



Bounty Mining Limited

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ASX Announcement

New Funding and Extended Coal Offtake Agreement

Bounty Mining Limited (**Bounty** or **Company**) is pleased to announce that it has today executed documentation to facilitate a recapitalisation and new funding package with its major shareholder, Amaroo Blackdown Investments LLC (**Amaroo**). In addition, subject to certain conditions being satisfied, Bounty has also agreed to amend and restate the existing coal offtake agreement with Amaroo's associate, Xcoal Energy & Resources GmbH (**Xcoal**).

Both transactions are subject to shareholder approval at a general meeting to be convened within the next few weeks.

Bounty Chairman Rob Stewart said: "The financing package agreed with Amaroo will strengthen the financial stability of the Company and provide funding for completion of the Glencore acquisition, mine improvements, and mine optimisation. The funding will accelerate transition of Cook Colliery to a place change mining operation, which is expected to significantly improve productivity."

Bounty has previously disclosed details regarding its relationship with Amaroo and Xcoal and the transactions which have been entered into between Bounty, Amaroo, Xcoal and their related entities.

In order for Bounty to meet a number of its upcoming commitments, particularly commitments owing to Glencore (described further below and announced to ASX on 30 July 2019), Bounty's independent directors requested that Amaroo extend the termination date (currently 31 July 2019) under Amaroo's existing working capital debt facility and the loan agreement that was assigned to Amaroo by VETL Pty Ltd as announced on 11 July 2019. Amaroo has agreed to extend the repayment date to 30 September 2019 and subsequently to 31 July 2020 (subject to shareholders approving the convertible note financing transaction) on the basis that:

- Amaroo retains its status as Bounty's senior secured creditor, with first ranking (subject to certain pre-existing securities over specific assets) security agreements over all of the assets of Bounty and its subsidiaries as approved by shareholders at a general meeting held on 3 June 2019;
- Bounty enters into a new financing transaction with Amaroo, under which Amaroo will subscribe for, and the Company will issue to Amaroo, secured convertible notes with an aggregate principal amount of A\$35,000,000, issued under a subscription agreement which has today been entered into between the parties, to be advanced by Amaroo at completion; and

- the terms of the coal offtake agreement with Xcoal (**Xcoal PSA**) are amended and restated such that, subject to obtaining the approval of shareholders at an upcoming general meeting, the contract term is extended until the later of 31 December 2025 or until the loading of a total of 6,575,000 metric tonnes of coal +/- 10% in Xcoal's option.

As noted above, the Company has today entered into a subscription agreement to facilitate the financing transaction and an amendment to the Xcoal PSA which has triggered an extension to the termination date for the current Amaroo working capital facility and the former VETL loan from 31 July 2019 to 30 September 2019. The subscription agreement is subject to several conditions precedent which are outlined below. If shareholders approve the convertible note financing transaction and the extension of the Xcoal PSA at the upcoming shareholder meeting (together, the **Proposal**), the existing working capital facility termination date and the maturity date of former VETL Pty Ltd loan will be further extended to 31 July 2020.

Xcoal has also agreed, subject to shareholders approving the transactions outlined above, to forbear during the months of July, August, September and October 2019 on the requirement for Bounty Cook Pty Ltd to repay previous prepayments for coal under the Xcoal PSA. At 30 June 2019, there remained a balance of US\$5.2 million of prepayments to be repaid. This forbearance will increase cash receipts by US\$25 per metric tonne of coking coal shipped during these four months.

The key terms of the subscription agreement are set out in the table below:

Term	Details
Conditions precedent	<p>Completion of the subscription agreement is subject to satisfaction of certain conditions precedent on or before 30 October 2019, including, amongst others:</p> <ul style="list-style-type: none"> Bounty obtaining the required shareholder approvals for the issue of the notes, conversion of the notes to shares, appointment of Amaroo's nominee directors and extension of the Xcoal PSA; Amaroo obtaining (if required) approval for the transaction under the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth); certain arrangements with Glencore remaining on foot; MDL465 has been granted to Bounty Minyango Pty Ltd or an acceptable agreement has been entered into with Blackwater Coal Pty Ltd (in liquidation) for the liquidation to remain open until grant of that MDL; Bounty using its best endeavours to secure port and rail contracts; particular adverse or material events not occurring with respect to Bounty; and Bounty obtaining certain third party consents.

Term	Details
Pre-completion restrictions	Until completion of the subscription agreement occurs, Bounty is restricted from undertaking certain material transactions or operating its business other than in the ordinary course.
Exclusivity	Bounty is restricted, subject to customary and limited carve outs, from pursuing or discussing potential alternative transactions until the convertible notes are issued or the subscription agreement is otherwise terminated. Bounty must also notify Amaroo upon being approached with respect to any such transaction. In the event that an alternative transaction is proposed (in accordance with a relevant carve out) Bounty has granted a matching right to Amaroo.
Reimbursement fee	If, while the exclusivity requirements apply: <ul style="list-style-type: none"> • Bounty announces an alternative transaction and implements it or enters into an agreement to implement it within 12 months; • any director of Bounty withdraws or adversely amends his or her recommendation to vote in favour of the proposed resolutions to be presented to shareholders, fails to make the requisite recommendation or recommends an alternative transaction (unless the independent expert concludes the transaction is not fair and not reasonable); or • any director of Bounty recommends or supports an alternative proposal, Bounty must pay a reimbursement fee to Amaroo of A\$300,000 (excluding GST)
Director nomination and appointment rights	From completion of the subscription agreement until the final maturity date, Amaroo is, subject to law, entitled to nominate and have appointed to the boards of directors of Bounty and its subsidiaries: <ul style="list-style-type: none"> • if Amaroo (or its related entities) hold at least 80% of the notes on issue, a majority of the directors on those boards; • if Amaroo (or its related entities) hold at least 50% of the notes on issue, three directors on those boards; • if Amaroo (or its related entities) hold at least 30% of the notes on issue, two directors on those boards; • provided its voting power in the Company is at least 15% (it is currently 17.51%), one director on those boards.
Warranties and representations	Bounty gives warranties and representations to Amaroo usual for a transaction of this kind.
Termination	Amaroo may terminate the subscription agreement in certain circumstances, including if: <ul style="list-style-type: none"> • Bounty breaches the agreement in any material manner;

Term	Details
	<ul style="list-style-type: none"> • a material adverse change occurs or Bounty undertakes an action that is restricted (as described above); • a director fails to recommend the transaction to shareholder, withdraws his or her recommendation or makes a public statement that he or she no longer supports the transaction or endorses any other transaction; or • Bounty defaults under the existing working capital facility.

The key terms of the convertible notes proposed to be issued, subject to obtaining shareholder approval and the other conditions precedent being met, is set out below:

Term	Details
Facility, facility limit and use of funds	<p>The size of the note facility will be an amount equal to A\$35,000,000, plus any interest which may be capitalised in accordance with the terms of a convertible note deed poll to be entered into by the Company prior to completion of the subscription agreement. The funds drawn down on the note facility will be used as follows:</p> <ul style="list-style-type: none"> • approximately A\$11,000,000 to be used to finance the backing of the bank guarantee required to be provided to Glencore; • an amount to be held in escrow and applied for the purpose of payments that may be required to be made by the Company or Bounty Cook Pty Ltd to Cook Resource Mining Pty Limited with respect to royalties that may be payable under the Glencore Sublease (which as at the date of this announcement is estimated to be A\$13,000,000); and • the balance available for use on operations and capital works on the terms set out in the note facility documents.
Maturity Date	<p>The note facility will terminate on the second anniversary of the date of issue of the notes, unless the convertible notes are previously redeemed, converted or cancelled. This maturity date can be extended at Amaroo's election for a further 12 months.</p>
Interest	<p>Interest is payable at a rate of 10% per annum, in cash or capitalised and compounding quarterly at the Company's discretion for interest accruing during the first 12 months, in cash thereafter. Where Bounty capitalises interest, interest on the capitalised amount will be charged at 12% per annum. A default interest rate of 15% shall apply on unpaid amounts payable under the terms of the note facility documents.</p> <p>Amaroo may elect to receive fully paid ordinary shares in Bounty (Bounty Shares) in lieu of a cash payment for interest.</p>

Term	Details
Security	The Company and each of its subsidiaries will provide a first ranking security over their assets on the terms of a general security deed to be entered into at completion of the subscription agreement.
Conversion	<p>The convertible notes will be convertible in whole or in part into Bounty Shares at the option of Amaroo during the period commencing on the date of issue of the notes and ending on the maturity date of the note facility.</p> <p>The initial conversion price is A\$0.09. The initial conversion price will be subject to adjustment for bonus issues, division or consolidation of Bounty Shares, issuance of options, rights or warrants, the issue of further convertible or exchangeable bonds, the issue of Bounty Shares or any other securities – however, the initial conversion price will not be adjusted to reflect the issue of Bounty Shares related to:</p> <ul style="list-style-type: none"> • the conversion or reissue of the existing 26.3 million options currently outstanding; • an additional issue of up to 110 million new Bounty Shares provided that any issue of Bounty Shares must not (without Amaroo’s prior consent) be at a discount of greater than 10% to the 30 day VWAP prior to the date of the first public announcement of such issue.

Further details of the Proposal will be set out in the notice of meeting to be sent to shareholders shortly. Bounty’s directors unanimously recommend that, in the absence of a superior proposal emerging and subject to an independent expert determining that particular aspects of the Proposal are reasonable, eligible shareholders vote in favour of the Proposal. Bounty has appointed BDO Corporate Finance (QLD) Ltd as the independent expert to opine on whether particular aspects of the Proposal are fair and reasonable to the non associated shareholders and to provide an independent expert’s report.

Further information:

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