

BOUNTY MINING LIMITED

BOUNTY



September
2019

QUARTERLY REPORT AND APPENDIX 5B

**Mining exploration entity and oil and gas
exploration entity quarterly report**

31 OCTOBER 2019

QUARTERLY PRODUCTION REPORT

**BOUNTY**

HIGHLIGHTS

- Cook Colliery once again set several new production records during the quarter;
 - Record production September quarter of 174,951 ROM tonnes (up 16% over previous record in Q4 FY2019);
 - Record production month in September of 62,952 ROM tonnes (up 8% over previous record month in May 2019);
 - Record production of 18,261 ROM tonnes during week ending 8 September (up 28% over previous record set during week ending 5 May 2019);
- During the quarter, Bounty loaded 20 trains comprised of 16 coking coal, 4 thermal coal and finished the quarter with 18,000 tonnes of product on stockpile;
- Q1 FY2020 was also the first full quarter of toll washing at the CHPP with 292,000 feed tonnes processed for Carabella.

PRODUCTION & SALES

During the quarter Bounty made sales to Xcoal Energy and Resources GmbH (coking coal) and Flame SA (thermal coal) under its Prepaid Sales Agreements with those parties.

The Platts HCC64 coal price traded in the range US\$118.77 to US\$173.97 per tonne for the quarter.

During the quarter, the Australian dollar exchange rate has traded in the range US\$0.676 to US\$0.703 giving an average of US\$0.684. The average coking coal price received was A\$192.25 per tonne.

Bounty's thermal sales during the quarter were made at an average price of US\$70.20 including the energy adjustment giving an average Australian price of A\$102.20 per tonne.

Thousands of tonnes	Quarter Ended				
	Sept 18	Dec 18	March 19	June 19	Sept 19
ROM coal produced	102.0	139.0	146.0	151.0	175.0
ROM Coal Stockpiles	7.0	3.0	10.0	1.0	8.0
Saleable coal processed					
• Coking	73.0	109.0	107.0	117.0	122.0
• Thermal	15.0	19.0	19.0	25.0	20.0
Coal railed					
• Coking	79.0	104.0	105.0	116.0	113.0
• Thermal	21.0	30.0	8.0	24.0	33.0
Product Coal stockpiles at CHPP					
• Coking	4.0	4.0	4.0	5.0	16.0
• Thermal	4.0	2.0	13.0	14.0	2.0

OPERATIONS



The September 2019 quarter production of 175,000t was a 16% improvement on the previous quarter, continuing the trend of the 2019 calendar year.

Major initiatives undertaken during the quarter included:

- 1) The sumping miner, CM13, was brought to the surface for a mini rebuild which incorporated the fitting of a new wider cutter head (3.8 meters from 3.3 meters) to improve productivity.
- 2) The CM02 continuous miner was converted in July 2019 from a miner/bolter to a miner only, thus allowing it to operate in sumping and floor coal.
- 3) The CM12 miner/bolter achieved required productivity rates while developing the 205 Mains panels in preparation for set up of the first two place change panels. This included excavation for conveyors and ventilation roadway devices.
- 4) During the quarter Bounty entered into 3- year contracts with Aurizon Network and with the Port of Gladstone which provide further support and more efficient logistics for our anticipated production rates.

Update on Place Change Mining

During the next 6 months, the place change mining method will be progressively introduced throughout Cook Colliery with the objective of lifting productivity to around double the current level by mid 2020.

Place Change 1 is scheduled to commence in early November 2019 with the following equipment;

- CM12 completed production in 205 panel on 14 October 2019. It is currently on surface being converted for place change 1 mining.
- ARO multi bolter which is undergoing surface commissioning
- Two refurbished shuttle cars which are due to arrive on site in November 2019

Timing for commencement of Place Change units 2 and 3 is being reviewed as we optimise the transition from decreasing sumping operations to increasing place change mining production.

Changing strata conditions have led to a review of the remaining sumping reserves. Sumping units CM13 and CM02 are planned for conversion to another place change miner and bolter unit upon completion of sumping operations.

HEALTH, SAFETY & ENVIRONMENT

As required by the Qld government for all coal mines, Bounty conducted the Industry Safety Reset. This was held off site in Blackwater in 4 x 2 hour sessions (over 2 days) and was attended by the majority of Cook and CHPP personnel.

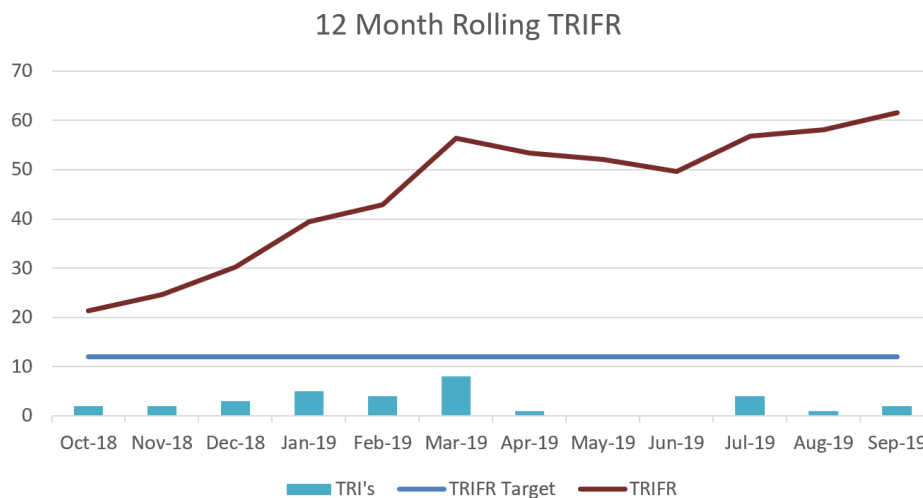
In addition to these reset meetings, we constantly emphasize safety first with a particular focus on the prevention of high potential incidents.

We stress the importance of following operating procedures which include reviewing protocols such as;

- Pre-start checks
- Cable management
- Equipment damage
- Personal injuries and spatial awareness

Q1 Statistics

TRIFR	HPIs	TRIs	LTIs	FAIs
49.17	6	7	3	8



Definitions

TRIFR:	Total Recordable Injury Frequency Rate	LTI:	Lost Time Injuries
HPI:	High Potential Incident	FAI:	First Aid Injuries
TRI:	Total Recordable Injuries		

Emergency Exercise

The Queensland Underground Level 2 Emergency exercise was conducted by SIMTARS and the Inspectorate on 25 September 2019.

APPENDIX 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Activities during the September 2019 Quarter

Operations

Receipts from customers can be categorised as follows:

Source	\$'000
Receipts from sales of Coking Coal	26,772
Receipts from sales of Thermal Coal	1,732
Prepaid Sales Agreements – repayments	(177)
Toll-Washing	1,478
Net receipts from customers	29,804

Amaroo Financing Facility

During the September 2019 quarter Bounty drew down the final \$10m from the \$35m Amaroo financing facility to fund working capital, capex and deferred acquisition payments to Glencore.

On 11 July 2019 Bounty announced that an arms' length loan agreement with VETL Pty Ltd (a company associated with Bounty's former Chairman and Chief Executive Officer Gary Cochrane) and all related charges had been assigned by VETL Pty Ltd to Amaroo Blackdown Investments, LLC. The terms and conditions of the loan remain unchanged. At 30 June 2019 the balance on the loan was \$0.9m. The loan was due for repayment on 31 July 2019.

A variation to the financing facility and loan agreement provided for the deferral of the repayment date to 30 September 2019, and subsequently to 31 July 2020 conditional on Bounty obtaining shareholder approval to enter into a further funding agreement.

Shareholder approval was sought at a General Meeting on 30 September 2019, but the approval was not obtained.

As shareholder approval was not obtained, amounts due to Amaroo and to XCoal under the Prepaid Sales Agreements fell due on 30 September 2019.

Bounty entered into a Trading Halt from 30 September 2019 to 1 October 2019, then entered into Voluntary Suspension from 2 October to 11 October 2019 while it negotiated a facility agreement with a substantial shareholder, QCoal and drew down funds under that agreement.

QCoal Facility

On 7 October 2019 Bounty announced that it had executed a facility agreement with QCoal Bounty Holdings Pty Ltd (“QCoal”).

The facility agreement provides for cash funding of A\$60 million (Facilities A and B) and a guarantee facility for A\$30 million (Facility C).

To date the funds drawn down and guarantees available have been used:

- for repayment of the outstanding amounts owing to Amaroo Blackdown Investments, LLC (**Amaroo**) and XCoal Energy & Resources (**XCoal**) which were due for repayment on 30 September
- for capital expenditure and working capital at the Cook Colliery, including making the final payment to Glencore under the asset sale agreement
- to satisfy certain obligations of the Company including:
 - replacing the Glencore rehabilitation bond for the Cook Colliery
 - in relation to the contingent royalty liability for the Cook Colliery
 - providing other operational bank guarantees.

Finalisation of the conditions precedent and the initial draw down of funds occurred during the week ending 11 October 2019, with draw down under the guarantee facility occurring during the following week. At the date of this report, Bounty has drawn down the following amounts;

Facility	Utilisation	Utilised to date	Maximum Facility	Remaining
A	Repay Amaroo & Xcoal	\$44.2m	\$45.0m	-
B	Cash for working capital, capex and completion of Cook acquisition	\$10.0m	\$15.0m	\$5.0m
C	Guarantee facility	\$26.7m	\$30.0m	\$3.3m

In addition, the Company’s subsidiary, Bounty Cook Pty Limited, has entered into a coal offtake agreement with QCoal. The offtake agreement will commence once the existing arrangement with XCoal has been completed on or about 1 January 2021.

Glencore Agreements – Deferred Acquisition payment

On 30 July 2019 Bounty announced that the parties had agreed to delay final payment and completion under the Asset Sale Agreement by Bounty Cook to 30 September 2019. \$3.05m was paid in the September 19 quarter, with the balance of \$1.45m paid on 14 October 2019.

General

The Company announced updated Coal Resources and Maiden Coal Reserves Estimates on 21 August 2019.

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:

Jim Griffin

CEO

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")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	29,804	29,804
1.2 Payments for		
(a) exploration & evaluation	(297)	(297)
(b) development	-	-
(c) production & distribution	(30,879)	(30,879)
(d) staff costs	(689)	(689)
(e) administration and corporate costs	(1,257)	(1,257)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(734)	(734)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	-
1.9 Net cash used in operating activities	(4,049)	(4,049)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2,118)	(2,118)
(b) tenements (see item 10) (inc in 2.1a)	-	-
Deferred payments – Cook acquisition	(3,050)	(3,050)
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	430	430
(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	(4,738)	(4,738)

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
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	10,000	10,000
3.6 Repayment of borrowings	-	-
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	10,000	10,000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	255	255
4.2 Net cash used in operating activities (item 1.9 above)	(4,049)	(4,049)
4.3 Net cash used in investing activities (item 2.6 above)	(4,738)	(4,738)
4.4 Net cash provided by financing activities (item 3.10 above)	10,000	10,000
4.5 Effect of movement in exchange rates on cash held	26	26
4.6 Cash and cash equivalents at end of period	1,494	1,494

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	1,494	255
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)	1,494	255

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

98

-

Director fees

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

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

-

-

n/a

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities (Amaroo facility)	35,000	35,000
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 <u>entered into</u> after quarter end, include details of those facilities as well.		

See page 2 Financing Facility for further 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	32,000
9.4 Staff costs	700
9.5 Administration and corporate costs	1,000
9.6 Other - investment in plant & equipment	3,500
9.7 Total estimated cash outflows	37,350

Mining exploration entity and oil and gas exploration entity quarterly report

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%
		MDL424 (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 ¹	100%	100%
		ML1779 (Cook Mine), near Blackwater, Bowen Basin, Queensland (Australia)	Sub-lease of 33% of mining lease ¹	100%	0%

¹ The boundaries of Cook Mine mining leases ML1769, ML1779 and ML1799 were reconfigured to match Bounty's sublease area during the quarter. Bounty's interest by area is unchanged. The interest previously in part of ML1779 now resides in ML1769 and ML1799.

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 October 2019

(CEO)

Print name: Jim Griffin

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.