorded one lost time injury (LTI) during the June quarter, which was the second for the year. The company continues to focus on safety and training as priorities as the workforce at Cook continues to grow.

Production and Sales

	Quarter Ended			Year-to-date		
	June 2018 (000 tonnes)	Mar 2018 (000 tonnes)	Change %	June 2018 (000 tonnes)	June 2017 (000 tonnes)	Change %
ROM coal produced	100	34	199	134	0	NA
ROM Coal Stockpiles	8	8	0	8	0	NA
Saleable coal produced						
• Coking	76	17	348	93	0	NA
• Thermal	13	3	350	16	0	0
Coal sales						
• Coking	55	0	NA	55	0	NA
• Thermal	11	0	NA	11	0	NA
Product Coal stockpiles						
• Coking	30	17	78	30	0	NA
• Thermal	9	3	201	9	0	NA
(Includes EOY survey adjustments)						

Cook Operations

Production of mid-volatile hard coking coal from the Cook Colliery, which was recommissioned by Bounty in January 2018, continued to steadily increase in line with company expectations throughout the June quarter, as illustrated in the table above. Bounty has adopted the more flexible bord and pillar mining method at Cook and will maintain the longwall system in a care and maintenance position underground. There is potential to recover and operate the longwall system in the future but there are no immediate plans to take such steps.

Mining will be undertaken in three development phases in the Cook South area, driven by the short-term lack of continuous miners and roof bolters for the higher productivity place change mining method and the time to change the mine layout from the current longwall system to a bord and pillar underground mining layout.

Plans developed at the start of 2018 outlined a faster ramp-up of operations but delays in the Company's ASX listing, delays in delivery of equipment to site, shortage of skilled workers and a ventilation constraint have necessitated a more conservative approach. Despite this, the mining rate is expected to be at a nominal 1 million tonne per annum run-of-mine (ROM) rate from September 2018. Place change mining will be introduced in the June quarter of 2019, which will further increase production rates.



Fourth continuous miner to go underground at end of July, awaiting final fitting of the cutter head.

The initial development phase is to open up areas with the single-pass continuous miners in preparation for implementing a high production Sumping Continuous Miner method commencing September. Three continuous miners are now operating underground, with a fourth sumping machine going underground in September. These are mining mostly the top 3.2 metres of the 4.3 metre seam and installing roof and rib bolts in an advancing mining phase. The remainder of the seam is extracted later in the mining sequence to enable maximum recovery.

The second phase will commence from September once a suitable area of advance mining has been completed. Bounty will then implement the sumping method. At least three continuous miners will be operating on an advancing phase with one machine on a sumping phase.

Finally, where areas have been identified as appropriate for place change mining and suitable continuous miners and a separate roof bolter have been acquired, the higher productivity mining method will be adopted. This is expected to be in the June quarter of 2019, also after introduction of a small shaft to allow a greater number of mining units to operate in the mine. This will allow mining to ramp up to the targeted 2.2 million tonne per annum rate in the second half of 2019.

Bounty has had very good performance from the coal handling and preparation plant. Previously at Cook, mining had included dilution from the shale roof and also from mining of faults in development and with the longwall. Bounty has maintained mining within the coal seam and has only mined minimal quantities of shale roof and as a consequence the coal processing yields have been very high with an average of 88% over the March and June quarters. More than 85% of the product has been coking coal. These numbers are an improvement on a budgeted 80% yield and 80% coking coal component.

Coal Sales

In late June, the first shipment of export coal from Cook sailed from the Port of Gladstone destined for China. The 34,000-tonne cargo was sold to privately owned global coal marketing and logistics company Xcoal Energy & Resources under an existing offtake agreement.

Xcoal, which is also a major shareholder in Bounty, has agreed to purchase an initial 275,000 tonnes of coal from Cook providing it meets certain specifications and the June shipment was the first cargo under this agreement. Further discussions have now commenced to extend this agreement into 2019 and to execute a second agreement for additional offtake

A second coal sales agreement has been finalised with Lido Trading, a subsidiary of a private Chinese steel mill, which is also a substantial Bounty shareholder, to purchase 150,000 tonnes of Cook coal. Supply to this agreement is planned for the September quarter.

Cook coking coal is classified as second tier coking coal and typically sells at a discount to Platts HCC64 spot index. The Platts HCC64 coal price rose to as high as US\$200/FOB tonne in early March but fell to the mid US\$160s by mid-May and as of early July, had risen back to the mid US\$180/FOB tonne. There is strong demand for second tier coking coal in Asia and rail disruptions in Australia have assisted in holding up the price in a tight market. During this time, the Australian dollar exchange rate has fallen from highs of almost US\$0.80 to currently around US\$0.74 which further supports strong Australian dollar pricing.

Bounty completed the sale of two trains of thermal coal to Glencore during the June quarter at prices of US\$90 per FOB tonne, with additional sales anticipated for the September quarter.

The Company is in ongoing discussions with a number of steel mills and trading companies to match the increasing coking coal supply from Cook to countries including Japan, South Korea, China and Vietnam. However, production for the rest of the calendar year is fully accounted for through the agreements with Xcoal and Lido.

Development Projects

Bounty has commenced remodelling of the Cook North and Minyango resources. A new JORC 2012 report was completed in May for the Minyango project, defining 198 million tonnes of resources, as detailed in the Bounty Prospectus.

Bounty has commenced prefeasibility studies for the Cook North project. Part of this project will require drilling up at least three cored holes during the September quarter to provide detailed coal quality information and additional gas and geotechnical data to assist in finalising detailed mine designs scheduled for the second half of 2018.

Corporate

Following the completion of an initial public offering that raised \$18 million (before costs), Bounty was admitted to the Official List of the Australian Securities Exchange and began trading on 19 June 2018.

PAC Partners were sole Lead Manager and Bookrunner for the IPO.

Proceeds from the IPO were allocated to:

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- Financing the deferred payment due on June 30 2018 under the Cook/Minyango Purchase Agreements;
- Providing capital for fleet upgrades required to expand production at Cook;
- Continuing pre-feasibility studies for the Cook North and Minyango projects;
- Commencing a bankable feasibility study on the Wongai Project; and
- Funding working capital.

At the end of June, Bounty had \$8.8 million in cash and \$4.7m in receivables. Bounty has met all obligations under the Cook acquisition deferred payment terms.

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