Appendix 4D and Half Year Report

31 DECEMBER 2018

for

BOUNTY MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN: 19 107 411 067

TABLE OF CONTENTS

CORPORATE DIRECTORY

Directors at the time of this Report

Robert Stewart (Chairman)
Kevin Jiao
Julie Garland-McLellan
Craig Garson, Q.C.

Bankers

ANZ Banking Group Ltd
Chifley Square, Sydney. NSW 2000
Commonwealth Bank of Australia
14 Martin Place, Sydney, NSW 2000

Company Secretary

Eryl Baron

Solicitors

McCullough Robertson
Level 11, Central Plaza 2
66 Eagle Street, Brisbane, QLD 4000

Auditor

BDO East Coast Partnership
L11 1 Margaret Street
Sydney NSW 2000

Registered Office

Suite 301, L3, 66 Hunter Street
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street,
Abbotsford VIC 3067

RESULTS FOR ANNOUNCEMENT TO MARKET

Appendix 4d – Half year ended 31 December 2018

Reporting period: 6 months ended 31 December 2018

Previous reporting period:

- Consolidated statement of profit or loss: 6 months ended 31 December 2017
- Consolidated statement of financial position: 12 months ended 30 June 2018

		% change	31-Dec-18 A$'000	31-Dec-17 A$'000
Revenues from ordinary activities	**n/a**	n/a	51,669	7
Loss from ordinary activities after tax attributable to members	**up**	99%	(22,807)	(2,432)
Net loss for the period attributable to members	**up**	99%	(22,807)	(2,432)

Dividends (distributions)		Amount per security	Franked amount per security
Final Dividend		n/a	n/a
Previous corresponding period		n/a	n/a
Date for determining entitlements to the dividend		n/a	

	31/12/2018	30/06/2018
Net Tangible Assets per Security	$ 0.03	$ 0.07

DIRECTORS' REPORT

The Directors of Bounty Mining Limited ("Bounty" or "the parent entity") and its controlled entities ("the Group" or "the Consolidated Entity"), present their report together with the financial statements at the end of and for the 6 months ended 31 December 2018.

Information about the Directors & Company Secretary

The names of the directors of Bounty during the financial year and up to the date of this report are as set out below.

The names of directors who held office during or since the end of the year are:

Director	Appointed to the Board	Resigned from the Board
Gary Cochrane	25 November 2007	15 February 2019
Rob Stewart	17 November 2009	-
Kevin Jiao	18 August 2016	-
Julie Garland McLellan	10 November 2017	-
Craig Garson Q C	18 October 2018	-

OPERATIONS REVIEW

Production and Processing:

Bounty acquired the Cook Colliery, Cook North and Minyango assets on 8 December 2017 and then commenced a restart of coal mining operations at Cook Colliery ("Cook"). Coal mining operations commenced in February 2018 with one continuous miner fleet, with two additional mining fleets introduced by July 2018.

The fourth production panel, a sumping panel, commenced in late October. In the December half Cook produced 241,000 tonne run-of-mine with peak production of 55,000 tonnes run of mine coal in November.

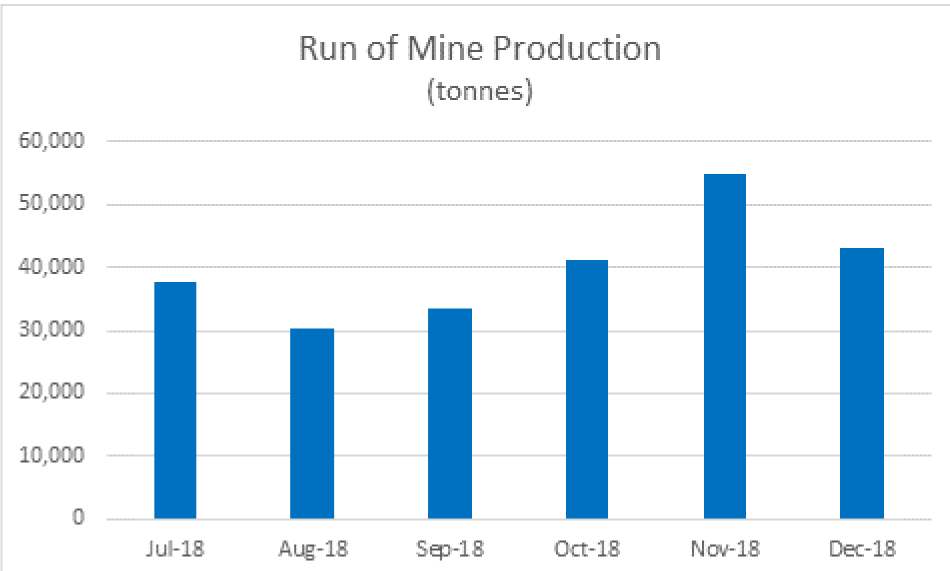
Production was adversely impacted by late delivery of rental equipment, poor availability of key items of equipment and delayed regulatory approval of mining methodology. A revised approach to equipment maintenance has been introduced and should deliver improved equipment reliability in H2 FY2019.

The first panel of secondary workings (South Mains) has been completed and the mining equipment relocated to 204B Panel. South Mains performed better than expected. The start of 204B Panel has an area of steep grades that may result in reduced production rates compared to those achieved in the South Mains. Production is scheduled to be completed in this panel late-March to early April. The possibility of recovering extra tonnes in 204A Panel will be investigated to support secondary extraction continuity.

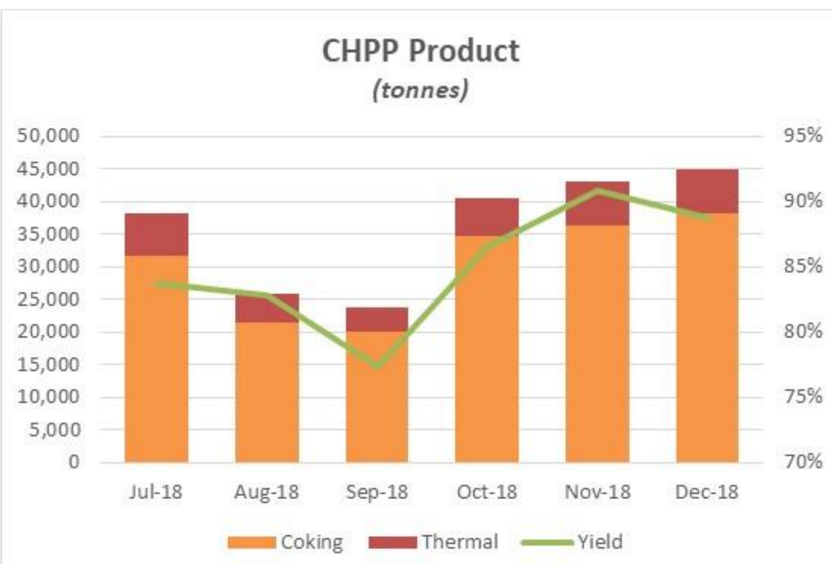
Production in the March quarter is expected to improve with the improvement initiatives already introduced and a plan to review panel design and production sequencing in all the production panels.

The coal handling and preparation plant (CHPP) yield has improved since late October with process improvements and yields increased from 82% to 90%. 85% of the product has been hard coking coal.

Upgrades to the train corridor have allowed re-introduction of electric locomotives and the removal of loading restrictions, resulting in a return to full capacity. Quicker train loadout times may reduce rail charges. Rail performance has returned to normal service since mid-December.



CHPP product split: Coking Coal v Thermal Coal

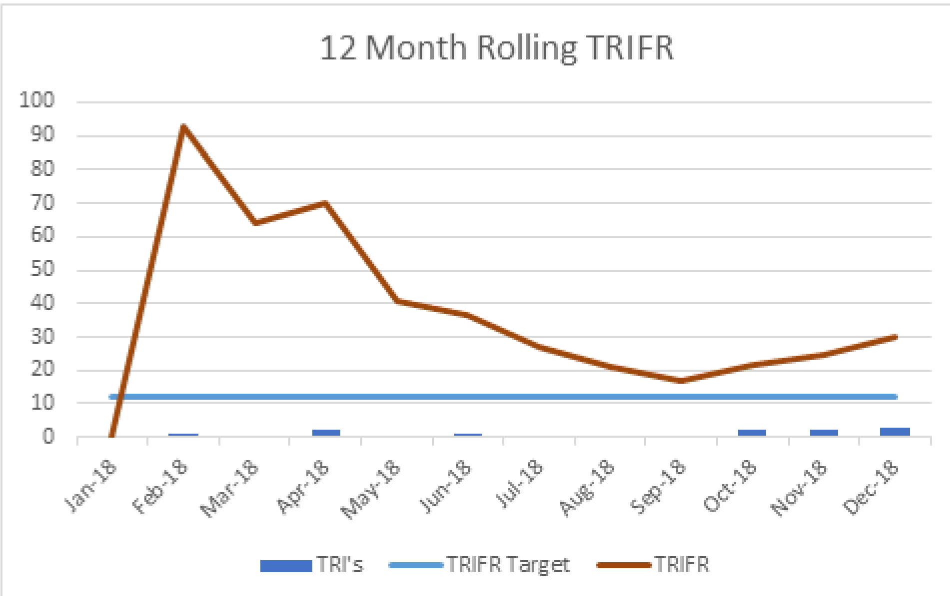


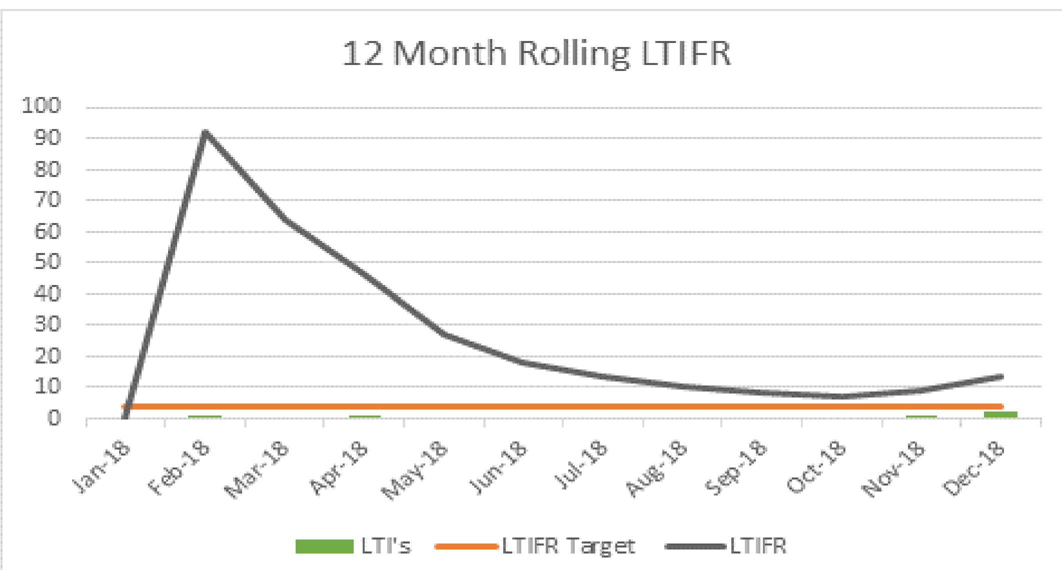
Health & Safety Performance

Statistics for the period:

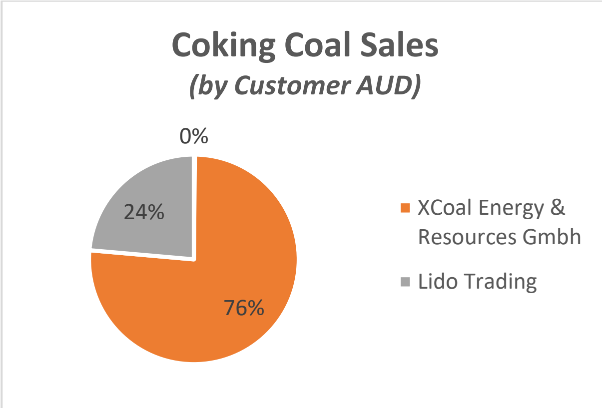
- 259,080 hours worked
- 3 Lost Time Injuries
- 7 Reportable Injuries
- Reportable Injury Frequency rate = 27

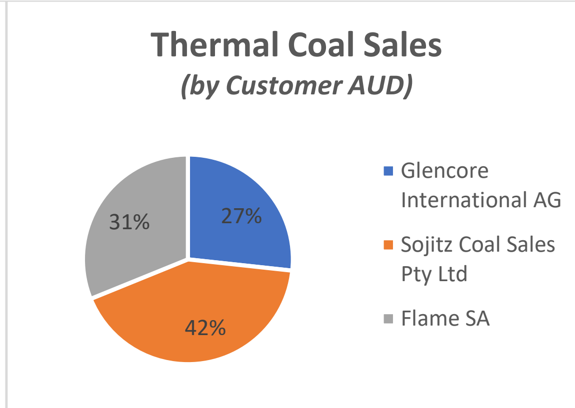
Statistics for the 12 months to 31 December 2018:





SALES





FINANCIAL REVIEW

	31 December 2018	31 December 2017
	$'000	$'000
Revenue	51,669	-
Cost of sales	(67,531)	-
Gross loss	**(15,862)**	**-**
Other income and expenses	(5,750)	(2,320)
Loss before tax and net finance expenses	(21,612)	(2,320)
Net finance expenses	(1,195)	(112)
Loss before tax and net finance expenses	(22,807)	(2,432)
Income tax expense	-	-
Net loss for the period	**(22,807)**	**(2,432)**

The Cook Colliery and CHPP were acquired in December 2017 and began operating in January 2018 therefore costs in the half year to December 2017 are not comparable.

FINANCING REVIEW

1 Amaroo 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 debt facility is unsecured, however Bounty has convened a general meeting of shareholders to be held on 22 March 2019 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).

Under the facility Bounty may draw down up to A$20million with up to A$5million drawn down monthly from 31 December 2018. Bounty has drawn down $5million on 31 December and a further $5million on 29 January 2019. On 26 February 2019 Bounty applied to draw down a further $5million.

The drawdown at 31 March and of any remainder of the facility (if required) from 25 April 2019 is subject to obtaining shareholder approval at the meeting on 22 March 2019 for the grant of the security. The Independent Directors of Bounty unanimously recommend that Shareholders vote in favour of the resolutions to be put to this meeting. The outstanding balance of the facility is repayable in full on 31 July 2019, or earlier if an event of default occurs.

As a condition precedent to the drawdown of the initial A$5 million 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 27 December 2018 signature of the agreement and relates to a broad range of potential transactions. The Board believes that this agreement provides the best outcome for shareholders and was a condition to Amaroo providing the working capital facility.

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 (at the date of this report Bounty expects to generate free cash flow); and
- Bounty breaches the exclusivity agreement described below.

The facility otherwise contains events of default, undertakings, representations, warranties and indemnities in favour of Amaroo customary for a financing facility of its kind.

The interest rate for the loan is 8% per annum (with an overdue rate of 12% which applies from 1 August 2019 onwards).

2 VETL Pty Ltd ("VETL") facility

VETL is a company associated with former Chairman Gary Cochrane. The balance of the VETL facility was due for repayment on 31 December 2018. By agreement between the parties the repayment date has been deferred to 30 June 2019. The fixed and floating charge attached to the facility has been subordinated to the senior secured debt represented by the Xcoal Prepaid Sales Agreement.

3 Flame SA Forward Sales Agreement

In November 2018 Bounty 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.

4 Xcoal Energy & Resources GmbH (Xcoal) Forward Sales Agreement

In December 2018 Bounty further extended its offtake agreement for coking coal with Xcoal Energy & Resources to the year 2020 in return for a prepayment of US$2million.

5 Lido Forward Sales Agreement

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$2.5million 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.

In late December 2018 Lido notified Bounty that they would not exercise their future offtake option for delivery of additional coal. Xcoal agreed to take up the remaining coal allocated to Lido.

Bounty subsequently entered into an agreement with Lido to repay the outstanding prepayment of US$2.5million in two tranches, with the first tranche of US$1million paid on 28 December 2018 and the balance of US$1.5million paid on 1 February 2019.

EVENTS SUBSEQUENT TO BALANCE DATE

Management Changes

On 7 February Bounty announced the appointment of John Hart as General Manager of the Cook Colliery. John is an experienced mine manager with specialist expertise in bord and pillar mining. His most recent experience and success was in establishing and operating the world-class bord and pillar mine for Idemitsu's Ensham Resources Pty Ltd. John brought innovation to the design and mining processes that achieved high levels of production and excellent safety standards.

On 18 February 2019 Bounty appointed Jim Griffin as CEO. Jim brings Bounty over 35 years of coal industry experience that combines mining engineering with financial strategy development and execution. Jim Griffin was formerly a senior executive with Chase Manhattan, Rothschild, Westeros Coal, Walter Energy, African Mineral, and FBR.

During February 2019 Gary Cochrane resigned from his roles as CEO, Chairman and Director. Gary had been a director of Bounty since 2007 and remains a shareholder and lender to Bounty. He was replaced as Chairman by Rob Stewart, a director of the company since 2009.

At a General Meeting on 21 February 2019 Bounty's shareholders passed a resolution approving an October 2018 issue of shares, restoring its placement capacity to 15%. Bounty has no current intention to issue shares.

Other than as described elsewhere in this report there have been no other subsequent events which require disclosure.

signed in accordance with a resolution of the Board.

Rob Stewart
Chairman
Dated in Sydney 28 February 2019

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Fax: +61 2 9240 9821
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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF BOUNTY MINING LIMITED

As lead auditor for the review of Bounty Mining Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bounty Mining Limited and the entities it controlled during the period.

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 28 February 2019

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $'000
Revenue	2	51,669	-
Cost of sales	3	(67,531)	-
Gross loss		**(15,862)**	**-**
Pre-production mining expenses		-	(413)
Other expenses	3	(5,750)	(1,907)
Loss before income tax and net finance expenses		**(21,612)**	**(2,320)**
Finance income	2	27	7
Finance expenses	3	(1,222)	(119)
Loss before income tax		**(22,807)**	**(2,432)**
Income tax benefit / (cost)		-	-
Net loss for the half year		**(22,807)**	**(2,432)**
Other comprehensive income		-	-
Total comprehensive loss for the half year		**(22,807)**	**(2,432)**
Loss for the half year is attributable to: Owners of Bounty Mining Limited		**(22,807)**	**(2,432)**
Total comprehensive loss for the half year is attributable to: Owners of Bounty Mining Limited		**(22,807)**	**(2,432)**
		Cents	**Cents**
Basic and diluted loss per share for the half year attributable to the members of Bounty Mining Limited (cents per share)	13	(0.062c)	(0.021c)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31 December 2018 $'000	30 June 2018 $'000
Current assets			
Cash and cash equivalents	4	3,011	8,810
Restricted cash	4	22	22
Trade and other receivables	5	8,589	7,871
Inventory	6	5,371	9,600
Other current assets		2,363	3,415
Total current assets		**19,356**	**29,718**
Non-current assets			
Property, plant and equipment	7	40,608	40,222
Exploration and evaluation asset	8	4,245	4,080
Other non-current assets		500	510
Total non-current assets		**45,353**	**44,812**
Total assets		**64,709**	**74,530**
Current liabilities			
Trade and other payables	9	11,824	13,622
Progress and prepaid sales	10	16,038	13,903
Liabilities in relation to the Cook acquisition		7,000	12,000
Financial liabilities	11	7,829	930
Employee entitlement provision		987	901
Total current liabilities		**43,678**	**41,356**
Non-current liabilities			
Provision for rehabilitation	12	9,501	9,192
Employee entitlement provision		59	59
Total non-current liabilities		**9,560**	**9,251**
Total liabilities		**53,238**	**50,607**
Net assets		**11,471**	**23,923**
Equity			
Issued capital	14	98,199	87,844
Accumulated losses		(92,027)	(69,220)
Option reserves	15	5,299	5,299
Total equity		**11,471**	**23,923**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Options Reserve	Accumulated Losses	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2017	40,269	3,173	(44,339)	(897)
Loss attributable to members	-	-	(2,432)	(2,432)
Issue of ordinary securities	17,696	-	-	17,696
Cost of issuing ordinary securities	(1,221)	326	-	(885)
Balance at 31 December 2017	**56,754**	**3,499**	**(46,771)**	**13,482**
Balance at 1 July 2018	87,844	5,299	(69,220)	23,923
Loss attributable to members	-	-	(22,807)	(22,807)
Issue of ordinary securities	10,355	-	-	10,355
Balance at 31 December 2018	**98,199**	**5,299**	**(92,027)**	**11,471**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 $'000	31 December 2017 $'000
Cash flows from operating activities			
Receipts from customers		51,550	-
Payments to suppliers and employees		(62,621)	(1,733)
Interest received		23	7
Interest and other finance costs paid		(46)	(119)
Net cash flows used in operating activities		**(11,094)**	**(1,845)**
Cash flows from investing activities			
Payments for exploration and evaluation assets		(144)	(119)
Payment for property, plant and equipment		(3,391)	(6,198)
Net cash flows used in investing activities		**(3,535)**	**(6,317)**
Cash flows from financing activities			
Gross proceeds from issue of shares		10,300	17,696
Costs related to issue of shares		(159)	(885)
Proceeds from borrowings		5,000	-
Repayment of borrowings		(6,414)	-
Finance assurance		-	(500)
Net cash flows provided by financing activities		**8,727**	**16,311**
Net (decrease) / increase in cash held		(5,902)	8,149
Effect of movement in exchange rates on cash held		81	-
Cash at beginning of financial period		8,832	214
Cash at 31 December 2018	4	**3,011**	**8,363**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Interim Financial Statements

Basis of preparation

This financial report is a general-purpose financial report for the half year period ending 31 December 2018, prepared in accordance with Australian Accounting Standard (AASB) 134: Interim Financial Reporting) and the requirements of the Corporations Act 2001. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

During the half year ended 31 December 2018 Bounty has adopted:
AASB 15 Revenue from Contracts with Customers; and
AASB 9 Financial Instruments.

There has been an impact of applying AASB 15 and that is reflected in the accounting treatment of revenue in the financial statements.

Except for cashflow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

In accordance with ASIC Corporations Instrument 2016/191 the report is presented in Australian dollars rounded to the nearest thousand dollars ($'000).

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 2018 and any public announcements made by Bounty Mining Limited.

The financial report was authorised for issue on 28 February 2019 by the Board of Directors.

Going concern

These financial statements have been prepared on a Going Concern basis. The Consolidated Entity incurred a loss after tax attributable to members of $22.8 million for the half year (2017: loss $2.4 million for the half year) and incurred negative cash flows from operations of $ 11.1 million for the half year ended 31 December 2018 (2017: negative $1.8 million for the half year). At 31 December 2018 current liabilities exceeded current assets by $24.3 million.

In addition Bounty has an obligation to provide a bank guarantee to Cook Resource Pty Ltd under the Cook acquisition by 29 March 2019. Bounty is negotiating to defer the provision of this guarantee.

These matters along with the final payment for the purchase of Cook Colliery and the environmental bond by 30 June 2019 and repayment of current Amaroo debt arrangements by 31 July 2019 give rise to a material uncertainty that casts significant doubt upon the Consolidated Entity's ability to continue as a going concern without access to additional funding.

As previously announced to the market the above performance is largely due to slower than expected recommissioning and ramp up to full production due to late delivery of rental equipment, poor reliability of equipment as the company built its maintenance capability and delayed regulatory approvals. Bounty has reviewed and revised its operating plans and is in the process of restructuring the business. These changes have included the recent appointment of a new General Manager at Cook Colliery, new CEO and new Chairman. Under their guidance, a new production plan is being developed for Cook Colliery aimed at optimising the cost and production balance with the objective of improving the financial performance of the company.

In December 2018 the company put in place a $20M debt facility with Amaroo Blackdown Investments LLC ("Amaroo"), the full availability of which is subject to shareholders approval of security over the Consolidated Entity's assets at a shareholders meeting to be held on 22 March 2019.

In addition, the directors are sourcing funding facilities to cover the final purchase payment for Cook Colliery of $7M, environmental bond of $10.8M (should it be required in cash), repayment of the Amaroo debt facility. and to provide ongoing working capital which may include funds sourced from other debt providers, additional equity, extension of existing facilities, or a combination of these. The directors consider there are reasonable grounds to expect that the Consolidated Entity will be successful in getting these facilities in place as the directors have a proven track record of raising finance when required as demonstrated with the IPO, raising $18M, subsequent $10M capital raising in October 2018, a number of prepaid coal sale arrangements and the $20M loan facility with Amaroo in December 2018.The nature and amounts of further funding scenarios will be dependent on the outcome of the shareholder meeting on 22 March 2019.

The directors are confident that on successful implementation of one or more of these plans the Consolidated Entity will be able to meet its debts as and when they fall due. However, forecast events frequently do not occur as expected as many external and internal factors impact on future events.

In the event that the Consolidated Entity is unable to achieve the matters detailed above, it may not be able to continue as a going concern and therefore the Consolidated Entity may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the Consolidated Entity and the Company not continue as going concerns.

2 Revenue and other income

	31 December 2018 $'000	31 December 2017 $'000
Revenue		
Revenue from sale of coal	51,699	-
Total revenue	51,699	-
Finance income		
Interest income	27	7
Total finance income	27	7

Disaggregation of revenue from contract with customers

2018	Domestic AUD '000	Export AUD '000	Total AUD'000
Sales - thermal coal	-	6,928	6,928
Sales - coking coal	-	44,771	44,771
Total	**-**	**51,699**	**51,699**

2 Revenue and other income

Recognition of Revenue

Coal sales are recognised when title to the coal is legally transferred to the buyer under the relevant agreement.

Under Bounty's prepaid sales agreement with Xcoal Energy and Resources GmbH the company is entitled to progress payments when the coal is loaded onto the train at Bounty's CHPP to be placed on the stock-pile at Gladstone. Title to the coal is transferred when the coal is placed on that stock-pile. The progress payments are therefore recognised as revenue at that time.

Under Bounty's prepaid sales agreement with Flame S.A. the company is paid in full when the coal is loaded onto the train.

As is customary with 'free on board' contracts, parameters such as coal quality and mass are tested using independent experts and weight meters as the vessel is being loaded. The bill of lading is only issued upon verifications and confirmation from several parties involved with the logistics and handling process. Once

2 Revenue and other income (continued)

confirmed, the measured parameters form the basis for the calculation of final pricing and quality adjustments on the commercial invoice. All customer contracts specify a known pricing methodology and tolerance range for quality parameters prior to Bounty Cook Pty Ltd ("Bounty Cook") committing to the supply of coal to the customer.

Pricing Determination

Coal sales contracts with Bounty customers contain specific pricing mechanisms as is customary in hard coking coal markets. Coal sales contracts are linked to the HCC64 (Platts) index, with an agreed discount applied, in accordance with contractual terms. Typically, this based on HCC64 (Platts) average pricing for a specific period prior to train unloading date, for coal sale sold on stockpile basis, or bill of lading date.

3 Cost of sales and other expenses

	31 December 2018 $'000	31 December 2017 $'000
Production costs (Cost of sales)		
Mining costs	52,532	-
Processing costs	2,481	-
Transport and logistics	4,756	-
State royalties	3,245	-
Production overheads	2,781	-
Other production costs	1,736	-
Total production costs	**67,531**	**-**
Pre-production mining costs		
Start-up costs	-	514
Total pre-production mining costs	**-**	**514**
Other expenses		
Other expenses	2,763	1,806
Depreciation and Amortisation	2,987	**-**
Total other expenses	**5,750**	**1,806**
Finance expenses		
Interest paid	103	119
Movement in foreign currency	1,119	-
Total finance expenses	**1,222**	**119**

3 Cost of sales and other expenses (continued)

Recognition and measurement

Cost of sales

Cost of sales represents costs relating to the production, processing, transport and sale of coal sold during the period, and does not include the cost of production of coal remaining on the stock-pile at 31 December 2018 where control has not yet passed to the customer.

4 Cash and cash equivalents

		31 December 2018 $'000	30 June 2018 $'000
Cash at bank and in hand		3,011	8,810
Restricted cash	(a)	22	22
		3,033	8,832

(a) Restricted cash held in relation to a bank guarantee.

5 Trade and other receivables

	31 December 2018 $'000	30 June 2018 $'000
Trade receivables	7,551	4,661
Other receivables:		
Goods and services tax receivables	1,010	3,208
Interest receivables	-	2
Other	28	-
Total other receivables	1,038	3,210
Total trade and other receivables	**8,589**	**7,871**

6 Inventory

	31 December 2018 $'000	30 June 2018 $'000
ROM coal inventory	471	981
CHPP coal inventory	850	2,191
Port inventory	-	3,169
Coal inventory	1,321	6,341
Spare parts and consumables	4,050	3,259
Total Inventories	**5,371**	**9,600**

Recognition and measurement

Under the July 2018 Forward Sales Agreement Amendment with Xcoal title to the coal is transferred at the Port. Under Bounty's sales agreement with Flame title to the coal is transferred on the train. Therefore Bounty does not own any coal at Port at 31 December 2018.

7 Property, plant and equipment

	31 December 2018 $'000	30 June 2018 $'000
Mining Properties		
At cost	25,882	25,657
Accumulated depreciation	(1,125)	(307)
	24,767	25,350
Plant and equipment		
At cost	15.037	8,259
Accumulated depreciation	(4,435)	(1,151)
	10,602	7,108
Buildings and improvements		
At cost	1,979	3,061
Accumulated depreciation	(374)	(175)
	1,605	2,886
Capital work in process		
Buildings and improvements work at cost	674	-
Plant and equipment work at cost	2,477	4,631
	3,151	4,631
Office equipment		
At cost	523	232
Accumulated depreciation	(57)	(15)
	466	218
Motor Vehicles		
At cost	32	32
Accumulated depreciation	(5)	(3)
	27	29
Total property, plant and equipment	**40,608**	**40,222**

7 Property, plant and equipment (continued)

Movements in carrying amounts:

31 December 2018	Mining properties $'000	Plant and equipment $'000	Buildings and improvements $'000	Capital work in process $'000	Office equipment & software $'000	Motor vehicles $'000	**Total $'000**
Balance at 1 July 2018	25,350	7,108	2,886	4,631	218	29	**40,222**
Additions	89	-	-	2,993	291	-	**3,373**
Capital WIP transfers	-	4,473	-	(4,473)	-	-	**-**
Recategorised	124	959	(1,083)	-	-	-	**-**
Depreciation expenses	(805)	(1,938)	(199)	-	(43)	(2)	**(2,987)**
Balance at 31 December 2018	**24,757**	**10,602**	**1,605**	**3,151**	**466**	**27**	**40,608**

Movements in carrying amounts:

30 June 2018	Mining properties $'000	Plant and equipment $'000	Buildings and improvements $'000	Capital work in process $'000	Office equipment & software $'000	Motor vehicles $'000	**Total $'000**
Balance at 1 July 2017	-	-	-	-	-	-	**-**
Additions - Cook Colliery acquisition	25,657	8,259	3,061	-	6	-	**36,983**
Other additions	-	-	-	4,631	227	32	**4,890**
Depreciation expenses	(307)	(1,151)	(175)	-	(15)	(3)	**(1,651)**
Balance at 30 June 2018	**25,350**	**7,108**	**2,886**	**4,631**	**218**	**29**	**40,222**

8 Exploration and evaluation assets

	31 December 2018	**30 June 2018**
	$'000	**$'000**
Opening Balance	4,080	2,267
Expenditure paid during the financial year through acquisition	-	1,695
Expenditure capitalised during the financial year	165	119
Closing Balance	**4,245**	**4,080**

This represents investment in the Wongai, Minyango and Cook North Projects.

9 Trade and other payables

	31 December 2018 $'000	30 June 2018 $'000
Trade payables	4,884	5,562
Accrued expenses	6,530	8,060
Payroll liabilities	410	-
Total trade and other payables	**11,824**	**13,622**

10 Progress and prepaid sales

	31 December 2018 $'000	30 June 2018 $'000
Progress sales (a)	-	3,250
Prepaid sales (b)	16,038	10,653
Total progress and prepaid sales	**16,038**	**13,903**

(a) Under Bounty's prepaid sales agreements with Xcoal Energy and Resources GmbH ("Xcoal") the company is entitled to progress payments when the coal is loaded onto the train at Bounty's CHPP to be placed on the stock-pile at Gladstone. Title to the coal is transferred when the coal is placed on that stock-pile. The progress payments are therefore recognised as revenue at that time.

Under Bounty's prepaid sales agreement with Flame S.A. the company is paid in full when the coal is loaded onto the train.

Therefore there are no progress payment liabilities at 31 December 2018.

(b) Bounty and Xcoal executed a prepaid coal sales agreement ("PSA") in March 2018 for the sale of 275,000 metric tonnes (plus or minus 10% at the buyer's option) of Cook Colliery mid volatile hard coking coal. The sale agreement is for the period 9 March 2018 to 31 December 2018 or until the loading of the 275,000 metric tonnes is complete. Under Tranche 1 of the Xcoal PSA, at 31 December 2018:

- 169,438 tonnes of saleable coking coal remained to be delivered, which has rolled into calendar year 2019; and
- US$4.97m of prepayments (requiring delivery of coking coal on or before 31 December 2018) were outstanding.

Under the terms of the Xcoal PSA, the outstanding US$4.97 million of prepayments due to be fulfilled on or before 31 December 2018 'automatically converts to senior secured debt on 31 December 2018. This debt incurs interest from 1 January 2019.

10 Progress and prepaid sales (continued)

Bounty and Xcoal have now extended the agreement to the end of calendar year 2020. The extension of the Xcoal PSA includes further prepayments of US$3.75 million with respect to 550,000 tonnes of coking coal to be delivered by 31 December 2019 and US$2.0 million with respect to 750,000 tonnes of coking coal to be delivered by 31 December 2020.

In November 2018 Bounty executed a prepaid sales agreement with Flame S.A. for the delivery of 100,000 tonnes of thermal coal to be delivered by 30 October 2019.

11 Financial liabilities

	31 December 2018	30 June 2018
	$'000	$'000
Amount owed to related party (a)	930	930
Amount owed under Amaroo loan facility (b)	5,000	-
Amount owed to Lido Trading (c)	1,899	-
Total financial liabilities	**7,829**	**930**

(a) This loan is owed to a company associated with Gary Cochrane, the company's previous Chairman and CEO. The loan incurs interest at 9.72%. This loan was due for repayment at 31 December 2018 but by agreement with Bounty the repayment date has been deferred to 30 June 2019. The loan is party to a fixed and floating charge over some of the assets of the Bounty group. This charge is sub-ordinated to the security held by Amaroo – see (b).

(b) Tranche A of the Amaroo facility - $5million - (see page 8 for additional details) was drawn down on 27 December 2018, and Tranche B was drawn down on 29 January 2019. The facility incurs interest of 8%.

(c) Bounty entered into a US$2,500,000 prepaid sales agreement with Lido Trading Limited in April 2018. In late December 2018 Lido notified Bounty that they would not exercise their future offtake option for delivery of 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 with the balance paid on 1 February 2019.

12 Provision for rehabilitation

	31 December 2018	30 June 2018
	$'000	**$'000**
Opening Balance	9,192	-
Increase in provision in relation to the Cook Colliery	88	9,192
Unwinding of discount	221	-
Closing Balance	**9,501**	**9,192**

13 Earnings per share ("EPS")

	31 December 2018	31 December 2017
	$'000	**$'000**
Loss for the period used to calculate basic and diluted EPS	(22,807)	(2,432)
	Number '000	**Number '000**
Weighted average number of ordinary shares used for the calculation of basic and diluted EPS	364,018	114,294
	Cents	**Cents**
Basic and diluted EPS	(6.2c)	(2.1c)

14 Issued capital

(a) Movements in ordinary share capital of Bounty during the half year to 31 December 2018 were as follows:

Ordinary Fully Paid Securities	**Number**	**Share Price**	**$'000**	**Cash $'000**	**Non-Cash $'000**
Balance at 1 July 2018	350,673,804	n/a	87,844		
Issued to current and former staff August 2018	143,229	$0.384	55		$55
Issued to investors in October 2018	34,333,333	$0.300	10,300	$10,300	
Cost of issuing securities	n/a		-		
Balance at 31 December 2018	**385,150,366**		98,199		

14 Issued capital (continued)

(b) Movements in ordinary share capital of Bounty during the half year to 31 December 2017 were as follows:

Ordinary Fully Paid Securities	Number	Share Price	$'000	Cash $'000	Non-Cash $'000
Balance at 1 July 2017	95,060,395	n/a	40,269		
Issued to investors August to December 2018	136,122,472	$0.13	17,696	17,696	
Cost of issuing securities	**n/a**	**n/a**	(1,211)		
Balance at 31 December 2017	**350,673,804**		56,754		

15 Options reserves

	31 December 2018 $'000	30 June 2018 $'000
Opening Balance 1 July 2018	5,299	-
Capital raising cost during the period	-	5,299
Closing Balance	**5,299**	**5,299**

The option reserve records items recognised as expenses or cost of raising capital on valuation of share options. The options reserve is used to record the share options issued in relation to the Company's securities.

16 Segment Reporting

The consolidated entity operates under one business segment which is the exploration, production and sale of coal in Australia. This approach by management is different from the 30 June 2018 year end because decision making is based on it being one segment now as the focus is on coal production.

Major customers

During the half year ended 31 December 2018 66% of Bounty's external revenue was derived from sales to a major customer. The next most significant customer accounted for 20% of revenue.

DIRECTORS' DECLARATION

In the opinion of the directors of the Company:

1 The consolidated financial statements, comprising the consolidated statement of profit or loss and other consolidated income, consolidated statement of financial position, consolidated statements of cash flows, consolidated statement of changes in equity, and accompanying note, are in accordance with the Corporations Act 2001, and:

(a) comply with Australian Accounting Standard AASB 134: Interim Financial Reporting, the corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of the performance for the half year ended on that date.

2 In the Directors' opinion there are reasonable grounds to believe that the Company and Consolidated Entity will be able to pay their debts as and when they become due and payable.

Dated 28 February 2019

Signed in accordance with a resolution of the Directors:

Rob Stewart
Chairman

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Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Bounty Mining Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Bounty Mining Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to the Going Concern note in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 Group's financial position as at 31 December 2018 and its financial 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 the Group, 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*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 28 February 2019