



Bounty Mining Limited

Suite 301, Level 3, 66 Hunter Street, Sydney NSW 2000, Australia

ASX:B2Y www.bounty.com.au

ACN: 107 411 067

13 September 2019

ASX Announcement

## Update on QCoal proposal of 10 September

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Bounty Mining Limited (**Bounty** or **Company**) (ASX:B2Y) announced on Wednesday 11 September 2019 that it had received another unsolicited proposal from QCoal (**Further Revised QCoal Proposal**).

Bounty's independent board committee comprising all of the directors other than Mr Craig Carson (**Non-Interested Directors**) have carefully assessed the Further Revised QCoal Proposal. The Non-Interested Directors have determined that, in their view, the Further Revised QCoal Proposal is not a superior proposal to the recapitalisation proposal Bounty has entered into with Amaroo Blackdown Investments, LLC (**Amaroo Proposal**) and it is not in the best interests of the Company or its shareholders to pursue the Further Revised QCoal Proposal as an alternative to the Amaroo Proposal.

The Non-Interested Directors have formed this view for various reasons including:

- The structuring of the offer results in insufficient funding to meet known and potential obligations, and options for supplementary funding under the proposal are limited, for example:
  - if the contingent royalty referred to in previous announcements becomes payable, the guarantee offered by QCoal would be drawn and the drawn amount will be immediately repayable by Bounty. Bounty may not be capable of securing additional funding to cover this liability, particularly in the time allowed;
  - if the contingent royalty liability is not required to be paid, the guarantee provided by QCoal would be returned and no funds would be released to Bounty whereas with the Amaroo proposal the equivalent funds held in escrow would be released to Bounty;
  - under the Amaroo proposal Bounty may substitute the rehabilitation bond guarantee with another facility which would release equivalent funds to Bounty, whereas the QCoal proposal does not provide for this substitution.
- The current QCoal offer is uncertain, conditional, non-binding, incomplete and incapable of execution in its current form. In particular:
  - A number of key terms in the documentation are stated to be subject to discussion
  - The form of the security and guarantee documents has not been provided
  - The form of the coal offtake agreement has not been provided
- A number of key terms, including proposed financial covenants, in the documentation provided are unacceptable to Bounty and increase the risk of default
- Receipt of funds from QCoal by 30 September is a key issue for Bounty and it is not clear that the timing of QCoal's offer and the required time to complete executable agreements would allow Bounty to receive the funds by the required date

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- The proposal would rely on successful renegotiation of existing commitments with a third party to provide a guarantee in lieu of escrow funds to cover the contingent royalty liability
  - The QCoal proposal requires that Bounty conclude an offtake agreement with QCoal following completion of existing agreements with Amaroo's associate Xcoal. The capacity of the QCoal team to effectively market Bounty's coal products is undemonstrated.

The Non-Interested Directors noted that the QCoal offer appears superior in respect of its lack of dilution, avoiding change of control, and lower interest rates. However, under a range of scenarios analysed, the Non-Interested Directors formed the view that the Amaroo proposal offers greater solvency and certainty and hence greater protection of shareholder value.

Given this determination, the Non-Interested Directors confirm their view that the Amaroo Proposal and associated transactions are in the best interests of the Company and its shareholders and recommend that shareholders vote in favour of the resolutions proposed at the meeting on 30 September 2019, in the absence of a superior proposal. The Non-Interested Directors also intend to vote each Bounty share they hold or control in favour of those resolutions, in absence of a superior proposal.

As set out in the notice of meeting released to ASX, the Non-Interested Directors have formed the view that, given the nature and terms of the Further Revised QCoal Proposal, the Amaroo Proposal remains the only current feasible alternative which will achieve Bounty's objectives listed in the notice of meeting, allow the Company to continue as a going concern, and to implement a transition to place change mining.

Just prior to 5pm this evening, 13 September 2019, correspondence was received from Jeremy Leibler, Jonathan Milner and Simone Gould of Arnold Bloch Leibler, acting for Qcoal, in relation to the 10 September proposal from Qcoal. The non-interested Bounty directors will review the information provided and make an announcement in due course.

**Further information:**

Rob Stewart

Chairman, Bounty Mining Limited

Rob.stewart@bounty.com.au