

# BOUNTY MINING LIMITED

**BOUNTY**



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June  
2019

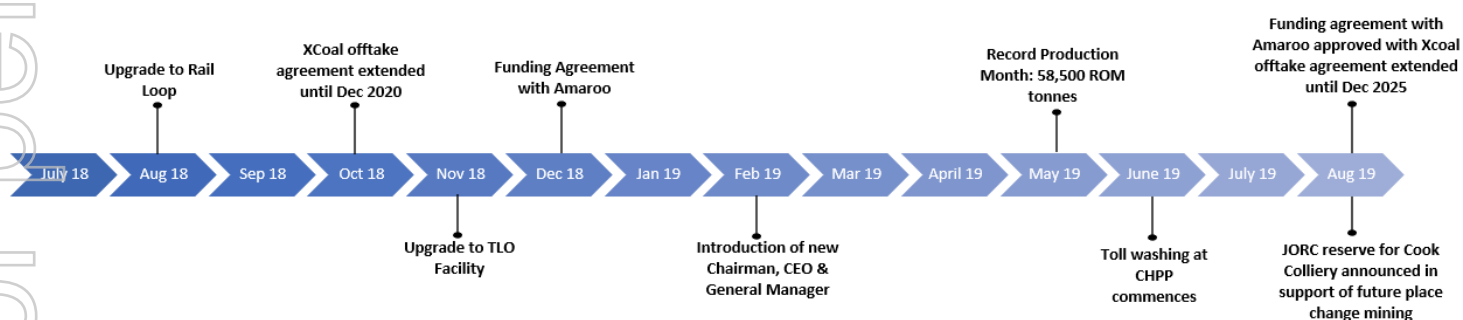
## APPENDIX 4E

PRELIMINARY FINAL RESULTS

30 AUGUST 2019

## HIGHLIGHTS

- Bounty made the final \$5million deferred payment to CC Pty Ltd (in Liquidation) in relation to the Cook acquisition
- Offtake agreement for coking coal extended with Xcoal Energy & Resources and an offtake agreement for thermal coal entered into with Flame SA
- Bounty reached an agreement with the Amaroo entities to secure a \$35million working capital facility
- Introduction of new management structure, a reduction of mining units and a more disciplined maintenance regime resulted in stronger performance in the second half of the year
- Sumping Continuous Miner unit performing above expectations
- Bounty commenced toll washing for Carabella Resources Pty Ltd in Q4
- Second half of FY19 production was up 24% over first half FY19
- The Company produced a record 538,000 run-of-mine tonnes in the year to end June 2019
- Announced new funding agreement with Amaroo and extended offtake agreement with Xcoal on 3 August 2019



## APPENDIX 4E

# PRELIMINARY FINAL REPORT: FINANCIAL YEAR ENDED 30 JUNE 2019 PREVIOUS CORRESPONDING PERIOD: YEAR ENDED 30 JUNE 2018 RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% change	\$A'000
Revenues from ordinary activities	up	674% To	106,589
Loss from ordinary activities after tax attributable to members	up	38%	(34,411)
Net loss for the period attributable to members	up	38%	(34,411)
<b>Dividends (distributions)</b>		Amount per security	Franked amount per security
<b>Final Dividend</b>		n/a	n/a
<b>Previous corresponding period</b>		n/a	n/a
Date for determining entitlements to the dividend			
n/a			
		30/06/2019	30/06/2018
Net Tangible Assets per Security		(0.00c)	0.07c

The directors' commentary on pages 3 to 8 of this financial report explains the figures reported above.

This financial report is the full-year information provided to the Australian Securities Exchange under listing rule 4.3A.

### AUDIT STATUS

This report is based on accounts which are in the process of being audited.

## Bounty Mining Limited and its Controlled Entities

### DIRECTORS' COMMENTARY

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
Rob Stewart (Chair)	17 November 2009	-
Kevin Jiao	18 August 2016	-
Julie Garland McLellan	10 November 2017	-
Craig Garson	18 October 2018	-
Gary Cochrane	25 November 2007	15 February 2019

### OPERATIONS UPDATE

Bounty completed the acquisition of Cook assets from CC Pty Ltd (in Liquidation) and made further payments to a Glencore company (Cook Resource Mining Pty ltd) for acquisition of the remaining Cook assets.

The Bounty Group has four projects:

- the Cook Colliery: operational since January 2018 with its CHPP operational since April 2018;
- the Cook North Project: compiled an updated resource estimate and completed concept mine planning;
- the Minyango Project: completed the transfer of MDL424 exploration tenement from Blackwater Coal Pty Ltd after MDL424 grant, and advanced the processing of the MDL465 exploration tenement application; and
- the Wongai Project: In consultation with the Queensland Office of the Coordinator General, reviewed the Initial Advice Statement and prefeasibility study in preparation for application for a Wongai Coking Coal Project coordinated project declaration.

## OPERATION OF COOK COLLIERY

Cook Colliery produced a total of 538,000 run-of-mine tonnes during FY19, which is over 300% increase compared to FY18. Operations commenced in February 2018 with one continuous miner fleet. Two additional mining fleets were introduced by July 2018.

A fourth production panel, a sumping panel, commenced in late October 2018 and in the December half, Cook produced 241,000 tonne run-of-mine. In January 2019 a restructure of the management team was implemented which reduced overheads. Subsequently, the number of operating mining units were reduced from 4 to 3 in mid-February 2019 with the objective of maintaining forecast production but with lower cost and higher reliability.

A combination of redeployment of equipment, an introduction of a new rigid maintenance regime and changes in mining sequencing resulted in improved productivity, ultimately leading to a record production of 58,500 run-of-mine tonnes in May 2019 and a total of 297,000 run-of-mine tonnes during the second half of the year (an increase of 24% over the first half of FY19).

Product coal of 484,000 tonnes for FY19, with the coal handling and preparation plant (CHPP) delivering a total yield of 90%. The production split was 84% coking coal and 16% thermal coal.

Toll washing for Carabella Resources Pty Ltd commenced during Q4 with over 60,000 tonnes washed during June and 75,000 tonnes in July.

Production statistics for the 2018 and 2019 financial year are as follows:

'000 tonnes	Year to 30 June 2018 (commencing 24 January 2018)	Year to June 2019
ROM coal produced	134	538
Saleable coal produced		
• Coking	93	406
• Thermal	16	78
Coal Railed		
• Coking	76	404
• Thermal	11	83
Product Coal stockpiles		
• Coking	10	5
• Thermal	9	16

Life of Mine planning and Reserve studies and Geotechnical assessments were completed in August 2019 culminating in JORC reserve and resource statements which support this new mine plan. The reserve and resource statements were issued on 21 August 2019. They declare 15Mt resources to cover the next 6 years of mine life at Cook Colliery and 210Mt in total resources for the combined Cook / Cook North.

These statements support the transition of the mine to a Bord and Pillar place change operation. The mine is scheduled to commence place change mining with a first unit during the second quarter of FY20 and a second unit in the third quarter of FY20. Place change is expected to result in significant productivity improvements. Bounty is currently modifying existing equipment to make it suitable for place change.

## **COAL SALES**

### **Coking Coal**

During the financial year Bounty sold coking coal to two customers:

- 88% - XCoal Energy & Resources GmbH ("Xcoal");
- 12% - Lido Trading Ltd ("Lido").

Under the current offtake agreement with Xcoal all Bounty coking coal is deliverable to Xcoal.

Cook coking coal is sold to Xcoal at a price related to the Platts HCC64 spot index. This price to date has been set at a discount of 7.5% to the index recognising the quality differential between the benchmark and Cook coking coal. The quality of coking coal produced is monitored and compared to benchmark each quarter at which time the discount to be set for the following quarter is reviewed. A further price adjustment is made in relation to moisture content at the time of ship loading.

Bounty coking coal prices after the discount and moisture adjustment has ranged from US\$140 to US\$177 per tonne during FY19.

### **Thermal Coal**

During the financial year Bounty sold thermal coal to three customers:

- 49% - Flame SA;
- 34% - Sojitz Coal Sales Pty Ltd;
- 17% - Glencore International AG.

Bounty coal prices ranged from US\$73 to US\$104 per tonne.

## LOSS FROM OPERATIONS

Bounty failed to meet its production targets during FY2019, and as the operation's costs were largely fixed during the period it continued to make losses. Since the transition to the 3-unit operation early in 2019 Bounty has seen a reduction in its operating costs.

## COOK ACQUISITION

The Cook / Minyango Agreements consist of the following:

### **1 Cook Caledon Purchase Agreement ((with CC Pty Ltd (in liquidation))**

Bounty paid the consideration in full, with the final deferred payment of \$5million on 24 August 2018. This final payment has triggered the release Bounty from all obligations under the Fixed and Floating Charge.

### **2 Cook Glencore Purchase Agreement (with Cook Resource Mining Pty Ltd)**

On 30 July 2019 Bounty announced that the parties have agreed to delay final payment and completion under the Asset Sale Agreement to Bounty Cook on 30 September 2019. At 30 June 2019 a balance of \$4.5million remained from the purchase price of \$10million. As at the date of this report a further \$2.65million has been repaid with the balance expected to be repaid by 30 September 2019. The replacement bank guarantee for \$10.8million to be given by Bounty to Glencore is also due on 30 September 2019.

There exists a potential liability for royalties due from the holder of the Cook Mining Leases (currently Glencore) in relation to coal mined at Bounty's Cook Colliery since Bounty took over operations. To offset this potential liability Bounty has agreed to deposit, by no later than 30 September 2019, \$13million into an escrow account to be available for any potential additional royalty payments that become due to the Queensland Office of State Revenue (OSR). In late 2018 OSR advised Glencore of the methodology to be applied in calculating royalties due for coal mined at Cook under the sublease. In April 2019 OSR advised that it was reviewing the method for calculating royalties payable under the sublease arrangement at Cook Colliery. Additional royalty payments may become payable if the OSR determines that an alternative calculation method under the circumstances at Cook is applicable. If any Royalties are payable, payment will only be made in the event a decision is made by the OSR as to the exact royalty amount due and payable.

See also Note 1i below.

## EQUITY

During the financial year the Company issued 34.5m ordinary securities:

- 34.4m securities were issued at 30cps to raise \$10.3million;
- 0.1m securities were issued at 38.4cps to current and past employees at no consideration.

Movements in equity during the financial year 30 June 2019:

Ordinary securities on issue	Escrowed	Unescrowed	Total
Balance at 30 June 2018	125,860,460	224,813,344	350,673,804
Issue of securities	-	34,476,562	34,476,562
Release of securities from escrow	(69,777,605)	69,777,605	-
Balance at report date	56,082,855	329,067,511	385,150,366

No dividends were paid or declared during or in relation to the financial year to 30 June 2019.

Further details on the issue of securities and options are shown under notes **11** and **1m**.

## FINANCING

### Amaroo

On 27 December 2018, Bounty entered into a \$20million working capital facility agreement with Amaroo Blackdown Investments Pte Ltd and Amaroo Blackdown Investments LLC ("**Amaroo**"). Amaroo is Bounty's largest shareholder with a combined voting power of 17.51%.

The Original Amaroo Facility was subsequently amended on 19 March 2019 to increase the available facility commitment from \$20million to \$35million.

Amaroo is associated with Xcoal Energy & Resources GmbH ("**Xcoal**"), a key customer for Bounty's coal and with whom Bounty has entered into a prepaid coal sales agreement.

Shareholder approval was obtained for the original and the amended facility and for the grant of security to Amaroo to Xcoal.

At 30 June 2019 \$25million of the facility had been drawn down. At the date of this document a further \$8million has been drawn down.



On 3 August 2019 Bounty announced that it had executed documentation to facilitate a recapitalisation and new funding package with Amaroo. In addition, subject to certain conditions being satisfied, Bounty has also agreed to amend and restate the existing coal offtake agreement with Xcoal. Shareholder approval of these transactions will be sought at a General Meeting to be held on 30 September 2019. A Notice of Meeting incorporating an Explanatory Statement and Independent Expert Report in relation to the Amaroo transaction was distributed to shareholders on 29 August 2019.

To further assist with Bounty's funding of work to introduce place change mining, Xcoal has agreed that repayment of prepayments due in the months July to October 2019 inclusive are deferred and will be applied to shipments from November 2019.

## **VETL**

In 2009 Bounty Mining Limited ("Bounty") entered into an arm's length loan agreement with VETL Pty Ltd as trustee for the Cochrane Treasury Trust ("VETL"), an entity associated with Bounty's former Chairman and Chief Executive Officer, Gary Cochrane. Details of the loan have been described in detail in Bounty's Annual Reports and Half Year Financial Reports since 2009 and in the 2018 Prospectus.

At 30 June 2019 the outstanding balance on the loan was \$930,302.

Bounty has been notified that the loan and all related security have been assigned by VETL to Amaroo. The terms and conditions of the loan remain unchanged. The obligations previously owed by Bounty to VETL are now owed to Amaroo.

## **OTHER SUBSEQUENT EVENTS**

Signed in accordance with a resolution of the Directors.



Rob Stewart, Chairman, 30 August 2019

**Bounty Mining Limited and its Controlled Entities**  
**Consolidated statement of comprehensive income for the year ended**  
**30 June 2019**

	Note	2019 \$'000	2018 \$'000
Revenue	1a	106,589	13,767
Cost of sales	1b	(126,133)	(26,203)
<b>Gross loss</b>		<b>(19,544)</b>	<b>(12,436)</b>
Other income		17	-
Pre-production mining expenses	1b	(750)	(4,892)
Other expenses	1c	(13,134)	(7,313)
<b>Loss before income tax and net finance expenses</b>		<b>(33,411)</b>	<b>(24,641)</b>
Finance income		29	25
Finance expenses		(1,028)	(265)
<b>Loss before income tax</b>		<b>(34,411)</b>	<b>(24,881)</b>
Income tax benefit / (cost)			-
<b>Net loss for the year</b>		<b>(34,411)</b>	<b>(24,881)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(34,411)</b>	<b>(24,881)</b>
<b>Loss for the year is attributable to: Owners of Bounty Mining Limited</b>		<b>(34,411)</b>	<b>(24,881)</b>
<b>Total comprehensive loss for the year is attributable to: Owners of Bounty Mining Limited</b>		<b>(34,411)</b>	<b>(24,881)</b>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share (cents per share)		(0.092)	(0.130)

**Bounty Mining Limited and its Controlled Entities**  
**Consolidated statement of financial position as at**  
**30 June 2019**

	Note	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents		255	8,810
Restricted cash		22	22
Trade and other receivables		7,666	7,871
Inventory	1d	7,039	9,600
Other current assets	1e	3,522	3,415
<b>Total current assets</b>		<b>18,504</b>	<b>29,718</b>
<b>Non-current assets</b>			
Property, plant and equipment		39,942	40,222
Exploration and evaluation asset		4,252	4,080
Other non-current assets	1f	515	510
<b>Total non-current assets</b>		<b>44,709</b>	<b>44,812</b>
<b>Total assets</b>		<b>63,213</b>	<b>74,530</b>
<b>Current liabilities</b>			
Trade and other payables	1g	14,344	13,622
Progress and prepaid sales	1h	7,846	13,903
Liabilities in relation to the Cook acquisition	1i	4,500	12,000
Financial liabilities	1j	25,930	930
Employee entitlement provision	1k	1,160	901
<b>Total current liabilities</b>		<b>53,780</b>	<b>41,356</b>
<b>Non-current liabilities</b>			
Provision for rehabilitation		9,501	9,192
Employee entitlement provision	1k	65	59
<b>Total non-current liabilities</b>		<b>9,566</b>	<b>9,251</b>
<b>Total liabilities</b>		<b>63,346</b>	<b>50,607</b>
<b>Net assets / (liabilities)</b>		<b>(133)</b>	<b>23,923</b>
<b>Equity</b>			
Issued capital	1l	98,199	87,844
Accumulated losses		(103,631)	(69,220)
Option reserves	1m	5,299	5,299
<b>Total equity</b>		<b>(133)</b>	<b>23,923</b>

**Bounty Mining Limited and its Controlled Entities**  
**Consolidated statement of changes in equity for the year ended**  
**30 June 2019**

	<b>Issued Capital</b>	<b>Options Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 1 July 2017</b>	40,269	3,173	(44,339)	(897)
Loss attributable to members	-	-	(24,881)	(24,881)
Issue of ordinary securities	52,131	-	-	52,131
Cost of issuing ordinary securities	(4,556)	2,126	-	(2,430)
<b>Balance at 30 June 2018</b>	<b>87,844</b>	<b>5,299</b>	<b>(69,220)</b>	<b>23,923</b>
<b>Balance at 1 July 2018</b>	87,844	5,299	(69,220)	23,923
Loss attributable to members	-	-	(34,411)	(34,411)
Issue of ordinary securities	10,355	-	-	10,355
<b>Balance at 30 June 2019</b>	<b>98,199</b>	<b>5,299</b>	<b>(103,631)</b>	<b>(133)</b>

**Bounty Mining Limited and its Controlled Entities**  
**Consolidated statement of cash flows for the year ended**  
**30 June 2019**

	Note	2019	2018
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers	1n	100,909	21,653
Payments to suppliers and employees		(127,883)	(36,951)
Interest received		30	23
Interest and other finance costs paid		(799)	(224)
<b>Net cash flows used in operating activities</b>		<b>(27,743)</b>	<b>(15,499)</b>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation assets		(159)	(224)
Deferred acquisition of Cook assets		(7,500)	-
Payment for property, plant and equipment		(4,946)	(22,552)
<b>Net cash flows used in investing activities</b>		<b>(12,605)</b>	<b>(22,776)</b>
<b>Cash flows from financing activities</b>			
Gross proceeds from issue of shares	1l	10,300	49,501
Costs related to issue of shares*		(159)	(2,415)
Proceeds from borrowings		25,000	-
Repayment of borrowings		(3,519)	-
Finance assurance		-	(500)
<b>Net cash flows provided by financing activities</b>		<b>31,622</b>	<b>46,586</b>
Net (decrease) / increase in cash held		(8,726)	8,311
Effect of movement in exchange rates on cash held		171	307
Cash at beginning of financial year		8,832	214
<b>Cash at end of financial year</b>		<b>277</b>	<b>8,832</b>

\*FY19 cash outflow on costs relating to share issues related to costs incurred in FY18.

**Bounty Mining Limited and its Controlled Entities**  
**Notes to the Financial Statements for the year ended**  
**30 June 2019**

**1 Statement of Significant Accounting Policies**

**GOING CONCERN**

These financial statements have been prepared on a Going Concern basis. The Group incurred a loss after tax attributable to members of \$34.4million (2018: \$24.9million) and incurred negative cash flows from operations of \$27.7million (2018: \$15.5million). At 30 June 2019 current liabilities exceeded current assets by \$35million (2018: \$11.6million).

These matters give rise to a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

Bounty has negotiated a recapitalisation and new funding package with its major shareholder Amaroo. This is subject to obtaining shareholder approval at a General Meeting to be held on 30 September 2019. In addition, Bounty has secured the deferral of the requirement to complete the remaining payment for the Cook acquisition and to issue a bank guarantee to Cook Resource Mining Pty Ltd under the Cook acquisition to 30 September 2019.

Bounty is also investigating additional sources of capital including financing arrangements for bank guarantees and a placement under the 15% allowed annually.

The ability of the Group to continue as a going concern is dependent obtaining shareholder approval for the new funding facility and thereafter on the generation of positive cashflows from operations during the financial year.

Management has prepared a cash flow projection for the period to 30 June 2021 that supports the ability of the Consolidated Entity to continue as a going concern subject to the events described above. However, forecast events frequently do not occur as expected as many external and internal factors impact on future events.

The Directors are confident that Bounty's shareholders will approve the funding package that has been negotiated and therefore can raise capital by the issue of debt in the form of convertible notes.

The Cook life of mine planning and financial assessment, and now Bounty Cook's maiden Coal Reserve estimate, have been reviewed by independent external parties and support Bounty's place change mining strategy for Cook Colliery.

The Directors have approved place change mining and it has been demonstrated at other operations to significantly increase productivity. Financial modelling, reviewed by independent external parties, has demonstrated that place change (once fully implemented) will deliver positive cash flows that will contribute to prepayment and should give debt providers confidence in providing a loan facility to replace the existing Amaroo finance facility in July 2020.

## **1 Statement of Significant Accounting Policies (continued)**

The Directors are confident that Bounty will progressively implement place change mining during the period to March 2020.

In the event that the Group is unable to achieve the matters detailed above, it may not be able to continue as a going concern and therefore the group 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.

This preliminary financial report covers the consolidated entity of Bounty Mining Limited and controlled entities.

The company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

In accordance with ASIC Corporations Instrument 2016/91 the report is presented in Australian dollars rounded to the nearest thousand dollars (\$'000).

This preliminary financial report has been prepared in accordance with the requirements of the Australian Securities Exchange listing rules.

### **1a Revenue**

#### **Recognition of Revenue**

During FY19 Bounty adopted AASB 15 Revenue from Contracts with Customers. Adoption of the standard had no material effect on Bounty's financial statements. 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 ("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 stockpile at Gladstone. Title to the coal is transferred when the coal is placed on that stockpile. Under the Company's revenue recognition policy, the progress payments are recognised as revenue at that time. The balance of the sale is recognised as revenue when Bounty loads the coal onto the ship.

# Bounty Mining Limited and its Controlled Entities

## Notes to the Financial Statements for the year ended 30 June 2019

### 1 Statement of Significant Accounting Policies (continued)

Under Bounty's prepaid sales agreement with Flame S.A. ("Flame") the company is paid in full when the coal is loaded onto the train. Bounty recognises its revenue at that time.

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 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.

#### 1b Cost of Sales and Pre-production mining expenses

- 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 stockpile at 30 June 2019, which is classified as inventory.

	\$'000	\$'000
<b>Production costs (cost of sales)</b>		
Mining costs	89,743	14,694
Processing costs	9,335	1,833
Employee expenses	9,396	3,918
Transport and logistics	10,462	1,919
Sales and marketing expenses	2,028	2,109
Production overheads	5,075	1,650
Other production costs	94	80
<b>Total production costs</b>	<b>126,133</b>	<b>26,203</b>



## **1 Statement of Significant Accounting Policies (continued)**

### **1c Other Expenses**

Other expenses include depreciation, non-production employee expenses and corporate overheads.

### **1d Inventory**

Inventory includes Spare Parts and Consumables inventory of \$4.7million (FY18: \$3.3million) as well as Coal Inventory (Stockpiles) of \$2.4million (FY18 \$6.3million).

Coal Inventory is valued using costs for the current period, as the coal turnover is monthly (i.e. coal produced in current period is usually sold during the next period). During FY18 and until December 2018 this base calculation was then adjusted for 'normal capacity' to account for the fact that the Cook Colliery was in a 'ramp up' stage moving towards expected 'normal capacity' production rates during the 2018/19 financial year. From 1 January 2019 Bounty no longer makes this adjustment as production is approaching normal rates. Final coal inventory valuation is at the lower of cost or Net Realisable Value ("NRV"). NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

Under Bounty's sales agreements with its thermal coal customers, title to the coal is transferred when coal is loaded onto a train.

Under Bounty's original prepaid sales agreement with Xcoal, title to the coal transferred when the coal was loaded onto the ship. Therefore, Bounty's coal inventory at 30 June 2018 included coal inventory at Port. Under a July 2018 amendment to that sales agreement title to the coal is transferred when the coal is placed on the stockpile at the Port. Therefore, at 30 June 2019 coking coal at Port is no longer included in coal inventory.

Coal inventory at 30 June 2019 consists of ROM coal at the mine and ROM coal, coking coal and thermal coal at the CHPP.

### **1e Other current assets**

This includes prepayments and deposits.

### **1f Other non-current assets**

This represents a 5-year cash backed Security Deposit guarantee in favour of Queensland Mines Rescue Service Limited.

**1 Statement of Significant Accounting Policies (continued)**

**1g Trade and other payables**

This includes trade payables and accrued expenses. \$1.7million of the balance relates to insurance premium funding amounts payable over the period to March 2019. Other trade payables are settled within 14-30 days.

**1h Prepaid Sales Liabilities**

**Prepaid Sales Agreement - Xcoal Energy and Resources GmbH ("Xcoal")**

In March 2018 Bounty and Xcoal executed a US\$5.5million 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. Bounty's obligations under this original agreement were satisfied during the financial year.

During the financial year Bounty and Xcoal amended the original PSA as follows:

- In July 2018 Xcoal made a prepayment of US\$3.75million with respect to 550,000 tonnes of coking coal to be delivered by 31 December 2019;
- In December 2018 Xcoal made a prepayment of US\$2.0million with respect to 750,000 tonnes of coking coal to be delivered by 31 December 2020.

**Prepaid Sales Agreement - Flame S.A. (Flame)**

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

**Prepaid Sales Agreement - Lido Trading Limited ("Lido")**

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.

**1 Statement of Significant Accounting Policies (continued)**

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.

A summary of the outstanding coal deliveries and prepaid sales obligations are shown in the table below:

		Tonnes'000	US\$'000	AU\$'000
Xcoal	Tranche 2 - Coking Coal	<b>465t</b>	3,196	4,558
Xcoal	Tranche 3 - Coking Coal	<b>750t</b>	2,000	2,852
Flame	Thermal Coal	<b>61t</b>	306	<u>436</u>
				<u>7,846</u>

**Flame**

Subsequent to 30 June 2019 coal deliveries of 16t of Thermal Coal have been made to Flame, and US\$123k of the liability repaid.

**Xcoal**

Subsequent to 30 June 2019 a letter was provided from Xcoal Energy & Resources GmbH to Bounty Mining Limited dated 31 July 2019 "Conditional forbearance of recovery of Tranche 2 and 3 prepayments...". Under this letter Xcoal conditionally agrees to forbear its right to receive the US\$25/MT credit for coal loaded in July, August, September and October 2019. The conditions are as follows:

- Amaroo and Bounty execute the subscription agreement for the Convertible Bond (Subscription Agreement) and the Offtake Amendment on or before 5pm on 2 August 2019. This condition has been met.
- Bounty's shareholders approve the issue of the Convertible Bond, the grant of security for the Convertible Bond, the issue of shares on conversion of the Convertible Bond and the Offtake Amendment by no later than the 'Cut Off Date' which is 30 October 2019.

Since 30 June 2019 therefore a further 38kt of coking coal have been delivered to Xcoal but no repayments have been made against the liability.

## Bounty Mining Limited and its Controlled Entities

### Notes to the Financial Statements for the year ended 30 June 2019

#### 1 Statement of Significant Accounting Policies (continued)

##### 1i Liabilities in relation to the Cook acquisition

Bounty acquired the Cook Colliery, Cook North and Minyango assets on 8th December 2017. The acquisition, consisting of the Cook & Minyango Agreements, was settled by a series of deferred payments.

The balance at 30 June 2019 consists of \$4.5million due to Cook Resources Pty Ltd in relation to the Cook Glencore Purchase Agreement.

Transaction	Counterparty	Balance outstanding at 30 June 2018 \$'000	Payments during the year \$'000	Balance at 30 June 2019 \$'000	Balance at the date of this document \$'000
Cook Caledon Purchase agreement	CC Pty Ltd (in liquidation)	5,000	5,000	-	-
Cook Glencore Purchase agreement	Cook Resources Pty Ltd	7,000	2,500	4,500	1,850
	<b>Total</b>	<b>12,000</b>	<b>7,500</b>	<b>4,500</b>	<b>1,850</b>

##### 1j Financial liabilities

	30 June 2019	30 June 2018
	\$'000	\$'000
Amount owed to related party (a)	930	930
Amount owed under Amaroo loan facility (b)	25,000	-
<b>Total financial liabilities</b>	<b>25,930</b>	<b>930</b>

## Bounty Mining Limited and its Controlled Entities

### Notes to the Financial Statements for the year ended 30 June 2019

#### 1 Statement of Significant Accounting Policies (continued)

(a) This loan is owed to a company associated with Gary Cochrane, the company's Chairman and CEO until February 2019. The loan incurs interest at 9.72%. This loan was due for repayment at 30 June 2019 and by agreement the repayment date was deferred to 31 July 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). In July 2019 the loan was assigned by VETL to Amaroo.

(b) During the financial year Bounty drew down \$25million of the \$35million Amaroo working capital facility (see page 7 for additional details. The facility incurs interest of 8% and was due for repayment on 31 July 2019. Amaroo is Bounty's senior secured lender with first ranking 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.

Subsequent to 30 June 2019:

- Bounty drew down a further \$8million of the facility; and
- The repayment date was deferred by agreement to 30 September 2019.

#### 1k Employee entitlement provision

The current liability includes the Annual Leave entitlement for all employees and Personal Leave entitlement for a small group of specific employees.

The non-current liability includes a provision for Long-Service leave for non-mine site employees.

#### 1l Equity

Bounty issued ordinary securities during the financial year as follows:

Ordinary Fully Paid Securities	Number	Share Price	Value	Cash	Non-Cash
Shares on issue at 1 July 2018	350,673,804		\$87,843,922		
Issued to employees August 2018	143,229	\$0.384	\$55,000		\$55,000
Issued to investors October 2018	34,333,333	\$0.30	\$10,300,000	\$10,300,000	
Shares on issue at 30 June 2019	385,150,366		\$98,198,822	\$10,300,000	\$55,000

# Bounty Mining Limited and its Controlled Entities

## Notes to the Financial Statements for the year ended 30 June 2019

### 1 Statement of Significant Accounting Policies (continued)

During the previous financial year, the Company issued ordinary securities as follows:

Ordinary Fully Paid Securities	Number	Share Price	Value	Cash	Non-Cash
Shares on issue at 1 July 2017	95,060,395	n/a	\$40,269,035		
Issued to investors August to December 2018	136,122,472	\$0.13	\$17,695,921	\$17,695,921	
Issued to investors March 2018	31,200,000	\$0.25	\$7,800,000	\$7,800,000	
Issued to investors April 2018	20,016,334	\$0.30	\$6,004,900	\$6,004,900	
Issued to directors in satisfaction of outstanding fees and loans	14,605,372	\$0.15	\$2,190,806		\$2,190,806
Issued to investors at IPO	51,428,571	\$0.35	\$18,000,000	\$18,000,000	
Issued as capital raising fees	1,569,231	\$0.13	\$204,000		\$204,000
Issued to directors and management on successful completion of the IPO	671,429	\$0.35	\$235,000		\$235,000
Cost of capital raising			\$(4,555,740)		
<b>Shares on issue at 30 June 2018</b>	<b>350,673,804</b>		<b>\$87,843,922</b>	\$49,500,821	\$2,629,806

### 1m Options

During financial year FY18 Bounty issued options over ordinary securities as follows:

Other terms	Class A	Class B
Number of options	16,301,514	10,000,000
Exercise price	\$0.4375	\$0.4375
Vesting date	1,000,000: 25 August 2018 15,301,614: 7 December 2018	19 June 2018
Expiry date	19 June 2020	19 June 2021
Value per option using the Black Scholes Method	\$0.02	\$0.18
Total value	\$326,032	\$1,800,000

## Bounty Mining Limited and its Controlled Entities

### Notes to the Financial Statements for the year ended 30 June 2019

#### 1 Statement of Significant Accounting Policies (continued)

The movement on the Option Reserve was as follows:

Options over ordinary securities	Number		Value p/o	Value
Balance at 1 July 2017	-		\$	3,172,958
Issue of Class A options	16,301,614	\$	0.020	\$ 326,032
Issue of Class B options	10,000,000	\$	0.18	\$ 1,800,000
<b>Balance at 30 June 2018</b>	<b>26,301,614</b>		<b>\$</b>	<b>5,298,990</b>

No options were issued, cancelled or lapsed in the financial year FY19.

#### Terms of the options

- Shares issued on exercise of options will rank pari passu with all other Bounty shares;
- Shares issued on exercise of options are escrowed until 19 June 2020;
- The options will not be quoted on the ASX and are not transferable.

#### 1n Receipts from customers

Receipts from customers is made up as follows:

	<b>FY2019</b>	<b>FY2018</b>
<b>Description</b>	<b>\$'000</b>	<b>\$'000</b>
Receipts from sales of Coking Coal	89,989	3,951
Receipts from sales of Thermal Coal	9,865	1,426
Receipts from progress sales	6,078	6,078
Receipts from prepaid sales agreements	8,554	10,208
Repayments of prepaid sales	(7,559)	-
<b>Total receipts</b>	<b>100,909</b>	<b>21,653</b>

#### 2 Segment Note

Bounty's main operation is the management of the Cook Colliery in Queensland, Australia.

**Bounty Mining Limited and its Controlled Entities****Notes to the Financial Statements for the year ended 30 June 2019****2 Segment Note (continued)**

Bounty's investments in Exploration and evaluation in relation to its other three projects: Wongai, Minyango and Cook North are shown below.

Exploration and evaluation expenditure	2019			
	Wongai \$'000	Minyango \$'000	Cook North \$'000	Total \$'000
Capitalised expenditure	51	48	73	172
Expense	100	623	-	723

Exploration and evaluation expenditure	2018			
	Wongai \$'000	Minyango \$'000	Cook North \$'000	Total \$'000
Capitalised expenditure	120	1,596	97	1,813
Expense	25	359	-	384

**For further information, please contact:**

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