



Bounty Mining Limited



September 2018 Quarterly Production Report

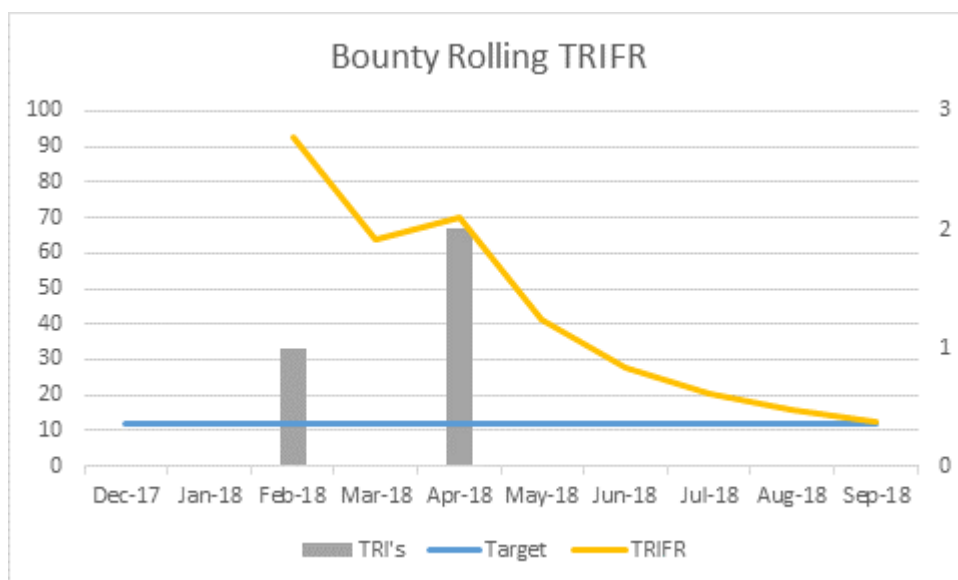
Highlights

- Strong USD coal prices and falling Australian dollar;
- Good roof and gas conditions assisting in safe mining and development advance;
- September quarterly production from Cook Colliery totals 101,570 run of mine tonnes of mid-volatile hard coking coal;
- Production ramp up was delayed due to late equipment deliveries and late sumping approvals;
- Sumping Continuous Miner unit now performing above expectations;
- Production building to expected 190,000 run of mine tonnes for the December quarter;
- First shipment of Cook coal to Lido Trading Limited sailed from Port of Gladstone, 55,000 tonnes;
- Thermal Coal sales were made to Glencore International and Sojitz Coal Sales Pty Ltd.

Safety

Bounty recorded no lost time injuries (LTI) during the September quarter. The company continues to focus on safety and training as priorities as the workforce at Cook continues to grow. TRIFR (Total Recordable Injury Frequency Rate) is trending down to target levels.

	Calendar Year to Date 2018	
Safety KPI	Actual	Target
LTI	2	0
TRIFR	12.7	12



Production and Sales

Quarter Ended				Year-to-date		
	Sep 2018 (000 tonnes)	Jun 2018 (000 tonnes)	Change %	Sep 2018 (000 tonnes)	Sep 2017 (000 tonnes)	Change %
ROM coal produced	102	100	1	102	0	NA
ROM Coal Stockpiles	7	8	-1	7	0	NA
Saleable coal produced						
• Coking	73	76	-3	73	0	NA
• Thermal	15	13	15	15	0	NA
Coal sales						
• Coking	87	55	57	87	0	NA
• Thermal	21	11	89	21	0	NA
Product Coal stockpiles						
• Coking	16	30	-47	16	0	NA
• Thermal	4	9	-51	4	0	NA
(Includes adjustments)						

Cook Operations

Production of mid-volatile hard coking coal from the Cook Colliery continued steadily during the September quarter with production being maintained at previous quarter levels. Production was impacted by poor availability of two rental shuttle cars (electric trucks) that were introduced in the early stages of mine restart. A focus on disciplined maintenance, and the delivery of additional shuttle cars will now have a more positive impact on production to target levels from late October.

Mining continued with three development units in the September quarter in the Cook South area, and the introduction of a sumping (pillar extraction) unit in late September. However, full productivity was limited to poor shuttle car availability and the late delivery of two additional shuttle cars by more than 6 weeks.

The sumping unit underwent a short commissioning phase from early October and has moved to full production in late October with the introduction of the two additional shuttle cars. The sumping unit is now operating at better than expected productivity with good roof and coal seam gas conditions. The mine is now operating with all four panels including the three development panels in full production. It is forecast that production will rise from 102,000 run of mine tonnes in the September quarter to 190,000 run of mine tonnes in the December quarter.



Sumping machine, fully refurbished, and on its way underground in late September.

Ground and gas conditions have been very good and only a few small areas for the September quarter had encountered more difficult roof conditions and a higher density bolting pattern. There continues to be very low gas levels at the mine and stable ground and roof conditions.

Bounty has had very good performance from the coal handling and preparation plant. 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 averaged 82% for the September quarter and 83% of the product has reported as hard coking coal. The overall yield is lower than the budgeted 88% but some low quality remnant coal from the CHPP ROM area was included in the feed to maximise throughput. Though lower yields overall, the coking split has been maintained in line with budget levels of 83%. These results are an improvement on original expectations of 80% overall yield and 80% coking split.

Upgrades to the train loadout (TLO) facility were commissioned during September, further improving the rail availability with providers Aurizon Network and Aurizon Operations, allowing the re-introduction of electric trains and full axle load trains. The first electric train was loaded in the second week of October. The re-introduction of electric trains gives Bounty Cook further flexibility, and improved availability, of trains.

Coal Sales

During this quarter, the first shipment of export coal to Lido Trading sailed from Port of Gladstone, with an additional cargo to Xcoal.

Xcoal, which is also a major shareholder in Bounty, has agreed to an additional offtake purchase of 550,000 tonnes of coal from Cook providing it meets certain specifications. This agreement has increased Xcoal to a minimum offtake of 825,000 tonnes through until December 2019. Bounty is pleased to have strong support from this major coal trading house.

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 traded in the range US\$151 to US\$185/FOB tonne (Average US\$167/FOB tonne). During this quarter, the Australian dollar exchange rate has traded in the range US\$0.71 to US\$0.74, current around US\$0.71, which continues support for strong Australian dollar pricing. Therefore prices are now strongly rising due to higher US dollar coal prices and lower exchange rates. This trend has continued to improve into October and is currently providing an Australian dollar price of over A\$240/FOB tonne for Cook hard coking coal.

Bounty completed the sale of three trains of thermal coal to Glencore International (2 trains) and Sojitz Sales Pty Ltd (1 train) during the September quarter at base prices of US\$96 & US\$92 per FOB tonne, with additional sales anticipated for the December quarter. Discussions are in progress in relation to longer term offtake agreements for the Cook Colliery thermal coal.

The Company is in discussions with a number of other trading companies to provide further diversification in market offtake and customers.

Development Projects

Bounty has completed geological 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. A concept study for the Cook North project has been completed and shows potential for a small open cut operation. Prefeasibility studies are now underway and will continue over the next 4 months including some additional drilling to upgrade resource definition in the Cook North open cut defined area.

Further information:

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