



Bounty Mining Limited ACN: 107 411 067
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31 January 2019

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Activities during the December 2018 Quarter

Bounty extended its offtake agreement for coking coal with Xcoal Energy & Resources to the year 2020 in return for a prepayment of US\$2,000,000. Bounty also entered into an offtake agreement with Flame S.A. for 100,000 tonnes of Thermal coal to be delivered in 2019 in return for a prepayment of US\$500,000.

These prepaid sales receipts totalling A\$3.5m from Xcoal and Flame are included in "1.1 Receipts from Customers for the current quarter". The balance of Receipts from Customers of A\$17.6m represents proceeds from sales of coking and thermal coal, net of prepaid sales repayments of A\$0.6m.

December 2018 Quarter Operations

At the start of October Bounty planned to implement secondary extraction (the sumping system) at the mine, thus increasing productivity. However as previously announced this took longer than expected with extended Mines Inspectorate reviews, with implementation finalised towards the end of October 2018. Production was also hampered by late delivery of additional shuttle cars needed to support the four-panel operation.

The reduced production (and hence reduced revenue) caused by these delays resulted in a working capital shortfall requiring Bounty to issue 34.3m shares at 30c to raise \$10.3m in October 2018 to cover working capital and to support a revised equipment strategy. A

The revised equipment strategy involves acceleration of equipment rebuilds to replace high-cost rental and low-availability equipment. In mid-December 2018 one of the shuttle cars had to be taken off site for repair and at 31 December Bounty had 5 shuttle cars underground. The sixth car is expected back underground from late February after major repairs and upgrade works are completed. One continuous miner has been on the surface for repair and upgrade since mid-November leaving four operational miners with no spare to cover breakdown. The fifth miner is due back available for production in mid-February 2019. Bounty is also looking to source additional better quality shuttle cars to replace some of the older machines.

The sumping unit completed the first panel and moved to a new panel on 18 December 2018 after a 7-day relocation. The first panel performed better than expected although in the second panel some steeper local

grades have reduced production rates compared to those achieved in the first panel. Mining will continue in the second panel until mid-March 2019 when it is scheduled to move to a third area. Sumping rates are currently 25% lower in this second area (compared to the first panel) and have also been impacted by the regular loss of the shuttle car in the panel due to overheating on the steep grades.

These sumping rates are expected to improve in February and March 2019 as the grades flatten toward the end of the panel.

Financing

Shortfall in planned production reduced revenue and eroded working capital during the quarter. In September and October 2018, three causes of delay impacted production revenue. These included a 6-week delay in the delivery of shuttle cars (electric trucks for transporting coal underground), a 3-week delay in regulatory approvals for sumping, and a further 1-week delay for an unscheduled review of sumping practices by the regulators following commencement.

In October 2018, Bounty issued 34.3m shares at 30c to raise A\$10.3m, and it was planned that those funds would provide the Company with sufficient working capital.

Run of mine underground production ramped up to a high point of 55k tonnes for the month of November 2018, continued equipment breakdowns meant that this production was not reproduced in December with only 43k tonnes produced. In addition, within a 10-day period in 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 options for increasing working capital by March 2019, but the cash flow impact of the three cancelled trains meant that Bounty required more urgent support. 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.

Financing Facility

Bounty announced on 27 December 2018 that it had 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 debt to Bounty of 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 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 debt 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 A\$20,000,000, with up to A\$5,000,000 drawn down monthly from 31 December 2018. The drawdown at 31 March and of any remainder of the facility (if required) from 25 April 2019 is subject to obtaining shareholder approval for the grant of the security.
- the outstanding balance of the facility 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. Bounty has provided unrestricted access to Bounty's underground and surface facilities and books and records. 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 drew down the initial A\$5,000,000 tranche of the funding on 27 December 2018 (see section 3.5 of the Appendix 5B below). The second tranche of A\$5,000,000 was drawn down on 29 January 2019.

Bounty has continued to invest in refurbishing its equipment with the goal of increasing availability and expects to improve its production in February and March 2019. Management is also focusing on cost reduction to offset revenue shortfalls.

Lido Sales Agreement Update

Bounty entered into a prepaid sales agreement with Lido Trading Limited in April 2018. Under the terms of the agreement, in return for a prepayment of US\$2,500,000 Bounty delivered an initial shipment of approximately 65,000 tonnes of blended coal with an option to supply up to a further 235,000 tonnes of blended coal subject to the initial shipment meeting the target coal quality.

The initial shipment of blended coal met the coal quality specification and it was anticipated that Bounty would provide a long-term regular supply.

In late December 2018 Lido notified Bounty that they would not exercise their future offtake option for delivery of additional coal.

Bounty subsequently entered into an agreement with Lido to repay the outstanding prepayment of US\$2,500,000 in two tranches, with the first tranche of US\$1,000,000 paid on 28 December 2018 (shown in section 3.6 of the Appendix 5B below) with the balance due to be paid on 1 February 2019.

The remaining coal initially committed to Lido will now be sold to Xcoal.

General

The company has not received any information that would alter the results of the previously announced JORC reports.

Bounty has kept the market informed of developments as they have occurred and will continue to meet its obligations under Listing Rule 3.1

Further information:

Gary Cochrane

Chairman

Bounty Mining Limited

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Bounty Mining Limited

ABN

19 107 411 067

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	21,067	51,550
1.2 Payments for		
(a) exploration & evaluation	(102)	(286)
(b) development	-	-
(c) production & distribution	(32,491)	(60,054)
(d) staff costs	(657)	(1,353)
(e) administration and corporate costs	(621)	(928)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	15	23
1.5 Interest and other costs of finance paid	(23)	(46)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (listing expenses)	(38)	(159)
1.9 Net cash used in operating activities	(12,850)	(11,253)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,048)	(3,391)
(b) tenements (see item 10) (inc in 2.1a)	-	-
(c) investments	-	-
(d) other non-current assets	(66)	(144)
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	13	13
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash used in investing activities	(1,102)	(3,522)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	10,300	10,300
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	5,000	5,000
3.6 Repayment of borrowings	(1,414)	(6,414)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Financial Assurance)	-	-
3.10 Net cash provided by financing activities	13,886	8,886

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,138	8,810
4.2 Net cash used in operating activities (item 1.9 above)	(12,850)	(11,253)
4.3 Net cash used in investing activities (item 2.6 above)	(1,102)	(3,522)
4.4 Net cash provided by financing activities (item 3.10 above)	13,886	8,886
4.5 Effect of movement in exchange rates on cash held	(61)	90
4.6 Cash and cash equivalents at end of period	3,011	3,011

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	3,011	3,138
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,011	3,138

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	153
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director salaries and fees

7. Payments to related entities of the entity and their associates

	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	24
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Office rental payments to an entity associated with director Gary Cochrane.

8. Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Add notes as necessary for an understanding of the position</i>		
8.1 Loan facilities (Amaroo facility)	5,000	5,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

See page 2 Financing Facility for details of Amaroo facility

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	150
9.2 Development	-
9.3 Production and distribution	33,600
9.4 Staff costs	675
9.5 Administration and corporate costs	650
9.6 Other - investment in plant & equipment	1,436
Other – Lido repayment	2,132
9.7 Total estimated cash outflows	38,643

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10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased	EPC699, EPC997 (Minyango Project), Blackwater, Bowen Basin, Queensland (Australia)	Exploration permits	100%	100%
		EPC2334 (Wongai Project), Laura Basin, Queensland (Australia)	Exploration permit	22.5%	22.5%
		MDL375 (Minyango Project), Blackwater, Bowen Basin, Queensland (Australia)	Mineral development licence	100%	100%
		ML80173 (Minyango Project), Blackwater, Bowen Basin, Queensland (Australia)	Mining lease	100%	100%
		ML1768, ML1769, ML1799, ML7357 (Cook Mine), near Blackwater, Bowen Basin, Queensland (Australia)	Sub-leases of mining leases	100%	100%
		ML1779 (Cook Mine), near Blackwater, Bowen Basin, Queensland (Australia)	Sub-lease of 33% of mining lease	100%	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: Date: 31 January 2019.....
(Chairman)

Print name: Gary Cochrane.....