



Bounty Mining Limited

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27 December 2018

ASX Announcement

Bounty Mining Limited (ASX Code: B2Y)

DECEMBER 2018 FUNDING, EXCLUSIVITY AND REVISED GUIDANCE

Working Capital Facility and Exclusivity arrangement

Bounty has been working toward a stable operating cash flow position, however due to delays in ramp up of production the working capital position remained constrained. Within a 10-day period in late December 2018, shipments of two coking coal trains and one thermal coal train were cancelled, for reasons beyond Bounty's control, i.e. bush fires in the Gladstone area, 24-hour industrial action, and train crew shortages. Bounty was already investigating working capital solutions but the cash flow impact of the three cancelled trains meant that Bounty required more urgent support which Bounty has sought. A number of proposals were received, and Bounty entered a trading halt on 18 December 2018 and subsequently a voluntary suspension of its shares on 20 December 2018 while the board considered these proposals.

Bounty is pleased to announce it has now reached agreement with Amaroo Blackdown Investments Pte Ltd and Amaroo Blackdown Investments LLC (collectively the Amaroo entities or **Amaroo**) to secure a working capital facility. The combined Amaroo entities are Bounty's largest shareholder with voting power of 17.51% and are investment companies associated with Xcoal Energy & Resources GmbH ("Xcoal"), a key customer for Bounty's coal. Under the agreement Amaroo will advance to Bounty up to A\$20,000,000 available to be drawn between 31 December 2018 and 25 April 2019, subject to a number of conditions.

The proceeds from the facility will support the operation of Cook Colliery and Cook CHPP, the possible purchase of mining equipment for use at Cook Colliery and other purposes agreed by Amaroo including the repayment of a prepaid sales agreement with Lido Trading.

The key terms of the working capital facility with Amaroo are as follows:

- the facility is unsecured, however Bounty is required to promptly convene a general meeting of shareholders for the purpose of seeking shareholder approval under the ASX Listing Rules for Bounty, its main operating subsidiary, Bounty Cook Pty Ltd and the other group companies, Bounty Minyango Pty Limited, Bounty Operations Pty Limited and Bounty Mining Investments Pty Limited, to grant security over all of their present and subsequently acquired property to Amaroo to secure Bounty's obligations under the facility (and any other moneys owed to Amaroo or its associated entities).
- draw down of up to \$20,000,000, with up to A\$5,000,000 drawn down monthly from 31 December 2018. The final drawdown on 25 April 2019 is subject to obtaining shareholder approval for the grant of the security.
- the outstanding balance is repayable in full on 31 July 2019, or earlier if an event of default occurs.
- Bounty is required to give Amaroo, and its associated entities (including Xcoal) unrestricted access to Bounty's underground and surface facilities and books of account.
- Bounty will be in default if:
 - Bounty does not generate free cash flow (excluding certain agreed payments and expenses or delays outside Bounty's control) each month on and from 1 February 2019; and
 - Bounty breaches the exclusivity agreement described below.
- the interest rate for the loan is 8% per annum (with an overdue rate of 12% which applies from 1 August 2019 onwards).
- the facility otherwise contains events of default, undertakings, representations, warranties and indemnities in favour of Amaroo customary for a financing facility of its kind.

As a condition precedent to the drawdown of the initial A\$5,000,000 tranche of the funding, Bounty has entered into an exclusivity agreement with Amaroo to allow Amaroo to undertake due diligence. The exclusivity period granted to Amaroo runs for 60 days from signature of the agreement and relates to a broad range of potential transactions. There is no assurance that any further transaction with Amaroo will materialise. The Board believes that this agreement provides the best outcome for shareholders and was a condition to Amaroo providing the working capital facility.

Bounty has a prepaid sales agreement with Xcoal. Under Tranche 1 of the agreement at 31 December 2018:

- 115,00k tonne of saleable coking coal remain to be delivered, which has rolled into calendar year 2019.
- US\$4.7m of prepayments are outstanding. This converts to senior, secured debt at 31 December 2018 and must be repaid by 31 December 2019.

A further 550,000 tonne will be delivered to Xcoal in calendar year 2019.

Bounty and Xcoal have now extended the prepaid agreement to the end calendar year 2020.

The security proposed to be granted to Amaroo for which Bounty intends to seek shareholder approval under the ASX Listing Rules (as described above), will also secure the amounts required to be repaid to Xcoal under the forward sales agreement and any other moneys owed to Amaroo or its associated entities.

Guidance Update

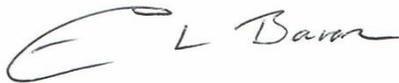
This is an update of the December Quarter forecast provided in the September quarter 5B report.

The previous guidance was 190,000 tonne of run of mine coal (equivalent to 163,000 tonne of saleable product). Updated guidance is an expectation to produce 142,000 tonne of saleable product.

Due to reduced production and other reasons explained above, both production costs and revenues in the December 2018 quarter will be lower than the previous guidance. The Company expects to make \$35M in production, processing and distribution payments during the December 2018 quarter, compared with the guidance of \$37M.

On behalf of the Board

Yours sincerely,

A handwritten signature in black ink, appearing to read "Eryl Baron". The signature is fluid and cursive, with the first name "Eryl" written in a larger, more prominent script than the last name "Baron".

Ms Eryl Baron

Company Secretary, Bounty Mining Limited Secretary@bounty.com.au