Bounty Mining Limited ACN: 107 411 067
Suite 301, Level 3, 66 Hunter Street, Sydney NSW 2000, Australia
ASX:B2Y www.bounty.com.au

4 September 2019
ASX Announcement

Receipt of unsolicited, non-binding, indicative and conditional proposal from QCoal

The Directors of Bounty Mining Limited (**Bounty** or **Company**) (ASX:B2Y) make the following market release in response to media reports about the receipt of unsolicited, non-binding offers from QCoal Bounty Holdings Pty Ltd (**QCoal**). The Company confirms that on 27 August 2019 it received an unsolicited, conditional, non-binding, indicative confidential proposal, and subject to QCoal board approval from QCoal to recapitalise the company (**Original QCoal Proposal**). On 2 September 2019, Bounty received a second and revised proposal from QCoal (**Revised QCoal Proposal**) which was also unsolicited, conditional, non-binding and indicative. A copy of both proposals are attached to this announcement.

It should be noted that in both instances the non-interested Directors of the Company determined that neither proposal warranted immediate release to the market given they are conditional, non-binding and indicative and therefore reflective of an incomplete negotiation and Bounty understood the proposals to be provided on a confidential basis (as expressly set out in the Original QCoal Proposal). However in light of media reporting on the 3rd of September 2019 the directors of Bounty other than Mr Craig Garson (**Non-Interested Directors**) have determined to make this release to ensure the market is fully informed as to the QCoal approaches. Mr Garson is recused from discussion of this matter to avoid any conflict of interest.

QCoal submitted the proposals as an alternative to the recapitalisation and funding proposal from Amaroo Blackdown Investments LLC (**Amaroo**) (**Amaroo Proposal**) which was announced to the Australian Securities Exchange (ASX) on 5 August 2019. Shareholders should refer to that announcement or the Company's notice of meeting released to ASX on 29 August 2019 for detailed information on the Amaroo Proposal.

Bounty has an independent Board committee comprising the Non-Interested Directors of Bounty to explore funding options for the Company and to consider any funding proposals received from interested parties in the period leading up to executing the binding arrangements with Amaroo. As part of this process, Bounty sought to engage with QCoal through senior executive, James Black. However there was limited engagement from QCoal and in particular no response or proposal was received from QCoal for several months despite repeated efforts to contact them. The first indication of formal interest from QCoal was when the company received the Original QCoal Proposal just over one week ago on 27 August 2019.

Given Bounty's current commercial arrangements and obligations to Amaroo which have been disclosed in detail through the ASX platform, and the certainty that the Amaroo Proposal provides in the absence of any other more certain and superior offer, the Non-Interested directors determined the Original QCoal Proposal was not superior to the Amaroo Proposal due to its highly conditional and uncertain nature, and consequently did not warrant a market release or discussion with QCoal in light of Bounty's exclusivity arrangement with Amaroo.

The Non-Interested directors are currently assessing the Revised QCoal Proposal and will release further information to the ASX as soon as possible.

Further information:

Rob Stewart
Chairman, Bounty Mining Limited
Rob.stewart@bounty.com.au

QCOAL GROUP

Level 15
40 Creek Street
Brisbane Qld 4000

PO Box 10630
Adelaide Street
Brisbane Qld 4000

T +61 7 3002 2900
F +61 7 3002 2999

STRICTLY PRIVATE AND CONFIDENTIAL

Not for public release

27 August 2019

Mr Robert Stewart
Chairman
Bounty Mining Limited
Suite 301, Level 3
66 Hunter Street
Sydney NSW 2000

Rob.stewart@bounty.com.au

Dear Robert,

Indicative Non-Binding Recapitalisation Proposal for Bounty Mining Limited

QCoal Bounty Holdings Pty Ltd, a wholly owned subsidiary of the QCoal Group of Companies, ("**QCoal**" or "**the Group**") is pleased to submit this indicative non-binding proposal for the recapitalisation of Bounty Mining Limited ("**Bounty**" or "**the Company**") ("**the Proposal**"). We believe our Proposal represents a superior alternative for Bounty shareholders to the funding package and recapitalisation proposal of Amaroo Blackdown Investments LLC ("**Amaroo**"), as outlined in Bounty's ASX announcement dated 3 August 2019 ("**Amaroo Proposal**").

Please note that this letter and its terms are indicative, incomplete and non-binding. At this stage any potential transaction remains subject to the satisfactory conclusion of due diligence, the execution of all relevant legal documentation and final approval by the Board of QCoal.

Background to QCoal

QCoal is a privately-owned, independent coal mining and exploration Group that has been active in Queensland for almost 30 years. QCoal's founder, owner and Managing Director Mr Christopher Wallin, has over 40 years' experience in the Queensland coal industry. QCoal's asset base comprises four operating mines and extensive exploration tenements throughout Queensland. In FY19, QCoal's operating mines exported circa 8Mt of hard coking coal and thermal coal. Production is expected to exceed 10Mt in FY20. The Group's business strategy encompasses exploration, development, production and marketing activities.

Overview of Proposal

Under our Proposal QCoal will provide Bounty with a finance and guarantee facility with an aggregate principal amount of $30 million ("**Finance and Guarantee Facility**") and subscribe for secured convertible notes in Bounty with an aggregate principal amount of $40 million ("**Convertible Notes**"), on the basis of the indicative terms set out below. Upon entering into the Proposal Bounty would agree:

- to terminate the recently announced convertible note subscription agreement it has entered into with Amaroo; and
- upon receipt of the proceeds from this Proposal, to fully repay the existing Amaroo working capital facility which we understand has a drawn down amount of $35 million.

Benefits of the Proposal

We believe our Proposal provides a superior outcome for Bounty shareholders compared to the Amaroo Proposal, due to:

- lower cash interest costs;
- less dilutive conversion terms; and
- longer funding tenure.

We believe that Bounty and QCoal have a strong strategic fit given the proximity of their respective coal mining assets and operations and the experience of the QCoal principals. As a result, the Proposal would initiate a working relationship which would deliver significant benefits to both parties.

Proposal Funding

QCoal has ample cash reserves and borrowing capacity, giving the Proposal a high degree of funding certainty.

Indicative Terms of Proposal

Indicative key terms of the Finance and Guarantee Facility and the Convertible Notes are set out below:

Term	Details
Facility, facility limit and use of funds	The size of the Finance and Guarantee Facility will be an amount equal to $30 million, plus any interest which may be capitalised in accordance with the terms of a facility agreement to be entered into. The size of the Convertible Note facility will be an amount equal to $40 million, plus any interest which may be capitalised in accordance with the terms of a convertible note deed poll to be entered into.

	Funds drawn down on the Finance and Guarantee Facility and proceeds from the issue of the Convertible Note will be applied as follows: • Fully repay the existing Amaroo working capital facility; • Approximately $11 million to be used to secure 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 Bounty to Cook Resource Mining Pty Ltd with respect to royalties that may be payable under the Glencore Sublease (which we understand is estimated to be $13 million); • Other payments identified and agreed during our due diligence process; and • Operations and capital works based on a budget to be agreed with you.
Maturity Date	The Finance and Guarantee Facility and the Convertible Notes will have a maturity of 24 months from the date of issue, unless previously repaid, redeemed, converted or cancelled ("**Maturity Date**"). This Maturity Date can be extended at QCoal's election for a further 12 months.
Interest Rate	Interest is payable on the Finance and Guarantee Facility and the Convertible Notes at a rate of 8.0% per annum, in cash or capitalised and compounding quarterly at Bounty'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 10.0% per annum. A default interest rate of 13.0% shall apply on unpaid amounts payable under the terms of the Finance and Guarantee Facility and Convertible Note facility documents. QCoal may elect to receive fully paid ordinary shares in Bounty in lieu of a cash payment for interest.
Security	Bounty 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 Finance and Guarantee Facility agreement and the Convertible Note subscription agreement.
Conversion	The Convertible Notes will be convertible in whole or in part into fully paid ordinary shares of Bounty at the option of QCoal during the period commencing on the date of issue of the Convertible Notes and ending on the Maturity Date.

	The initial conversion price is $0.11 per fully paid ordinary share in Bounty.
Conditions Precedent	Completion of the Finance and Guarantee Facility agreement and the Convertible Note subscription agreement is subject to satisfaction of certain conditions precedent on or before a date to be agreed, including, amongst others: • Bounty obtaining the required shareholder approvals for the issue of the Convertible Notes; • Termination of the recently announced convertible note subscription agreement it has entered into with Amaroo; • Full repayment of the existing Amaroo working capital facility which we understand has a drawn down amount of $35 million; • Existing arrangements with Amaroo, Glencore and other funding commitments, on acceptable terms; • Due diligence acceptable to QCoal; • All other required third party consents; and • QCoal Board approval.
Exclusivity	Bounty is restricted, subject to customary and limited carve outs, from pursuing or discussing potential alternative transactions until the Finance and Guarantee Facility agreement is finalised and the Convertible Notes are issued, or the relevant agreements are otherwise terminated. Bounty must also notify QCoal upon being approached with respect to any such transaction. QCoal shall be granted a matching right with respect to any competing proposal or counter proposal.
Reimbursement fee	If, while the exclusivity requirements apply, any Director of Bounty recommends or supports an alternative proposal that an independent expert has opined is less attractive for Bounty shareholders than this Proposal, Bounty must pay a reimbursement fee to QCoal of $100,000 (excluding GST)
Pre-completion restrictions	Until completion of the Finance and Guarantee agreement and the Convertible Note subscription agreement, Bounty is restricted from undertaking certain material transactions or operating its business other than in the ordinary course.
Warranties and representations	Bounty gives warranties and representations to QCoal usual for a transaction of this kind.
Events of default	The Finance and Guarantee Facility agreement and Convertible Note subscription agreement will contain events of default usual for transaction of this kind.
Director nomination and appointment rights	From completion of the Finance and Guarantee Facility agreement and the Convertible Note subscription agreement until the Maturity Date, QCoal is, subject to law, entitled to

	nominate and appoint a majority of the board of directors of Bounty and its subsidiaries.
Termination	QCoal may terminate the Finance and Guarantee facility agreement and the Convertible Note subscription agreement in certain circumstances, including if: • a material adverse change occurs or Bounty undertakes an action that is restricted (as described above in 'pre-completion restrictions'); • a director fails to recommend the transaction to shareholders, withdraws his or her recommendation or makes a public statement that he or she no longer supports the transaction or endorses any other transaction; and • Bounty defaults under its existing working capital facility with Amaroo.
Offtake	Bounty will fulfil its obligations to Xcoal Energy & Resources GmbH under its existing coal offtake agreement until the end of the contract term, at which point it will enter into a new offtake arrangement with QCoal on terms to be extended and finalised, until the later of 31 December 2025 or until the loading of a total of 6,575,000 metric tonnes of coal + / - 10% in QCoal's option.

Due Diligence Requirements

A brief summary of the key items that would need to be addressed during our due diligence activities is attached in Appendix A.

Board approval for this indicative non binding Proposal

QCoal has Board approval to submit this indicative non-binding Proposal and is committed to progressing a binding transaction as quickly as possible. To this end, we have appointed Arnold Bloch Leibler (Jeremy Leibler) as our legal advisor, and SLM Corporate (Barry Lewin) as our financial advisor to assist us in this process.

Next Steps

We are ready to commence due diligence immediately, and to negotiate and finalise transaction terms with the view to entering into binding legal agreements in a timely manner. Accordingly, we welcome the earliest opportunity to meet with your Board to advance discussions in relation to the Proposal.

Yours sincerely,

Christopher Wallin
Managing Director

Appendix A – Indicative Due Diligence List

To be provided by all Bounty group entities:

All material documents in relation to project feasibility studies and technical assessments, including financial models, undertaken on group assets since its ASX listing

FY19 financial accounts (P&L, Cash Flow, Balance Sheet) (audited or unaudited)

Detailed current Balance Sheet

Detailed YTD monthly management accounts (P&L, Cash Flow, Balance Sheet) (also on project basis)

Details of any off-Balance Sheet commitments and contingent liabilities

FY20 detailed corporate budget / financial forecasts (also on project basis)

List of all real property interests, whether owned/leased/subleased, which are group assets, including full title / tenement details. Copies of all relevant leases, subleases, licenses and applications

List of all required permits / approvals to carry on business and status of each

Copies of all material contracts which group entities are a party to, including but not limited to:

- Debt/equity/hybrid financing agreements and all associated legal documentation (security deeds, guarantees etc.)
- Sales and purchase agreements
- Indigenous Land Use agreements
- Lease, sublease and rental agreements
- Supply, service and infrastructure access agreements
- Royalty agreements
- Alliances, partnerships, joint ventures and farm-in agreements
- Sales, marketing and offtake agreements
- Employment and consulting agreements
- Guarantees and indemnities
- Confidentiality agreements
- Related party agreements

QCOAL GROUP

Level 15
40 Creek Street
Brisbane Qld 4000

PO Box 10630
Adelaide Street
Brisbane Qld 4000

T +61 7 3002 2900
F +61 7 3002 2999

2 September 2019

Mr Robert Stewart
Chairman
Bounty Mining Limited
Suite 301, Level 3
66 Hunter Street
Sydney NSW 2000

Rob.stewart@bounty.com.au

Dear Robert,

Updated Recapitalisation Proposal for Bounty Mining Limited

I refer to our previous indicative, non-binding recapitalisation proposal for Bounty Mining Limited (**Bounty** or the **Company**) dated 27 August 2019 (**Original Proposal**).

Following receipt of our proposal we note the release on 29 August of a Notice of General Meeting, Explanatory Memorandum and Independent Expert Report dated 13 August 2019 (**Notice of Meeting**) in relation to Amaroo Blackdown Investments LLC's (**Amaroo**) funding package and recapitalisation proposal, as outlined in Bounty's ASX announcement dated 3 August 2019 (**Amaroo Proposal**).

We were surprised that there was no engagement or further communication from the Company following your acknowledgement of receipt of our Original Proposal, particularly given that our Original Proposal clearly represents a superior alternative to the Amaroo Proposal for Bounty shareholders. However, in view of the advanced stage of the Amaroo Proposal, timing considerations and funding needs of the Company, we wish to submit a revised proposal for the Board's urgent consideration.

QCoal Bounty Holdings Pty Ltd, a wholly owned subsidiary of the QCoal Group of Companies, (**QCoal** or **the Group**) is pleased to submit this revised non-binding, indicative proposal for the recapitalisation of Bounty (**the Revised Proposal**). We believe our Revised Proposal as set out in this letter provides Bounty Shareholders with the same level of certainty provided by the Amaroo Proposal, but on superior terms and is ultimately in the best interests of shareholders.

Unless expressly noted otherwise, capitalised terms that are not defined in this Revised Proposal have the same meaning given to them in the Notice of Meeting.

Background to QCoal

QCoal is a privately-owned, independent coal mining and exploration Group that has been active in Queensland for almost 30 years. QCoal's founder, owner and Managing Director Mr Christopher Wallin, has over 40 years' experience in the Queensland coal industry. QCoal's asset base comprises four operating mines and extensive exploration tenements throughout Queensland. In FY19, QCoal's operating mines exported circa 8Mt of hard coking coal and thermal coal. Production is expected to exceed 10Mt in FY20. The Group's business strategy encompasses exploration, development, production and marketing activities.

Overview of Revised Proposal

Our Revised Proposal aims to alleviate Bounty's current financial distress, without diluting Bounty shareholders.

QCoal is proposing that it will provide Bounty with a multi-tranche finance and guarantee facility with an aggregate principal amount of up to A$80 million available (**Finance and Guarantee Facility**). This facility will be made up of:

- a cash advance finance facility with a principal amount of up to A$55 million (**Finance Facility**), of which A$45 million (**Tranche A**) is repayable on 31 July 2020 and the balance of A$10 million (**Tranche B**) is repayable on 30 June 2021; and
- a guarantee facility of up to A$25 million (**Guarantee Facility**).

The purpose of Tranche A of the Finance Facility is to enable the Company to retire:

- the Amaroo Loan Facility due to expire on 30 September 2019, which we understand from Bounty's most recent Appendix 4E has, to date, been drawn down to A$33 million;
- the VETL Loan, which we understand has been assigned to Amaroo and that, as at the date of the Notice of Meeting, Bounty owes A$930,302 plus interest, costs and expenses; and
- the Prepayment Holiday amount of US$5.2 million.

The purpose of Tranche B of the Finance Facility is to provide funds for key works and operational improvements which we understand from the Notice of Meeting that Bounty wishes to undertake, in lieu of the proposed 110,000,000 Bounty share placement referred to in the Notice of Meeting.

QCoal is proposing to also provide the Guarantee Facility to replace the Glencore Replacement Facility of A$10.8 million (**Glencore Replacement Facility**) and to support the contingent royalty liability of up to A$16 million as at March 2020 (**Contingent Royalty Liability**).

The proposed amount of the Finance and Guarantee Facility has been determined having regard to the values referred to by BDO in relation to Bounty's debt and future liabilities in the Independent Expert's Report annexed to the Notice of Meeting.

Proposal Funding

QCoal has ample cash reserves and borrowing capacity, giving the Revised Proposal a high degree of funding certainty.

Further details of the terms of our Revised Proposal are set out below.

Indicative terms of Revised Proposal

The indicative key terms of the Finance and Guarantee Facility are set out below:

Term	Details
Facility, facility limit and use of funds	The size of the Finance and Guarantee Facility will be an amount of up to A$80 million, comprising: • a Finance Facility made up of two tranches with a principal amount of up to A$55 million available; and; • a Guarantee Facility of up to A$25 million. Funds drawn down under Tranche A of the Finance Facility will be applied to enable the Company to retire: • the Amaroo Loan Facility due to expire on 30 September 2019, which we understand from Bounty's Appendix 4E, has been drawn down to date to A$33 million; • the VETL Loan which we understand at the date of the Notice of Meeting has a balance of A$930,302 plus interest, costs and expenses and is due to be repaid on 30 September 2019; and • the Prepayment Holiday amount of US$5.2 million. Funds from Tranche B of the Finance Facility will also be made available for the purposes of certain key works and operational improvements set out in the Notice of Meeting, in lieu of the proposed 110,000,000 share placement referred to in the Notice of Meeting. The Guarantee Facility will replace the Glencore Replacement Facility and support the Contingent Royalty Liability.
Maturity Date	*Finance Facility* The repayment terms of the Finance Facility are as follows: • Tranche A – repayable on 31 July 2020; and • Tranche B – repayable on 30 June 2021. On repayment, the Finance Facility will be cancelled.

	Guarantee Facility All drawn down amounts shall be repaid (and the commitments cancelled) on 30 June 2021.
Repayment	The Finance and Guarantee Facility may be prepaid, subject to payment of all accrued interest and fees (including the early repayment fee) Amounts repaid under the Finance Facility and Guarantee Facility may not be redrawn other than with QCoal's consent.
Interest Rate	Interest is payable on the drawn amounts under the Finance and Guarantee Facility at a rate of 8.0% per annum, to be paid in cash. During the first 12 months of the Finance and Guarantee Facility, Bounty may elect (in its discretion) that accrued interest not be paid in cash, but be capitalised and compound quarterly. Where Bounty capitalises interest, interest on the capitalised amount will be charged at 10.0% per annum. A default interest rate of 13.0% shall apply on unpaid amounts payable under the terms of the Finance and Guarantee Facility documents.
Early repayment fee	If Bounty elects to repay the Finance and Guarantee Facility prior to the relevant maturity date, an early repayment fee will be payable, with the amount of such fee equal to: RP = A – B where A = the amount of interest that would have accrued on amounts outstanding under the Finance and Guarantee Facility if they had been fully drawn for 12 months; and B = the amount of interest actually paid or capitalised at the date of prepayment.
Security	Bounty and each of its subsidiaries will provide first-ranking security interests over all their assets on the terms of a general security deed to be entered into prior to or on financial close under the Finance and Guarantee Facility agreement.

Conditions Precedent	The first drawdown under the Finance and Guarantee Facility agreement is subject to satisfaction of certain conditions precedent on or before a date to be agreed, including, amongst others: • termination of the recently announced convertible note subscription agreement Bounty has entered into with Amaroo; • evidence that on and from financial close, the existing arrangements with Glencore and other funding commitments will be repaid and terminated; • obtaining all other required third party consents; and • execution of customary legal documents with usual terms for a transaction of this nature.
Exclusivity	Bounty is restricted, subject to customary and limited carve outs, from pursuing or discussing potential alternative transactions until the Finance and Guarantee Facility agreement is finalised and entered into, or the relevant agreements are otherwise terminated. Bounty must also notify QCoal upon being approached with respect to any such alternative transaction. QCoal shall be granted a matching right with respect to any competing proposal or counter proposal received by Bounty.
Pre-completion restrictions	Until execution of the Finance and Guarantee agreement, Bounty is restricted from undertaking certain material transactions or operating its business other than in the ordinary course.
Warranties and representations	Bounty will give warranties and representations to QCoal usual for a transaction of this kind.
Undertakings	Bounty will provide undertakings to QCoal usual for a transaction of this kind, including (but not limited to) in relation to: • information undertakings (including provision of annual and semi-annual accounts); • negative pledge; • no financial indebtedness other than as permitted by QCoal; • limitations on acquisitions and disposals; • limitations on financial accommodation; • limitations on joint venture arrangements;

	• no distributions; • no share buy backs or capital restructures; and • no termination of material contracts and leases.
Events of default	The Finance and Guarantee Facility agreement will contain events of default usual for a transaction of this kind (including but not limited to non-payment, cross defaults, insolvency, material adverse change and misrepresentation).
Director nomination and appointment rights	From the date of the first advance under the Finance and Guarantee Facility agreement until full repayment of each facility, QCoal is, subject to law, entitled to nominate and appoint at least two (2) directors to the Board of Bounty and its subsidiaries.
Termination	QCoal may terminate the Finance and Guarantee facility agreement in certain circumstances, including if a material adverse change occurs or Bounty undertakes an action that is restricted (as described above in 'pre-completion restrictions').
Offtake	Bounty will fulfil its obligations to Xcoal Energy & Resources GmbH under its existing coal offtake agreement until the end of the contract term, at which point it will enter into a new offtake arrangement with QCoal on terms to be extended and finalised, until the later of 31 December 2025 or until the loading of a total of 6,575,000 metric tonnes of coal + / - 10% in QCoal's option. The terms of the new offtake agreement will be consistent with the terms of the proposed extension agreement with Xcoal, as disclosed in paragraph 119 of the Explanatory Memorandum.

Benefits of the Revised Proposal

Our Revised Proposal, if accepted, provides sufficient funding to enable Bounty to meet its obligations to Glencore, complete the acquisition of the Cook Colliery, fund the key works and operational improvements foreshadowed in the Notice of Meeting and avoid entering external administration.

We believe our Revised Proposal provides a superior outcome for Bounty shareholders compared to the Amaroo Proposal. This is because:

- Bounty will incur lower cash interest costs than under the Amaroo Proposal;

- Bounty shareholders would not be diluted (as our Revised Proposal does not contemplate any conversion to shares, any share placement or any other issue of equity), resulting in Bounty shareholders retaining a greater share of the value of the Company than in the Amaroo Proposal;
- there is no change in control;
- there is a lower execution risk resulting from the substitution of the need for a share placement (and the associated risks) with Tranche B of the Finance Facility;
- shareholder approval is not required to complete the transactions contemplated by this Revised Proposal, shortening the timeframe to implement and access funds; and
- the Revised Proposal provides longer funding tenure.

As previously noted in our Original Proposal, we consider that Bounty and QCoal have a strong strategic fit given the proximity of our respective coal mining assets, operations and the experience of the QCoal principals. As a result, in addition to the financial benefits of the Revised Proposal, it would also initiate a working relationship which would deliver significant benefits to both parties.

In light of the above, we consider that our Revised Proposal provides all the benefits of the Amaroo Proposal, as outlined in the Notice of Meeting, but without the disadvantages and risks associated with a control transaction and issue of equity.

Board approval for this Revised Proposal

The QCoal Board has approved this non-binding Revised Proposal and QCoal is committed to progressing and executing legal documentation as quickly as possible. As previously noted, we have appointed Arnold Bloch Leibler as our legal advisor and SLM Corporate as our financial advisor to assist us in this process.

Next Steps

We are ready to finalise transaction terms with the view to entering into binding legal agreements as soon as possible. Accordingly, we welcome the earliest opportunity to meet with your Board and engage with your advisors, in order to advance discussions in relation to this Revised Proposal.

We look forward to hearing from you.

Yours sincerely,

Christopher Wallin
Managing Director
QCoal Group