# ANNUAL OPERATIONS AND FINANCIAL REPORT

30 JUNE 2019

for

BOUNTY MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN: 19 107 411 067

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# CORPORATE DIRECTORY

**Directors**

Robert Stewart (Chairman)
Kevin Jiao
Julie Garland-McLellan
Craig Garson

**Bankers**

ANZ Banking Group Ltd
Chifley Square, Sydney. NSW 2000
Commonwealth Bank of Australia
14 Martin Place, Sydney, NSW 2000

**Company Secretary**

Eryl Baron

**Solicitors**

McCullough Robertson
Level 11, Central Plaza 2
66 Eagle Street, Brisbane, QLD 4000

**Auditor**

BDO East Coast Partnership
L11 1 Margaret Street
Sydney NSW 2000

**Registered Office**

Suite 301, L3, 66 Hunter Street
Sydney NSW 2000

**Share Registry**

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street,
Sydney, NSW 2000

**To Our Shareholders**

On behalf of the board of directors, I am pleased to present Bounty Mining Limited's Annual Report for financial year 2019.

Since acquiring the assets of Caledon Coal Pty Limited in December 2017, the directors and management have concentrated on building the performance of Cook Colliery, with particular emphasis on increasing production and reducing operating costs in order to deliver consistent profitability. The Company, despite ongoing improvement has not yet achieved consistent profitability.

Overall results during the year were

- 484,000 tonne of saleable coal produced with H2 showing 24% improvement on H1;
- Operating cost of $126M with a reduction of 13% in H2 compared to H1; and
- EBITDA loss of $(34M) for the year with a 49% improvement in H2 over H1.

FY2019 was a very challenging period for the Company with share price moving from a high of $0.435 in August to a low of $0.06 in February and finishing the year at $0.085.

The Company had to call for support from key shareholders in October and again in December to provide additional working capital. I would like to acknowledge the consistent financial support of our major shareholder Amaroo and its associate Xcoal during the year. We finished the year having completed a mine plan and funding strategy to lift production and deliver profitable returns for FY20 and beyond.

During the year we had to overcome equipment availability issues, competing demands for limited finances, and falling coal prices for both coking and thermal coal products.

Given this situation your directors acted to:

- refresh the management team to ensure that the appropriate technical and leadership skills are available;
- restructure to improve efficiency and ensure alignment;
- implement effective equipment monitoring and maintenance practices to deliver more consistent reliability and performance;
- enhance the skills of the colliery workforce to improve safety, production and performance; and most importantly
- ensure that the Company has sufficient funding to meet its obligations, deliver performance improvement plans and provide adequate working capital.

Proposed funding arrangements are to be considered by shareholders at the general meeting scheduled on 30 September 2019. This funding will complete the acquisition of the Glencore assets associated with Cook Colliery, fund capital works for conversion of equipment for place change operations, and provide working capital.

Directors are now confident that with the proposed funding the Company will be on a sound pathway to profitability with tight cost control, growing production, and adequate funding.

Significant management changes were implemented with the appointment in January of John Hart as General Manager at Cook Colliery and in February of Jim Griffin as CEO. Jim has brought a unique combination of skills in mining and banking to support the company through its early development phase as a junior mining company. John brings extensive experience in bord and pillar operations, in particular in the development of highly efficient place change methods which are critical in establishing long-term profitable operations at Cook Colliery.

The board is focused on maintaining strong governance practices and the long-term capability of the board with the right blend of skills, professional experience and diversity to support the company's objectives. An enterprise risk management program has been implemented.

Changes to the board during the year included the addition of Craig Garson QC, as nominee of Amaroo. Craig has made a strong contribution to strategy, performance monitoring, and commercial discipline.

Gary Cochrane resigned in February 2019 after 10 years service as Director, Chairman and CEO. The board thanks Gary for his unwavering consistent support of the company for more than 10 years, often in very trying circumstances.

I take this opportunity to thank my fellow directors, senior management, the Bounty workforce, and our many service providers and suppliers for their valued support during the year, and finally I thank Bounty's shareholders for the ongoing support.

The directors consider 2019 was a year of initiating, bedding down, and improving culture and processes. In 2020 we look forward to a period of growth, profitability and planning for future expansion supported by completion of a major funding injection and implementation of place change mining method.

RJStewart

**Rob Stewart**
Chairman
Dated this 16th day of September 2019

## DIRECTORS' REPORT

The Directors of Bounty Mining Limited ("Bounty" or "the parent entity") and its controlled entities ("the Group" or "the Consolidated Entity"), present their report together with the financial statements for the year ended 30 June 2019.

### Information about the Directors & Company Secretary

The names of the directors of Bounty during the financial year and up to the date of this report are as set out below.

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 |

The experience, independence and qualifications of the directors are as set out below:

**Robert (Rob) Douglas Stewart FIEAust Non-Executive Director, Chairman**

Rob is an independent Non-Executive Director. He is chair of the Risk committee and a member of the Audit, Remuneration, and Nomination committees.

Rob has a Bachelor of Engineering (Civil), Master of Engineering Science (Mining) and has spent 40 years working in the mining and construction industries.

His previous appointments have included: general manager with Leighton Holdings Ltd subsidiary Thiess Pty Ltd where he was responsible for contract mining and construction in New South Wales; chief executive officer and managing director of Whitehaven Coal Limited; and executive director of CRSM LLC, a Mongolian based company identifying, evaluating and managing investments in Mongolia's resource industry.

Rob is currently a director of JukesTodd Pty Ltd, a strategic business advisor offering professional services to the resources, infrastructure and energy sectors.

Rob joined the board on 17 September 2009 and became Chairman on 7 February 2019.

**(Kevin) Jian Jiao Non-Executive Director**

Kevin is an independent Non-Executive Director. Kevin is chair of the Nomination committee and a member of the Audit, Risk, and Remuneration committees.

Kevin has a BA majored in Economics (Major in International Economics), and an MBA from Melbourne University. He has also completed a post-graduate course in mining from China University of Geosciences.

Kevin has spent more than 20 years in the resources sector. He started his career with China Minmetals Group in Beijing and then moved to Melbourne and worked as the Deputy Managing Director of Minmetals Australia. In 2004, he founded Vingo Resources Group, a commodity trading and investment company.

Kevin has experience in international coal marketing and trading.

Kevin joined the board on 18 August 2016.

**Julie Garland-McLellan CSP, FAICD Non-Executive Director**

Julie is an independent Non-Executive Director. She is chair of the Audit committee and a member of the Risk, Nomination, and Remuneration committees.

Julie is a professional company director with a background in the resources and energy sectors. Julie has a BSc in Civil Engineering (Hons), an Executive MBA from IE Business School in Madrid, a Graduate Diploma in Applied Finance, and a Diploma and an Advanced Diploma in Company Directorship from the AICD. She has served on the boards of listed and unlisted companies.

Julie was a New South Wales AICD councillor from 2004 until 2010 and writes, facilitates and presents corporate governance training for the Institute and other clients. Her previous roles include general manager (energy and natural resources) for KPMG and strategic planner for BHP. Julie is currently a director of Fitness Australia, the Suburban Land Agency (Canberra), the NSW Correctional Services Industries Consultative Council, and the Navy Training Force Board.

Julie was on the board of Bounty from 4 April 2008 until 2 August 2016 and was reappointed on 10 November 2017.

**Craig Garson QC Non-Executive Director**

Craig M. Garson, Q.C. is a Canadian lawyer and businessman from Halifax, Nova Scotia with more than 38 years of legal experience as a litigator and more recently as one of Canada's most sought after commercial mediators and arbitrators.

Craig's legal experience includes more than 20 years of broad-based work in the mining sector including representing international clients in the coal business in contract negotiations, arbitrations, mediations and at trials in Australia, Canada, United States, Turkey, United Kingdom, France, Morocco, South Africa, India, Singapore and China. He has also accepted retainers by both the Government of Canada and the Province of Nova Scotia as lead counsel on matters of national importance arising from the Westray Mine Disaster.

Craig joined the board on 18 October 2018.

Based on the criteria identified in the ASX's Corporate Governance Principles and Recommendations, 3rd edition, Mr Garson is not considered by the Board to be independent.

**Eryl Baron** **Chief Financial Officer & Company Secretary**

BA Politics & Econ (London), AGIA

Eryl Baron commenced her accounting career as a Chartered Accountant with BDO Binder Hamlyn in London. In 1990 Eryl moved to Sydney and worked in accounting and business in financial control positions. She has served as Chief Financial Officer and Company Secretary of listed and unlisted companies. Eryl has a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

Details of Board and Committee meeting attendance during the financial year 2019 are as follows:

| | Board Meetings | | Audit Committee Meeting | | Risk Management Committee Meeting | | Nominations Committee Meeting | | Remuneration Committee Meeting | | Independent Board Committee Meeting | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | Held while in office | Attended | Held while in office | Attended | Held while in office | Attended | Held while in office | Attended | Held while in office | Attended | Held while in office | Attended |
| Rob Stewart | 31 | 29 | 3 | 3 | - | - | 3 | 3 | 2 | 2 | 7 | 7 |
| Kevin Jiao | 31 | 31 | 3 | 3 | - | - | 3 | 3 | 2 | 2 | 7 | 7 |
| Julie Garland McLellan | 31 | 28 | 3 | 3 | - | - | 3 | 3 | 2 | 2 | 7 | 7 |
| Craig Garson | 25 | 25 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Gary Cochrane | 22 | 17 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

## Principal Activities

Bounty is an underground coking coal mine operator with particular expertise in bord and pillar mining methods. Subsequent to year end, Bounty will introduce place change mining to its Cook Colliery operation.

## Operations Update

Bounty completed the acquisition of Cook assets from CC Pty Limited (In Liquidation) and made further payments to a Glencore company (Cook Resource Mining Pty. Ltd.) for the 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;
- the Minyango Project; and
- the Wongai Project.

## 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 Bounty's release from all obligations under the Fixed and Floating Charge related to that purchase.

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

At 30 June 2019 a balance of $4.5million remained from the purchase price of $10million. On 30 July 2019 Bounty announced that the parties have agreed to delay final payment and completion under the Asset Sale Agreement to 30 September 2019. On 3 September 2019 Bounty announced that it had agreed a further extension of the date to 15 October 2019. As at the date of this report a further $2.85million has been repaid with the balance expected to be repaid by 30 September 2019. The replacement bank guarantee for A$10.8 million to be given by Bounty to Glencore is due on 15 October 2019.

A potential liability exists for royalties due to the Queensland Office of State Revenue (OSR) 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 15 October 2019, A$13million into an escrow account to be available for these potential additional royalty payments. 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.

## Operation of Cook Colliery

Cook Colliery produced a total of 538,000 tonne run-of-mine during FY19, which is an increase of over 300% from FY18.

Bounty commenced operations at Cook in January 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. In the December half, Cook produced 241,000 tonne run-of-mine.

In January 2019 a restructure of the management team was implemented which introduced additional skills and reduced overheads. Subsequently, the number of operating mining units were reduced from 4 to 3 in mid-February 2019 aiming to maintain forecast production with lower cost and higher reliability.

A combination of redeployment of equipment, 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 tonne run-of-mine in May 2019, and a total of 297,000 tonne run-of-mine during the second half of the year (an increase of 24% over the first half of FY19).

FY19 product coal totalled 484,000 tonne, with the coal handling and preparation plant (CHPP) averaging 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 tonne washed during June, and 189,000 tonne in July and August 2019. Production statistics for the 2018 and 2019 financial years, and to August 2019, are as follows:

| '000 tonne | FY18 (Year to 30 June 2018, commencing January 2018) | FY19 (Year to 30 June 2019) | July to August 2019 |
|---|---|---|---|
| ROM coal produced | 134 | 538 | 112 |
| Saleable coal produced | | | |
| • Coking | 93 | 406 | 77 |
| • Thermal | 16 | 78 | 14 |
| Coal railed | | | |
| • Coking | 76 | 404 | 83 |
| • Thermal | 11 | 83 | 16 |
| Product coal stockpiles | | | |
| • Coking | 10 | 5 | 1 |
| • Thermal | 9 | 16 | 12 |
| Toll washing | 0 | 62 | 189 |

Life of Mine planning, Reserve studies and Geotechnical assessments were completed in August 2019 culminating in JORC reserve and resource statements to support the new mine plan. The reserve and resource statements were issued on 21 August 2019. They declare 8.9Mt reserves 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. 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 and other properties at the time of ship loading.

Bounty coking coal prices after the discount and moisture adjustment 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.

## Exploration and Development

An updated resource estimate and concept mine plan were completed for the Cook North Project.
Minyango Project exploration tenement MDL424 was transferred to Bounty from Blackwater Coal Pty Ltd (In Liquidation) after MDL424 grant. The processing of the MDL465 exploration tenement application was further advanced. Geological modelling was also reviewed for Minyango Project.
On behalf of the Wongai Joint Venture partners, and in consultation with the Queensland Office of the Coordinator General, the Wongai Coking Coal Project Initial Advice Statement and prefeasibility study were reviewed in preparation for application for a Wongai Coking Coal Project coordinated project declaration.

Bounty intends to leverage the Cook Colliery's CHPP and other infrastructure by:

- Developing the Cook North Project located adjacent to existing operations, to further exploit the mining leases and potentially expand capacity; and
- Developing the Minyango Project into an operating mine.

Bounty has completed resource estimates and geological modelling for the Cook North and Minyango Projects and is now planning prefeasibility studies for both projects.

Bounty has completed a prefeasibility study for the Wongai Project and is now planning a bankable feasibility study with the objective of subsequently securing a mining lease and environment authority.

***Coal Resources Summary***

Bounty's coal resources estimates as at June 2019 are summarised as follows:[1]

| Project Name | Tenement | Status | Measured Resources (Mt) | Indicated Resources (Mt) | Inferred Resources (Mt) | Total Resources (Mt) | Competent Person | Date |
|---|---|---|---|---|---|---|---|---|
| Cook | ML1779<br>ML1799<br>ML7357 | Mine | 15 | 58 | 5 | 75 | A | Jun 2019[2] |
| Cook North | ML1799 | Exploration | | 100 | 35 | 135 | A | Jun 2019[2] |
| Total Cook + Cook North | | | 15 | 155 | 40 | 210 | | |
| Minyango | ML80173<br>MDL424<br>EPC699<br>EPC997 | Exploration | 6.1 | 71.8 | 112 | 190 | A | Apr 2018[3] |
| Wongai[6] | EPC2334 | Exploration | | 20 | 70 | 90 | B[4] | Nov 2016[4]<br>Aug 2017[5] |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Wongai total – Bounty Interest | | Exploration | | 4.5 | 16 | 20 | | |
| **TOTAL – Bounty Interest** | | | **21** | **230** | **170** | **420** | | |

[1] Some rounding to the nearest significant figure has occurred and this may reflect in minor differences in the overall reported resource. Coal resource are inclusive of the reserves reported below.

[2] Cook Mine Coal Resource Estimate June 2019 – Competent Person Mr Troy Turner

[3] Minyango Project Coal Resource Estimate April 2018 – Competent Person Mr Troy Turner

[4] Mr Andrew Todd is the competent person for the 2016 JORC Resource Report Wongai Coal Project 02 November 2016 – in which a total JORC Resource of 98Mt was estimated. A negative adjustment of -8Mt Inferred Resource was later applied by Bounty, based on a report by John T. Boyd Company entitled the Independent Technical Report and Valuation Assessment – Wongai Coking Coal Project August 2017

[5] Independent Technical Report and Valuation Assessment – Wongai Coking Coal Project August 2017 – John T. Boyd Company (VALMIN Code, 2015)

[6] Wongai Coal Resources Estimate shown is 100% of total coal resources. Bounty Mining Investments Pty Ltd holds a 22.5% interest as at 30 June 2019

Competent Person A - Mr Troy Turner

Competent Person B - Mr Andrew Todd (Geos Mining)

## JORC Declaration – Coal Resources

The information in this report that relates to Coal Resources for the Cook, Cook North and Minyango Projects is based on, and fairly represents, information compiled by Mr Troy Turner. Mr Turner is a Member of the Australasian Institute of Mining and Metallurgy. Mr Turner is a full-time employee of Xenith Consulting Pty Ltd.

The information in this report that relates to Coal Resources for the Wongai Project is based on, and fairly represents, information compiled by Mr Andrew Todd in a November 2016 entitled 2016 JORC Resource Report Wongai Coal Project 02 November 2016. Mr Andrew Todd is a member of the Australasian Institute of Mining and Metallurgy and is a consultant working for Geos Mining Mineral Consultants. The report 2016 JORC Resource Report Wongai Coal Project 02 November 2016 estimated a total resource estimate of 98Mt, comprising 20Mt Indicated Resource and 78Mt Inferred Resource. A negative adjustment of -8Mt Inferred Resource was later applied by Bounty, based on the John T. Boyd Company report Independent Technical Report and Valuation Assessment – Wongai Coking Coal Project August 2017. The John T. Boyd Company report was undertaken in accordance with the VALMIN Code (2015).

Named Competent Persons consent to the inclusion of material in the form and context in which it appears. All Competent Persons have the relevant experience in relation to the mineralisation being reported on by them to qualify as Competent Persons as defined in the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 Edition).
The information in this report that relates to Coal Resources for the Cook and Cook North Projects was included in the announcement on 21 August 2019, titled "Bounty Cook Updated Coal Resources and Maiden Coal Reserves Estimates".

The information in this report relating to Coal Resources for the Minyango and Wongai Projects was included in the market announcement on 15 June 2018, titled "Prospectus Bounty Mining Limited (ASX:B2Y) Initial Public Offer, May 2018".

Bounty confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. Bounty confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

**Coal Reserves Summary**

Bounty's coal reserves estimates as at June 2019 are summarised as follows: [1]

| | Coal Reserves (Mt) [4] | | | Marketable Coal Reserves (Mt) [5] | | | |
|---|---|---|---|---|---|---|---|
| Project | Proved | Probable | Total | Proved | Probable | Total | Date |
| Cook | - | 8.6 | 8.6 | - | 7.3 | 7.3 | Jun 2019[2,3] |

No reserves were reported as at June 2018.

[1] Some rounding to the nearest significant figure has occurred and this may reflect in minor differences in the overall reported reserve.

[2] Cook Colliery JORC Reserves as at 30th June 2019 – Competent Person Mr Ben Smith

[3] Coal Reserves are a subset of Coal Resources

[4] Coal Reserves are estimated at 6% ROM moisture

[5] Marketable Coal Reserves are estimated at 10% thermal product moisture, 11% coking product moisture

**JORC Declaration – Coal Reserves**

The information in this report that relates to Coal Reserves for the Cook Projects is based on, and fairly represents, information compiled by Mr Ben Smith. Mr Smith is a Member of the Australasian Institute of Mining and Metallurgy. Mr Ben Smith is an independent mining professional, and an associate of Xenith Consulting Pty Ltd.

Mr Smith consents to the inclusion of material in the form and context in which it appears. Mr Smith has the relevant experience in relation to the mineralisation being reported on by him to qualify as a Competent Person as defined in the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 Edition).

The information in this report that relates to Coal Reserves for the Cook Project was included in the market announcement on 21 August 2019, titled "Bounty Cook Updated Coal Resources and Maiden Coal Reserves Estimates".

Bounty confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Bounty confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

# EQUITY

During the financial year Bounty issued 34.5 million ordinary securities:

| Ordinary Fully Paid Securities | Total | Share Price | | Value |
|---|---|---|---|---|
| Balance at 1 July 2018 | 350,673,804 | n/a | $ | 87,843,825 |
| Issue of ordinary shares | 34,476,562 | various | $ | 10,355,000 |
| **Balance at 30 June 2019** | **385,150,366** | | $ | 98,198,825 |

Further details on the issue of securities and options are shown under notes 21 and 23.

Restricted Securities

| 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 |

The remaining restricted securities will be released from escrow on 19 June 2020.

Movements in Securities: FY18

| Ordinary Fully Paid Securities | Number | Share Price | | Value |
|---|---|---|---|---|
| Balance at 1 July 2017 | 95,060,395 | n/a | $ | 40,269,034 |
| Issue of securities | 255,613,409 | various | $ | 52,130,627 |
| Cost of issuing securities | | | $ | (4,555,736) |
| **Balance at 30 June 2018** | **350,673,804** | | **$** | **87,843,925** |

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

**Options**

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

| Other terms | Class A | Class B |
|---|---|---|
| Number of options | 16,301,614 | 10,000,000 |
| Exercise price | $0.4375 | $0.4375 |
| Vesting date | 1,000,000: 25 August 2018<br>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 |

The movement on the Option Reserve during FY18 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 |
| **Balance at 30 June 2018** | **26,301,614** | | | **$** | **5,298,990** |

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.

## 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 A$20million to A$35million.

Amaroo is associated with Xcoal Energy & Resources GmbH (**Xcoal**), a key customer for Bounty's coal, 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 and Xcoal.

At 30 June 2019 $25million of the facility had been drawn down. At the date of this document the balance of $10million 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 A$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.

## EVENTS SUBSEQUENT TO BALANCE DATE

### Proposal from Qcoal Bounty Holdings Pty Ltd ("Qcoal")

As announced to ASX on 2 September 2019, on 28 August and 2 September Bounty received from QCoal Bounty Holdings Pty Ltd (**QCoal**) (a substantial shareholder in Bounty) recapitalisation proposals, alternatives to the Amaroo proposal.

Bounty's independent board committee (**IBC**), which comprises all of the directors with the exception of Amaroo's nominee, Mr Craig Garson, (Non-Interested Directors), carefully considered the updated QCoal proposals and obtained advice from its independent financial and legal advisers. The IBC has determined that, in their view, the QCoal proposal is not a superior proposal to the Amaroo proposal for various reasons including the uncertainty around whether the proposal can be executed on acceptable terms and within the time available. In particular, it:

- does not contain an offer capable of acceptance by Bounty;
- is uncertain, conditional, indicative and non-binding; and
- requires Bounty to terminate the Subscription Agreement with Amaroo and there is currently no legal basis for Bounty to terminate the Subscription Agreement.

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 the 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 updated 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 implement a transition to place change mining.

On 11 September 2019 Bounty received another unsolicited funding proposal from Qcoal. On 13 September 2019 Bounty announced that its independent board committee has formed the view that the Qcoal proposal is not superior to the Amaroo proposal.

Other than as described in the directors' report there have been no other subsequent events which require disclosure.

## FUTURE GROWTH STRATEGY AND LIKELY DEVELOPMENTS

Cook will 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

## MAJOR RISKS

**Operating risk**

Bounty currently operates only one colliery and is therefore dependent on the results of production and coal quality at Cook Colliery. Specific operating risks include, but are not limited to:

- not securing and maintaining permits;
- unstable ground, fires, storms and flooding;
- plant and personnel performance;
- securing required mining equipment;
- reliance on third parties and coal chain delays; and
- legislative changes.

**Coal market risk**

The export coal market is subject to global supply and demand fluctuations including:

- reduction in GDP growth in major customer nations like China, India and Japan;
- increases in coal supply from competitors in Australia, the United States, Mongolia, China and elsewhere; and
- changes in new technology altering the demand for hard coking coal.

These fluctuations in supply and demand may lead to lower coal prices which in turn will have a negative impact on Bounty's finances as well as the potential viability of its mine and projects.

**Development risks for the Cook North, Minyango and Wongai Projects**

<u>Cook North and Minyango</u>

Development of the Cook North Project and Minyango Project is dependent on satisfactory completion of prefeasibility and bankable feasibility studies. These studies may indicate that either or both projects are uneconomic or that there are circumstances such as unfavourable geotechnical, groundwater or gas conditions that may not be effectively controlled.

Further permitting and landowner agreements are required to advance the development of these projects. Bounty may not be able to secure these permits or agreements on terms acceptable to Bounty or at all. In particular, at the Minyango Project, one of the tenements (EPC 699) falls within areas mapped as strategic cropping area and each of EPC 699, EPC 997 and MDL 424 falls within the Blackwater township priority area. Consequently, a regional interests development approval will be required for these areas in addition to ordinary permitting requirements for mining projects. This process could be drawn out for an extended period.

Bounty is party to access agreements including landowner, native title and cultural heritage agreements to ensure agreed access for development. Alterations to these agreements may impact on development plans. Effective relationships with landowners and the Traditional Owners will be required to undertake the work contemplated by these agreements. Failure to maintain these relationships or to secure alterations to existing arrangements (if required) will adversely impact development.

Wongai

Development of the Wongai project is progressing with completion of a prefeasibility study in October 2016 and plans to commence a bankable feasibility study. This study may indicate that the project is uneconomic or that there are circumstances such as unfavourable geotechnical, groundwater or gas conditions that may not be effectively controlled. Risks associated in this are highlighted in the Wongai Technical Expert's Report.

Further permitting is required to advance the development of this project. Proximity to the Great Barrier Reef and Coastal Marine Park will draw significant attention during environmental evaluation for any mining lease. Bounty may not be able to secure the permits required to progress development of the project on terms acceptable to Bounty or at all.

Bounty is party to access agreements including landowner, native title and cultural heritage agreements to ensure agreed access for development. Alterations to these agreements are necessary for development of the project. Failure to secure alterations may impact on development plans. Effective relationships with landowners and the Traditional Owners will also be required to undertake the work contemplated by these agreements. Failure to maintain these relationships will adversely impact development.

Bounty has progressed discussions with the Queensland Government in regard to transhipping in the Great Barrier Reef Marine Park. The Government had implemented a new transhipping policy in early 2018. Bounty has subsequently modified the transhipping proposal for Wongai which utilises the Cape Flattery existing port. It is permissible to tranship in the Great Barrier Reef if it is within existing port limits. Further discussions with the Coordinator Generals Office and Department of Environment have confirmed that Bounty's revised proposal is consistent with the new Queensland Government policy. This was a potential risk to the project but the new transhipping proposal will be permissible under current policy.

Rehabilitation

The current financial assurance amount required in relation to the Cook Colliery is set at $10.8million. This may not fully reflect the rehabilitation costs. There is a risk that the Queensland Department of Environment and Sciences will increase the amount of financial assurance required.

**Future capital requirements**

Bounty's future capital requirements depend on numerous factors. Bounty expects that it will require further capital to replace equipment at the Cook Colliery and to develop the Cook North, Minyango and Wongai Projects.

The availability of equity or debt funding is subject to market risk at the time and there is no guarantee that Bounty will be able to secure any additional funding or be able to secure funding on terms acceptable to Bounty.

If Bounty is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its programmes. This may adversely impact revenues and profitability.

## REMUNERATION REPORT (AUDITED)

Remuneration Committee

Bounty has a Remuneration Committee. The Committee comprises independent, non-executive directors.

The Committee charter sets out the Committee's role and responsibilities, composition, structure and membership requirements, and the procedures for inviting non-committee members to attend meetings. The charter is available on Bounty's website.

The objectives of the Committee are to assist the Board to discharge its corporate governance responsibilities to exercise due care and diligence and skill in:

- Recruitment and selection of board members and Chief Executive Officer;
- Setting key performance areas for the CEO and the regular review of CEO performance;
- Setting remuneration and benefits for executive and staff;
- Setting board remuneration and benefits; and
- Compliance with laws and regulations in relation to employment.

Remuneration Policy Overview

The directors consider that attracting high-quality employees is essential to the successful and safe operation of Bounty. Retaining them longer term is key to meeting and surpassing our growth objectives for increasing productivity and production.

Bounty aims to ensure that remuneration packages are appropriately aligned with the person's experience and responsibilities. To ensure remuneration is awarded competitively, Bounty participates in external industry remuneration benchmarking.

In addition to market review, the process considers the performance of the Company and the individual.

At present there is no relationship between remuneration policy and company performance.

Short term incentive plan

The Board views the use of short-term incentive (STI) plans as an appropriate component of all employee remuneration packages, on the basis it considers both individual and company performance. The STI thresholds range from 6.5% to 30% of base salary, representing the maximum performance that can be achieved.

No payments were made under STI schemes during the financial year.

Non-executive directors

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice may be sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is currently $500,000 per annum in total. Non-executive directors do not receive a superannuation contribution and do not receive any other retirement benefits.

Non-executive directors are entitled to be reimbursed for certain expenses incurred and may be paid additional amounts as fees as the Board may determine where a non-executive director performs extra services or makes any special exertions, which in the opinion of the Board are outside the scope of the ordinary duties of a non-executive director.

Annualised director fees are as follows:

| Director | Position | Annualised fee |
|---|---|---|
| Rob Stewart | Chair, Non-executive director | $156,000 |
| Kevin Jiao | Non-executive director | $78,000 |
| Julie Garland McLellan | Non-executive director | $78,000 |
| Craig Garson | Non-executive director | $78,000 |
| Total | | $390,000 |

Gary Cochrane earned an annualised director fee of $66,000 (exclusive of GST) until his resignation as director on 15 February 2019.

Executive services agreement with entity controlled by Gary Cochrane

Bounty had an executive service agreement with Resource Management International Pty Ltd, an entity controlled by Gary Cochrane, under which Mr Cochrane's services were provided as chief executive officer until his resignation as CEO on 8 February 2019. The annual fees payable under this agreement were $334,000 (exclusive of GST) per annum.

Ex gratia payments

Rob Stewart provided additional services to the Company in relation to the acquisition of Cook Colliery and the IPO and received a payment of $60,000 (exclusive of GST) for providing these services during the financial year.

Remuneration Consultants

During the financial year and to the date of this report Bounty has not engaged a remuneration consultant.

Future Perspectives

Bounty's remuneration policy is designed to attract the highest calibre of executives and reward them for performance that results in both short and long-term growth in shareholder wealth.

Details of Remuneration for Year Ended 30 June 2019

| FY2019 | Position | Period of Service | Short Term Benefits (Salaries & fees) $ | Post Employment Benefits (Superannuation) $ | Bonus $ | Grant of shares $ | Other non-cash benefits | Total $ |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Rob Stewart | Non-Executive Director | 1 July 18 to 30 June 19 | 170,500 | - | - | - | | 170,500 |
| Kevin Jiao | Non-Executive Director | 1 July 18 to 30 June 19 | 78,000 | - | - | - | | 78,000 |
| Julie Garland McLellan | Non-Executive Director | 1 July 18 to 30 June 19 | 78,000 | - | - | - | | 78,000 |
| Craig Garson | Non-Executive Director | 18 October 18 to 30 June 19 | 52,000 | - | - | - | | 52,000 |
| Gary Cochrane | Chairman, CEO | 1 July 18 to 15 February 2019 | 249,617 | - | - | - | | 249,617 |
| **Total** | | | **628,117** | **-** | **-** | **-** | | **628,117** |
| **Senior Management** | | | | | | | | |
| Jim Griffin | Chief Executive Officer | 18 February to 30 June 19 | 231,565 | 21,999 | | | 87,046 | 340,610 |
| John Hart | General Manager, Cook Colliery | 4 February to 30 June 19 | 153,321 | 14,565 | - | - | 6,147 | 174,033 |
| Eryl Baron | CFO, Company Secretary | 1 July 18 to 30 June 19 | 312,000 | 29,640 | - | 20,000 | | 361,640 |
| David Low | Business Development Manager | 1 July 18 to 30 June 19 | 310,000 | 29,450 | - | - | | 339,450 |
| Total | | | **1,006,886** | **95,654** | **-** | **20,000** | **93,193** | **1,215,733** |

Details of Remuneration for Year Ended 30 June 2018

| FY2018 | Position | Period of Service | Short Term Benefits (Salaries & fees) $ | Post Employment Benefits (Superannuation) $ | Bonus $ | Grant of shares $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Gary Cochrane | Chairman, CEO | 1 July 17 to 30 June 18 | 343,332 | - | 75,000 | 50,000 | 468,332 |
| Rob Stewart | Non-Executive Director | 1 July 17 to 30 June 18 | 67,500 | - | 75,000 | 50,000 | 192,500 |
| Kevin Jiao | Non-Executive Director | 1 July 17 to 30 June 18 | 67,500 | - | 75,000 | 50,000 | 192,500 |
| Julie Garland McLellan | Non-Executive Director | 10 November 17 to 30 June 18 | 46,000 | - | - | 50,000 | 96,000 |
| Brian McMaster | Non-Executive Director | 1 July 17 to 3 October 17 | 15,000 | - | - | - | 15,000 |
| Matthew Wood | Non-Executive Director | 1 July 17 to 20 September 17 | 13,333 | - | - | - | 13,333 |
| Daniel Crennan | Non-Executive Director | 1 July 17 to 23 November 17 | 23,781 | - | - | - | 23,781 |
| **Total** | | | **576,446** | **-** | **225,000** | **200,000** | **1,001,446** |
| **Senior Management** | | | | | | | |
| Adam Foulstone | General Manager, Cook Colliery | 23 January to 30 June 18 | 172,312 | 15,736 | - | 10,000 | 198,048 |
| Eryl Baron | CFO, Company Secretary | 1 July 17 to 30 June 18 | 278,913 | 11,486 | 35,000 | 25,000 | 350,398 |
| David Low | Business Development Manager | 12 February to 30 June 18 | 120,128 | 11,412 | - | - | 131,540 |
| **Total** | | | **571,353** | **38,634** | **35,000** | **35,000** | **679,986** |

For financial year 2019 no part of the remuneration for directors and senior management was performance related.

Bounty is developing a long-term incentive plan scheme aimed at retention of key management personnel (**KMP**). The plan will relate to Bounty Mining Limited securities.

Service Agreements and Employment Contracts

It is Bounty's policy that service agreements or employment contracts are entered into with all Executive Directors and Senior Management.

**Employment Contract – Jim Griffin, Chief Executive Officer, Bounty Mining**

Bounty has a Fixed Term Employment Contract with Jim Griffin which commenced on 18 February 2019. The contract was initially for a 6-month period, however due to business requirements the contract has now been extended until 31 January 2020 (subject to obtaining a new visa). Jim's appointment followed an executive search process that canvassed available expertise in mining company leadership, financing, and operation. The process was supported by an independent executive search consultant with experience in the Australian mining industry. During the process the terms and conditions of the employment were benchmarked against the market.

The table below outlines the terms and conditions of Jim's employment:

| Terms and Conditions | Current Contract | New Contract (*subject to obtaining new visa*) |
|---|---|---|
| **Base Salary (per annum)** | $624,469 per annum | $630,000 per annum |
| **Superannuation** | Statutory (capped) | Statutory (capped) |
| **STI** | 25% of base (detail below) | Not yet negotiated |
| **Accommodation** | Provided | Provided |
| **Relocation expense** | Business class airfare upon commencement & termination (to country of residence) | Business class airfare upon commencement & termination (to country of residence |
| **Spouse Travel** | Up to three return business class airfares to country of residence | Up to two return business class airfares to country of residence |
| **Health Insurance** | Couple policy provided | Couple policy provided |
| **Taxation Advice for foreign income** | Nil | Up to $5,000 |
| **Notice Period** | 1 months' notice (or immediately in the case of serious misconduct) | 3 months' notice (or immediately in the case of serious misconduct) |

Jim was entitled to participate in the existing STI scheme to 30 June 2019. The maximum annual STI was a cash bonus capped at 25% of base salary, based on performance against Key Performance Indicators.

**Jim's STI scheme is detailed below:**

Short term incentive to 30 June 2019, subject to achieving the below:

- the Company having achieved positive Free Cash Flow for the months of February, March, April, May and June 2019
- The Company having achieved an increase in net working capital position of at least $10million by 30 June 2019

No payments were made to Mr Griffin under STI schemes during the financial year.

A renewal of short-term incentive arrangement has not yet been negotiated.

**Employment Contract – John Hart, General Manager, Cook Colliery**

Bounty has an Employment Contract with John Hart which commenced on 4 February 2019. John receives a base annual remuneration of $371,689 plus statutory superannuation. The contract provides for termination by either party by providing one month's notice or immediately in the case of serious misconduct. John was appointed to his role following a competitive recruitment process that included testing of the market rate for similar positions.

Mr Hart is entitled to participate in the existing STI scheme. The maximum annual STI is a cash bonus capped at $120,000 based on performance against Key Performance Indicators.

**John's STI scheme is detailed below:**

Short term incentive to 31st December 2019.

- A bonus of $60,000 at the end of June 2019, if the Cook Colliery achieves a production KPI rate of at least 60,000 run of mine underground tonnes per month for April, May and June 2019 and also a cash cost of less than A$150/ product free on train tonne per month for April, May, June 2019.

- A bonus of $10,000 per month if Cook Colliery achieves a production KPI rate of at least 65,000 run of mine underground tonnes per month for July to December 2019 and also achieves a cash cost of less than A$150/product free on train tonne for each of those months.

No payments were made to Mr Hart under STI schemes during the financial year.

**Employment Contract – Eryl Baron, Chief Financial Officer and Company Secretary**
Bounty has an Employment Contract with Eryl Baron which commenced on 12 February 2018. Eryl receives a base annual remuneration of $312,000 plus statutory superannuation. The contract provides for termination by either party by providing two months' notice or immediately in the case of serious misconduct.

Eryl is entitled to participate in the existing STI scheme. The maximum annual STI is a cash bonus of 25% of base remuneration based on performance against Key Performance Indicators. Key Performance Indicators were not developed during financial year FY2019.

No payments were made to Mrs Baron under STI schemes during the financial year.

**Employment Contract – David Low, Business Development Manager**
Bounty has an Employment Contract with David Low which commenced on 12 February 2018. David receives a base annual remuneration of $310,000 plus statutory superannuation. The contract provides for termination by either party by providing two months' notice or immediately in the case of serious misconduct.

David is entitled to participate in the existing STI scheme. The maximum annual STI is a cash bonus of 30% of base remuneration based on performance against Key Performance Indicators. Key Performance Indicators were not developed during financial year FY2019.

No payments were made to Mr Low under STI schemes during the financial year.

The employment contracts of Mr Hart, Ms Baron and Mr Low are not fixed term contracts.

**Voting at the previous AGM**

Shareholders representing 47.69% of the shares voted against the remuneration report at the previous AGM which was held on 30 November 2018.

The Directors have engaged with shareholders, both at subsequent General Meetings and in individual meetings, over the course of the 2019 Financial Year. During these engagements the Directors sought guidance as to the elements of the company's remuneration policy that did not meet with the approval of these shareholders. All comments received referred to the general performance of the company's operations rather than to remuneration. Some comments noted the combined Chair and CEO roles which were separated in February 2019.

Over the past year the Directors have made two significant appointments of Key Management Personnel. Both appointments were made after testing the market to gain awareness of current salaries and other terms and conditions of employment within the Australian mining industry at the time.

All Key Management Personnel are entitled to participate in a Short Term Incentive Scheme designed to link the company's performance to KMP rewards and to align KMP interests with those of the shareholders. No payments were made to any KMP under the scheme in the 2019 Financial Year.

## Directors' Interests: Equity Holdings and Transactions

There has been no movement in current directors' interests in equity during the financial year to 30 June 2019. Directors' holdings are as follows:

| Directors | Rob Stewart | Kevin Jiao | Julie Garland McLellan | Craig Garson | Total Directors |
|---|---|---|---|---|---|
| Escrowed shares | 1,212,358 | 3,730,342 | 142,857 | - | 5,085,557 |
| Non-escrowed shares | 439,150 | 2,985,715 | - | - | 3,424,865 |
| Total | 1,651,508 | 6,716,057 | 142,857 | - | 8,510,422 |
| Total shares on issue | | | | | 385,150,366 |
| As a % of shares on issue | | | | | 2% |

Escrowed shares will be released from escrow on 19 June 2020.

Former Director and CEO Gary Cochrane held an interest in 33,568,934 shares (8.7% of Bounty's equity) until he resigned in February 2019.

Movements in current directors' equity holdings during Financial Year 2018 are shown in the table below:

| | Gary Cochrane | Rob Stewart | Kevin Jiao | Julie Garland McLellan | Total |
|---|---|---|---|---|---|
| Shares at 1 July 2017 | 20,092,744 | 305,318 | 1,153,847 | - | 21,551,909 |
| Acquired at 13c pre-IPO | - | 770,000 | 3,000,000 | - | 3,770,000 |
| Acquired at 25c pre-IPO | - | - | 2,000,000 | - | 2,000,000 |
| Issued at 15c in settlement of outstanding debt | 13,333,333 | 433,333 | 419,353 | - | 14,186,019 |
| Bonus shares issued at 35c | 142,857 | 142,857 | 142,857 | 142,857 | 571,428 |
| Shares held at 30 June 2018 | 33,568,934 | 1,651,508 | 6,716,057 | 142,857 | 42,079,356 |

| | | | | | |
|---|---|---|---|---|---|
| Total shares on issue | | | | | 350,673,804 |
| Shares held as % of Total shares | 9.6% | 0.5% | 1.9% | 0.0% | 12.0% |

## Directors' Interests: loan facility with VETL Pty Limited

Between 2009 and July 2019 Bounty had an arms' length loan arrangement with VETL Pty Limited ("VETL"), a company associated with former CEO and Chairman Gary Cochrane.

| | 2019 $ | 2018 $ |
|---|---|---|
| **Balance at 1 July 2018** | **930,302** | **2,930,302** |
| Interest charged | 90,425 | 224,418 |
| Interest paid | (90,425) | (224,418) |
| Issue of securities in partial repayment | - | (2,000,000) |
| **Balance at 30 June 2019** | **930,302** | **930,302** |

- The secured loan was assigned to VETL from Bounty's external financiers in September 2009 under the same terms and conditions, including an interest rate of 9.72% p.a.
- The loan is secured by a fixed and floating charge over the assets and undertakings of Bounty. Following the acquisition of Cook Colliery in December 2017 this charge was subordinated to CC Pty Limited (ACN 12 024 271 (in liquidation)) ("CC") and Blackwater Coal Pty Ltd (ACN 119 407 760 (in liquidation)) ("Blackwater"), the vendors of the Cook Colliery acquired by Bounty until the completion of all deferred payments in relation to the Cook Colliery Acquisition. The final deferred payment was made in August 2018 triggering the release of the CC and Blackwater charges.
- In December 2018 VETL's security was subordinated to the Amaroo and Xcoal security described above.
- In July 2019 the VETL loan was assigned to Bounty's main lender Amaroo.

## Other Transactions with Directors

- During the financial year Bounty paid Sydney office rent of $86,660 to C5 Holdings Pty Ltd, an entity associated with previous director Gary Cochrane (2018: $43,550).
- During the financial year Bounty paid consultancy fees of $52,614 to Jukes Todd Pty Ltd (2018: 335,000). Director Rob Stewart is a director of Jukes Todd Pty Ltd.
- The outstanding balances at reporting date were:
    - C5 Holdings Pty Ltd - $9,570
    - Jukes Todd Pty Ltd - $5,223

## END OF REMUNERATION REPORT

## Indemnification and Insurance of Directors, Officers and Auditor

Bounty has entered into a Deed of Access, Insurance and Indemnity with each of its Directors and Company Secretary.

Bounty has agreed to indemnify and keep indemnified the Directors and Company Secretary against all liabilities incurred as directors and officers of the Bounty Group and all legal expenses incurred as directors and officers of Bounty.

The indemnity only applies to the extent and in the amount that the directors and officers are not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by Bounty, under the general law or otherwise.

The indemnity does not extend to any liability:

- To Bounty or a related body corporate of Bounty; or
- Arising out of conduct of the directors and officers involving a lack of good faith.

No indemnities have been given or insurance premiums paid, during the year, for any person who is or has been an auditor of Bounty.

## Environmental Regulations

Bounty's operations are subject to general environmental regulations under Commonwealth and State legislation. The Board is not aware of any breach of such requirements and the relevant officers of Bounty are aware of the responsibility of Bounty in relation to these requirements.

## Proceedings on Behalf of the Company

As far as the Directors are aware no person has applied for leave of a Court to bring proceedings on behalf of Bounty or to intervene in any proceeding to which Bounty is party for the purpose of taking responsibility on behalf of Bounty for all or any part of those proceedings.

## Auditor's Independence Declaration

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 29 and forms part of the Directors' Report for the year ended 30 June 2019.

## Non-audit Services

The Board, in accordance with the advice from the Audit and Risk Committees, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are satisfied that services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Committee to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

BDO East Coast Partnership were appointed auditors in November 2018. During the financial year BDO East Coast Partnership and its associated entities performed the following services:

| | 2019 | 2018 |
|---|---|---|

| | $'000 | $'000 |
|---|---|---|
| **Remuneration of auditors** | | |
| IPO Investigative Accountant Report | - | 45 |
| Independent Expert Report | 24 | - |
| Long Service Leave Levy audit | 5 | - |
| Taxation Services | 59 | |
| Audit or review of financial reports | 100 | 80 |
| **Total audit and other services** | **188** | **125** |

Signed in accordance with a resolution of the Board.

Rob Stewart
Chairman
Dated in Sydney 16 September 2019

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

**DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF BOUNTY MINING LIMITED**

As lead auditor of Bounty Mining Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bounty Mining Limited and the entities it controlled during the period.

Gareth Few

Gareth Few
Partner

**BDO East Coast Partnership**

Sydney, 16 September 2019

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2019

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| Revenue | 2 | 106,589 | 13,767 |
| Cost of sales | 3 | (126,133) | (26,203) |
| **Gross loss** | | **(19,544)** | **(12,436)** |
| Other income | | 17 | - |
| Pre-production mining expenses | 3 | (750) | (4,892) |
| Other expenses | 3 | (13,134) | (7,313) |
| **Loss before income tax and net finance expenses** | | **(33,411)** | **(24,641)** |
| Finance income | 2 | 29 | 25 |
| Finance expenses | 3 | (1,028) | (265) |
| **Loss before income tax** | | **(34,411)** | **(24,881)** |
| Income tax benefit / (cost) | 5 | - | - |
| **Net loss for the year** | | **(34,411)** | **(24,881)** |
| Other comprehensive income | | - | - |
| **Total comprehensive loss for the year** | | **(34,411)** | **(24,881)** |
| **Loss for the year is attributable to: Owners of Bounty Mining Limited** | | **(34,411)** | **(24,881)** |
| **Total comprehensive loss for the year is attributable to: Owners of Bounty Mining Limited** | | **(24,881)** | **(24,881)** |
| | | **Cents** | **Cents** |
| Basic and diluted loss per share (cents per share) | 20 | (0.092) | (0.130) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 30 JUNE 2019

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 255 | 8,810 |
| Restricted cash | 6 | 22 | 22 |
| Trade and other receivables | 8 | 7,666 | 7,871 |
| Inventory | 9 | 7,039 | 9,600 |
| Other current assets | 10 | 3,522 | 3,415 |
| **Total current assets** | | **18,504** | **29,718** |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 39,942 | 40,222 |
| Exploration and evaluation asset | 12 | 4,252 | 4,080 |
| Other non-current assets | 13 | 515 | 510 |
| **Total non-current assets** | | **44,709** | **44,812** |
| **Total assets** | | **63,213** | **74,530** |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 14,344 | 13,622 |
| Progress and prepaid sales | 15 | 7,846 | 13,903 |
| Liabilities in relation to the Cook acquisition | 16 | 4,500 | 12,000 |
| Financial liabilities | 17 | 25,930 | 930 |
| Employee entitlement provision | 18 | 1,160 | 901 |
| **Total current liabilities** | | **53,780** | **41,356** |
| **Non-current liabilities** | | | |
| Provision for rehabilitation | 19 | 9,501 | 9,192 |
| Employee entitlement provision | 18 | 65 | 59 |
| **Total non-current liabilities** | | **9,566** | **9,251** |
| **Total liabilities** | | **63,346** | **50,607** |
| **Net assets / (liabilities)** | | **(133)** | **23,923** |
| **Equity** | | | |
| Issued capital | 21 | 98,199 | 87,844 |
| Accumulated losses | 22 | (103,631) | (69,220) |
| Option reserves | 23 | 5,299 | 5,299 |
| **Total equity** | | **(133)** | **23,923** |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2019

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

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2019

| | Note | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 97,390 | 21,653 |
| Payments to suppliers and employees | | (127,883) | (36,951) |
| Interest received | | 30 | 23 |
| Interest and other finance costs paid | | (799) | (224) |
| **Net cash flows used in operating activities** | 7 | **(31,262)** | **(15,499)** |
| **Cash flows from investing activities** | | | |
| 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) |
| **Net cash flows used in investing activities** | | **(12,605)** | **(22,776)** |
| **Cash flows from financing activities** | | | |
| Gross proceeds from issue of shares | | 10,300 | 49,501 |
| Costs related to issue of shares | | (159) | (2,415) |
| Proceeds from borrowings | | 25,000 | - |
| Finance assurance | | - | (500) |
| **Net cash flows provided by financing activities** | | **35,141** | **46,586** |
| Net 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 |
| **Cash at end of financial year** | 6 | **277** | **8,832** |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to Financial Statements

### 1 Statement of Significant Accounting Policies

This financial report covers the consolidated group of Bounty Mining Limited and its controlled entities incorporated and domiciled in Australia ("Bounty" or "the Group" or "the Consolidated Entity").

The separate financial statements of the parent entity, Bounty Mining Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

**Basis of preparation**

This financial report is a general-purpose financial report, prepared in accordance with the Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial reports containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Except for cashflow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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

The financial report was authorised for issue on 10 September 2019 by the Board of Directors.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

**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).

The existing Amaroo Loan Facility Agreement includes a number of covenants including an obligation for positive Free Cash Flow each month. Achievement of this obligation is highly dependent on production and timing of trains and shipments. Ongoing support from the lender will be necessary in the event of not achieving these covenants.

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 to 30 September 2019 and the issue of a bank guarantee to Cook Resource Mining Pty Ltd under the Cook acquisition to 15 October 2019.

Bounty is also investigating additional sources of capital including financing arrangements for bank guarantees and a placement under the 15% allowed annually under ASX Listing Rule 7.1.

The ability of the Group to continue as a going concern is dependent on obtaining shareholder approval for the new funding facility and thereafter on the generation of positive cashflows from operations during the financial year or seeking alternative sources of funding to cover any shortfalls if required.

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 which has been demonstrated at other operations to significantly increase productivity. Financial modelling, reviewed by independent external parties, has demonstrated that place change mining, commencing in November 2019, will deliver positive cash flows. The Directors are confident that Bounty will progressively implement place change mining during the period from November 2019 to March 2020.

The Directors expect that this will contribute to repayment of the Amaroo debt and should give debt providers confidence in providing a loan facility to replace the existing Amaroo finance facility in July 2020. Cashflows may vary from those modelled should there be delays in the implementation and / or ramp up of place change mining.

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.

**Principles of consolidation**

The consolidated financial statements incorporate all the assets, liabilities and results of the parent (Bounty Mining Limited) and all of its subsidiaries, where subsidiaries are entities controlled by the parent. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of subsidiaries is provided in Note 27.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, are fully eliminated on consolidation. Accounting policies of subsidiaries are consistent with those policies applied by the parent entity. All subsidiaries have a June financial year-end.

**Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

**Asset acquisitions**

For the purposes of AASB 3: Business Combinations, consideration needs to be given as to whether or not Cook Colliery is a business. Bounty determined that the acquisition of Cook Colliery and other nearby assets in Financial Year 2018 does not meet the definition of a business because at the acquisition date not all of the necessary inputs and processes were available and in condition to enable the creation of outputs. Accordingly, the acquisition was accounted for as an asset acquisition. Key matters taken into consideration in forming this conclusion were:

- The Cook Colliery site was damaged and was under a care and maintenance since May 2017.
- The assets were not capable of producing outputs without repair and remediation work which Bounty has undertaken since acquisition in order to be in a position to commence operations.
- The Minyango Site is yet to be developed.

Where the acquisition of a group of assets does not constitute a business, AASB 3 prescribes that in such cases the acquirer shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The cost of the group of assets shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market. Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of inputs used in making the measurements.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of the unobservable inputs.

**Goods and services tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are shown inclusive of GST. The amounts of GST recoverable from, or payable to, the ATO are included as a current asset or liability in the statement of financial position.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cashflows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cashflows included in receipts from customers or payments to suppliers.

**Key judgements and estimates**

The Directors evaluate estimates incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Management has identified critical accounting policies for which significant judgements, estimates and assumptions are made. Further information can be found in the relevant Notes to the financial statements:

- Note 5 Income Tax
- Note 11 Property, Plant and Equipment
- Note 12 Exploration and Evaluation Assets

**Change in accounting policy**

During FY19 Bounty adopted:

- AASB 15 Revenue from Contracts with Customers; and
- AASB 9 Financial Instruments

Adoption of these Australian Accounting Standards had no material effect on Bounty's financial statements.

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is Bounty Mining Limited's functional and presentational currency.

Foreign currency transactions are translated into Australian dollars using the exchanges rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when; it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when; it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

## 2 Revenue and other income

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Revenue** | | |
| Revenue from sale of coal | 106,589 | 13,767 |
| **Total revenue** | 106,589 | 13,767 |
| | | |
| **Finance income** | | |
| Interest income | 29 | 25 |
| **Total finance income** | 29 | 25 |

**Disaggregation of revenue from contract with customers**

| 2019 | Domestic AUD '000 | Export AUD '000 | Total AUD'000 |
|---|---|---|---|
| Sales - thermal coal | - | 11,150 | 11,150 |
| Sales - coking coal | - | 95,440 | 95,440 |
| **Total** | **-** | **106,589** | **106,589** |
| | | | |
| **2018** | | | |
| Sales - thermal coal | 15 | 1,426 | 1,441 |
| Sales - coking coal | - | 12,326 | 12,326 |
| **Total** | **15** | **13,752** | **13,767** |

**Recognition of Revenue**

Coal sales are recognised when title to the coal is legally transferred to the buyer under the relevant agreement.

Under Bounty's current prepaid sales agreement with Xcoal Energy and Resources GmbH 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. The progress payments are therefore recognised as revenue at that time.

## 2 Revenue and other income (continued)

Bounty retains the obligation to cause the coal to be loaded onto the ship. The balance of the sale is recognised as revenue when Bounty has performed that obligation.

Under Bounty's prepaid sales agreement with Flame S.A. title is transferred and the company is paid in full when the coal is loaded onto the train. Bounty has no further performance obligations.

**Financial Year 2018**

Under Bounty's 2018 previous prepaid sales agreements with XCoal and Lido the company received progress payments when the coal was loaded onto the train at Bounty's CHPP to be placed on the stockpile at Gladstone. These progress payments were accounted for as liabilities on the balance sheet ("Progress sales" refer to note 15) until the stockpile coal had been loaded onto the ship. Ownership of the coal was transferred when the coal was loaded onto the ship and the ship leaves the Port of Gladstone and at that point Bounty recognised the sales revenue. At 30 June 2018, progress payments of $3.2m representing 17,072 tonnes of coal on the stockpile had been received and thee cash receipts were included as current liabilities on the balance sheet.

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 verification 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.

Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial assets.

All revenue is stated net of the amount of goods and services tax ("GST").

## 3 Cost of sales and other expenses

| | | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Production costs (Cost of sales)** | | | |
| 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 |
| Marketing expenses | | 2,028 | 2,109 |
| Production overheads | | 5,075 | 1,649 |
| Other production costs | | 94 | 81 |
| **Total production costs** | | **126,133** | **26,203** |
| **Pre-production mining costs** | | | |
| Start-up costs | | 750 | 4,892 |
| **Total pre-production mining costs** | | **750** | **4,892** |
| **Other expenses** | | | |
| Other expenses | (i) | 13,134 | 7,313 |
| **Total other expenses** | | **13,134** | **7,313** |
| **Finance expenses** | | | |
| Interest expenses | | 1,028 | 265 |
| **Total finance expenses** | | **1,028** | **265** |

**Recognition and measurement**

Cost of sales

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.

Pre-production mining expenses

Pre-production mining expenses represents the cost of re-commissioning the colliery, CHPP and the rail-loop.

Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred.

## 3 Cost of sales and other expenses (continued)

| | Note | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **(i) Other expenses** | | | |
| **Depreciation and amortisation** | | | |
| Depreciation | 11 | 5,928 | 1,651 |
| **Sub-total depreciation and amortisation** | | 5,928 | 1,651 |
| **Employee expenses** | | | |
| Employee - salaries and wages | | 1,992 | 870 |
| Employee superannuation | | 155 | 54 |
| Share-based payments | 31 | 55 | 235 |
| Non-executive director fees | | 359 | 406 |
| **Sub-total employee expenses** | | 2,561 | 1,565 |
| Other overhead expenses | | 3,316 | 2,985 |
| Listing costs | | 84 | 523 |
| Movement in foreign currency | | 1,245 | 589 |
| **Total other expenses** | | **13,134** | **7,313** |

**Recognition and measurement**

Superannuation plans

The Company contributes to defined contribution superannuation plans. Contributions are charged against income as they are made. The Company and its controlled entities have no legal or constructive obligation to fund any deficit.

Leases

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense and spread over the lease term.

## 4 Auditor's remuneration

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Remuneration of auditors** | | |
| IPO Investigative Accountant Report | - | 45 |
| Independent Expert Report | 24 | - |
| Long Service Leave Levy audit | 5 | - |
| Taxation Services | 59 | - |
| Audit or review of financial reports | 100 | 80 |
| **Total audit and other services** | **188** | **125** |

## 5 Income tax

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| The components of tax expense comprise: | | |
| Current tax | - | - |
| Deferred tax | - | - |
| | - | - |

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Prima facie tax on loss from ordinary activities before income tax at 30% (2018: 27.5%) | (10,323) | (6,842) |
| Add: tax effect of: | | |
| - Non-allowable items | 2,096 | 895 |
| - Tax assets not brought to account | 10,202 | 6,351 |
| Deduct: tax effect of: | | |
| - Movement in provisions | 80 | 264 |
| - Exploration expenditure | | - |
| - Other allowable items | (2,055) | (668) |
| **Income tax charge attributable to entity** | - | - |

**Recognition and measurement**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the

## 5 Income tax (continued)

timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:
(a) a legally enforceable right of set-off exists; and
(b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**Tax consolidation**

Bounty Mining Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 31 March 2005 and reset the tax values of the assets of its subsidiaries on entering the tax consolidation regime.

Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The tax consolidated group has entered a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Contributions to fund the current tax liabilities are satisfied via a credit or debit to the member's intercompany account with the head entity.

**Deferred tax assets not brought to account**

The Directors estimate that at 30 June 2019 the amount of deferred tax assets not brought to account are:

- Revenue losses $25million (2018: $15million)
- Capital losses $0.3million (2018: $0.3million)
- Temporary differences not recognised $0.9million (2018: $0.8million)

These amounts have no expiry date.

Deferred tax assets of $1.2million (2018: Deferred tax assets $1.1million) arising from revenue losses have been applied to the deferred tax liabilities arising from exploration expenditure.

## 5 Income tax (continued)

The benefit of deferred tax assets and tax losses will only be obtained if:

I. The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

II. The consolidated entity continues to comply with the conditions for deductibility imposed by the tax legislation; and

III. No changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

*Key judgements*

*Deferred tax assets are not currently recognised for deductible revenue or capital losses or temporary differences as management considers that it is not yet probable that future taxable profits will be available to utilise those tax losses or temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised. Based on the uncertainty of the timing of future profits management have not recognised any deferred tax assets.*

## 6 Cash and cash equivalents

| | | 2019 | 2018 |
|---|---|---|---|
| | | **$'000** | **$'000** |
| Cash at bank and in hand | | 255 | 8,810 |
| Restricted cash | (a) | 22 | 22 |
| | | 277 | 8,832 |

(a) Restricted cash held in relation to a bank guarantee.

**Recognition and measurement**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

## 7 Cash flow information

Reconciliation of loss after income tax to net cash flow used in operating activities

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Loss after income tax** | **(34,411)** | **(24,881)** |
| Add non-cash items: | | |
| Depreciation | 5,928 | 1,651 |
| Expenses converted to shares | 55 | 630 |
| Other non-cash items | 593 | - |
| **Net cash used in operating activities before change in assets and liabilities** | **(27,835)** | **(22,600)** |
| Change in operating assets and liabilities: | | |
| (Increase)/decrease in trade and other receivables | (795) | (7,863) |
| (Increase) / decrease in inventory | 2,560 | (9,600) |
| (Increase) in other assets | (107) | (3,401) |
| Increase in trade and other payables | 714 | 13,102 |
| Increase / (decrease) in progress and prepaid sales | (6,057) | 13,903 |
| Increase in provisions for employee entitlements | 259 | 960 |
| **Net cash flow used in operating activities** | **(31,262)** | **(15,499)** |

## 8 Trade and other receivables

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Trade receivables | 6,591 | 4,663 |
| Goods and services tax receivables | 1,075 | 3,208 |
| **Total trade and other receivables** | **7,666** | **7,871** |

**Recognition and measurement**

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Trade and other receivables are initially recognised at fair value and subsequently stated at cost less impairment losses. No receivables were impaired at year end and in FY19.

There were no breaches of payment terms noted during the financial year and all receivables as at 30 June 2019 have subsequently been receipted within contract terms without issue.

## 8 Trade and other receivables (continued)

Impairment

From 1 July 2018 the group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology depends on whether there has been a significant increase in credit risk.

For trade receivables the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Management has determined that assessment of expected credit loss associated with trade receivables is immaterial.

## 9 Inventory

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| ROM coal inventory | 133 | 981 |
| CHPP coal inventory | 2,218 | 2,191 |
| Port coal inventory | - | 3,169 |
| **Coal inventory** | 2,351 | 6,341 |
| Spare parts and consumables | 4,689 | 3,259 |
| **Total Inventories** | **7,039** | **9,600** |

**Recognition and measurement**

Coal inventory is valued using direct 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). Final coal inventory valuation is at the lower of this 'normalised' 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.

Following an amendment to Bounty's forward sales contract with Xcoal in July 2018 ownership of coal transfers to Xcoal when the coal arrives at the Port. Under Bounty's forward sales contract with Flame ownership of coal transfers to Flame when the coal is loaded onto the train. Bounty therefore does not own any coal at the Port.

## 10 Other current assets

| | | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| Deposits and financial assurances paid | | 9 | 351 |
| Prepayments | (a) | 3,513 | 3,010 |
| Sundry debtor | | - | 54 |
| **Total other current assets** | | **3,522** | **3,415** |

(a) Prepayments relate in the main to annual insurance premiums.

## 11 Property, plant and equipment

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Mining Properties** | | |
| At cost | 26,019 | 25,657 |
| Accumulated depreciation | (1,764) | (307) |
| | 24,255 | 25,350 |
| **Plant and equipment** | | |
| At cost | 17,638 | 8,259 |
| Accumulated depreciation | (6,262) | (1,151) |
| | 11,376 | 7,108 |
| **Buildings and improvements** | | |
| At cost | 4,250 | 3,061 |
| Accumulated depreciation | (2,120) | (175) |
| | 2,130 | 2,886 |
| **Capital work in process** | | |
| Plant and equipment work at cost | 1,782 | 4,631 |
| | 1,782 | 4,631 |
| **Office equipment** | | |
| At cost | 517 | 232 |
| Accumulated depreciation | (145) | (15) |
| | 373 | 218 |
| **Motor Vehicles** | | |
| At cost | 32 | 32 |
| Accumulated depreciation | (6) | (3) |
| | 26 | 29 |
| **Total property, plant and equipment** | **39,942** | **40,222** |

This includes the mining assets acquired under the Cook acquisition agreements (excluding the Minyango-related asset which is included in the Exploration and evaluation asset) and mining equipment purchased since the acquisition.

## 11 Property, plant and equipment (continued)

### Recognition and measurement

Each class of plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed and refurbished within the economic entity includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

**Movements in carrying amounts:**

| **2019** | Mining properties $'000 | Plant and equipment $'000 | Buildings and improvements $'000 | Capital work in process $'000 | Office equipment $'000 | Motor vehicles $'000 | **Total $'000** |
|---|---|---|---|---|---|---|---|
| Balance at 1 July 2018 | 25,350 | 7,108 | 2,886 | 4,631 | 218 | 29 | **40,222** |
| Additions | 89 | - | - | 5,233 | 326 | - | **5,648** |
| Capital work in process transfers | 137 | 7,074 | 913 | (8,082) | (42) | - | - |
| Recategorised | 124 | 1,081 | (1,202) | - | (3) | - | - |
| Depreciation expenses | (1,445) | (3,887) | (467) | - | (126) | (3) | **(5,928)** |
| **Carrying amount at 30 June 2019** | **24,255** | **11,376** | **2,130** | **1,782** | **373** | **26** | 39,942 |

## 11 Property, plant and equipment (continued)

| | $'000 | $'000 | Buildings and improvements $'000 | Capital work in process $'000 | Office equipment $'000 | Motor vehicles $'000 | **Total $'000** |
|---|---|---|---|---|---|---|---|
| Balance at 1 July 2017 | - | - | - | - | - | - | - |
| Additions - Cook Colliery acquisition | 25,657 | 8,259 | 3,061 | | 6 | | **36,983** |
| Other additions | | | | 4,631 | 227 | 32 | **4,890** |
| Depreciation expenses | (307) | (1,151) | (175) | | (15) | (3) | **(1,651)** |
| **Carrying amount at 30 June 2018** | **25,350** | **7,108** | **2,886** | **4,631** | **218** | **29** | **40,222** |

### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The expected useful lives for each class of assets are as follows:

| | |
|---|---|
| Mining properties | Life of mine units |
| Plant and equipment | 3 - 5 years |
| Buildings and improvements | 3 - 5 years |
| Office equipment | 1 - 4 years |
| Motor vehicles | 2 - 5 years |

Estimation of useful lives

The estimation of the useful lives of assets has been based on historical experience as well as electrical coding information. Depreciation rates and methods are reviewed annually for appropriateness.

Mining properties are being depreciated on a "units of production basis" over the life of the economic reserves.

Capital work in process

These assets are in process of being refurbished in preparation for mining. The depreciation will commence from the time the asset is in use.

## 11 Property, plant and equipment (continued)

*Key Judgements – Property, Plant & Equipment: Impairment of Assets*

*At each reporting date, Bounty reviews the carrying values of its assets by evaluating events and conditions specific to Bounty that may be indicative of impairment triggers to determine whether there is any indication that those assets may have been impaired. If such an indication exists, in normal operational circumstances the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and its value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.*

*Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.*

## 12 Exploration and evaluation assets

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Exploration and evaluation assets as at 1 July 2018 | 4,080 | 2,267 |
| Expenditure capitalised during the financial year | 172 | 1,813 |
| **Exploration and evaluation assets as at 30 June 2019** | **4,252** | **4,080** |

This represents investment in the Wongai, Minyango and Cook North Projects.

**Recognition and measurement**

Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A provision is raised against exploration and evaluation assets where the directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

## 12 Exploration and evaluation assets (continued)

**Wongai Coal Project**

a) Recoverability of the carrying amount of exploration asset is dependent on the successful development of the Wongai Coal Project.

b) The Wongai Coal Project is carried on through a joint operation. Bounty considers that it has joint control of the Wongai Coal Project, because decisions about the key activities that significantly affect the returns from the Project require the unanimous consent of the joint operators sharing control. As the parties have rights to the assets and obligations for the liabilities relating to the Project, it is a joint operation.

The main elements of the joint operation are set out below:

i. The joint operation is titled the Wongai Coal Joint Venture ("WCJV"). The operation commenced on 15th February 2014 and consists of several agreements.

ii. The participants are Aust-pac Capital Pty Ltd ("Austpac") (in its own capacity and in its capacity as trustee of the Wongai Unit Trust) and Bounty Mining Investments Pty Ltd ("BMI"). The purpose of the WCJV is to determine the extent of economically recoverable reserves of coking coal in the Wongai tenements through exploration, and then to proceed to mining once those reserves are proven.

iii. Both participants are incorporated in Australia and the project is based in Queensland.

iv. The management committee will include equal representation from both participants.

v. BMI is sole funder of the operation until the Phase 3 works are completed

vi. Bounty has completed the Prefeasibility Study stage and has earned 22.5% equity in the Wongai Project. The Farm-In Agreement allows Bounty to move to 48% equity on completion of the Bankable Feasibility Stage and then to acquire a further 3% to move to 51% ownership of the Project at a 25% discount to an external valuation.

vii. The participants are deemed to have participating interest of 52% for Austpac and 48% for BMI until the Phase 3 works are completed or BMI withdraws from the Farm-In agreement. Notwithstanding the deemed participating interests, decisions about key activities require unanimous consent of the participants as explained above.

*Key Judgements*

*In respect of the expenditure recognised as an Exploration and Evaluation asset under AASB 6 "Exploration for and Evaluation of Mineral Resources", the Group has assessed that the exploration activities are not yet sufficiently advanced to make an assessment about the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to the area of interest are continuing.*

## 13 Other assets - non-current

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Finance assurance | 515 | 510 |

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

## 14 Trade and other payables

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Trade payables | 8,980 | 5,562 |
| Accrued expenses | 5,364 | 8,060 |
| **Total trade and other payables** | **14,344** | **13,622** |

**Recognition and measurement**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. Trade and other payables are stated at cost. $2.3million of the balance relates to insurance premium funding amounts payable over a period ending in February 2020. (2018: $1.7m). All other trade payables are non-interest bearing and are normally settled on 14 – 30 day terms.

## 15 Progress and prepaid sales

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Progress sales | - | 3,250 |
| Prepaid sales | 7,846 | 10,653 |
| **Total progress and prepaid sales** | **7,846** | **13,903** |

**Recognition and measurement**

Progress sales

Under Bounty's forward sales agreements with XCoal in FY2018 ownership of coking coal was transferred when coal had been loaded onto a ship at Gladstone Port. Coking coal at the Port was therefore owned by Bounty. The company received progress payments when the coal is loaded onto the train at Bounty's CHPP to be placed on the stockpile at Gladstone. These progress payments were accounted for as liabilities on the balance sheet until the stock-pile coal has been loaded onto the ship and despatched to the customer. At 30 June 2018 the coal represented by the $3.2 million progress sales remained on the stockpile at Gladstone awaiting shipment.

In July 2018 the agreement with Xcoal was amended. Ownership to the coal now transfers when the coal is delivered to Gladstone Port. Under Bounty's prepaid sales agreement with Xcoal Energy and Resources

## 15 Progress and prepaid sales (continued)

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. 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.

Therefore at 30 June 19 the company does not recognise the progress payments as a liability, but as a sale.

Prepaid sales

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

In March 2018 Bounty and Xcoal executed a USD5.5m prepaid coal sales agreement ("PSA") 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$3.75 million 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$2.0 million with respect to 750,000 tonnes of coking coal to be delivered by 31 December 2020.

On 2 August Bounty announced that it had further negotiated the terms of the coal offtake agreement with Xcoal and 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.

**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.

## 15 Progress and prepaid sales (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 | **465t** | 3,196 | 4,558 |
| Xcoal | Tranche 3 - Coking Coal | **750t** | 2,000 | 2,852 |
| Flame | Thermal Coal | **61t** | 306 | 436 |
| | | | | 7,846 |

## 16 Liabilities in relation to the Cook acquisition

| | **2019** | **2018** |
|---|---|---|
| | **$'000** | **$'000** |
| Cook Caledon Purchase Agreement | - | 5,000 |
| Cook Glencore Purchase Agreement | 4,500 | 7,000 |
| Total liabilities in relation to the Cook acquisition | 4,500 | 12,000 |

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 triggered the release Bounty from all obligations under the Fixed and Floating Charge related to the purchase agreement.

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

The parties have agreed to delay final payment and completion under the Asset Sale Agreement to Bounty Cook on 30 September. 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 $2.85million has been repaid with the balance due to be repaid by 30 September 2019.

## 17 Financial liabilities

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Related party secured loan (a) | 930 | 930 |
| Amaroo loan facility (b) | 25,000 | - |
| **Total financial liabilities** | **25,930** | **930** |

(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 Bounty was 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. The repayment date has been deferred by agreement to 30 September 2019.

(b) During the financial year Bounty drew down $25million of the $35million Amaroo working capital facility (see page 15 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 has drawn down a further $10million of the facility. The repayment date has been deferred by agreement to 30 September 2019.

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.

Refer to Note 26 for the recognition and measurement policy in relation to Financial Liabilities.

## 17 Financial liabilities (continued)

### Recognition and Measurement

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

## 18 Employee entitlement provision

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Employee entitlement provision - current | 1,160 | 901 |
| Employee entitlement provision - non-current | 65 | 59 |
| **Total employee entitlement provision** | **1,226** | **960** |
| Number of employees at year end* | 42 | 45 |

*This excludes non-executive directors and sub-contractors

### Recognition and measurement

A provision is recognised when a legal or constructive obligation exists as a result of a past event, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are measured using the best estimate of the amount required to settle the obligation at the end of the reporting period.

Employee entitlements

The provisions for employee entitlements to wages, salaries, annual leave, sick leave and long service leave represent present obligations resulting from employees' services provided up to the balance date. Where employee benefits are expected to be settled within one year they have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Where employee benefits are expected to be paid after one year they have been measured at the present value of the future amounts expected to be paid when the liability is settled plus related on-costs.

The current provision includes the annual leave entitlement for all employees and personal leave entitlement for a small group of specific employees.

The non-current provision includes a provision for long-service leave for non-mine site employees.

## 19 Provision for rehabilitation

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Provision for rehabilitation | 9,501 | 9,192 |

As part of the acquisition, Bounty will take over the obligation to rehabilitate the mine site, the cost of which was estimated at $9.2 million by the Department of Heritage and Environment and Protection (DEHP) in August 2017 and confirmed in May 2019. This rehabilitation cost has been recognised as a component cost of mine and a corresponding provision in the statement of financial position.

## 20 Earnings per share ("EPS")

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Loss for the year used to calculate basic and diluted EPS | (34,411) | (24,881) |
| | **Number<br>'000** | **Number<br>'000** |
| Weighted average number of ordinary shares used for the calculation of basic and diluted EPS | 374,497,205 | 191,049 |
| | **Cents** | **Cents** |
| Basic and diluted EPS | (0.092) | (0.130c) |

### Recognition and measurement

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after-tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive ordinary shares adjusted for any bonus issue.

Diluted EPS is the same as basic EPS because the effect of dilutive potential ordinary shares on EPS would be anti-dilutive for financial years 2019 and 2018.

## 21 Issued capital

### (a) Movements in ordinary share capital of Bounty during the year were 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 |

### Movements in FY18 were 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) | | |
| **Shares on issue at 30 June 2018** | **350,673,804** | | **$87,843,922** | $49,500,821 | $2,629,806 |

Terms and conditions of ordinary shares:

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

## 21 Issued capital (continued)

### (b) Movements in options over the securities of the company:

In Financial year 18 Bounty issued 26,301,614 options over ordinary securities to unrelated parties as capital raising fees as follows:

| Other terms | Class A | Class B |
|---|---|---|
| Number of options | 16,301,614 | 10,000,000 |
| Exercise price | $0.4375 | $0.4375 |
| Vesting date | 1,000,000: 25 August 2018<br>15,301,614: 7 December 2018 | 19 June 2018 |
| Expiry date | 19 June 2020 | 19 June 2021 |
| Underlying share price at grant date | $0.13 | $0.35 |
| Expected share price volatility | 87% | 88% |
| Risk free rate of return | 2.21% | 2.21% |
| Value per option using the Black Scholes Method | $0.02 | $0.18 |
| Total value recognised in equity | $326,032 | $1,800,000 |

No options were issued, cancelled or lapsed in the financial year 2019.

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.

### (c) Capital Management

Management aims to control the capital of Bounty in order to maintain a satisfactory debt to equity ratio, provide the shareholders with adequate returns and ensure that Bounty can fund its operations and continue as a going concern. Bounty's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

## 21 Issued capital (continued)

### (d) Recognition and measurement

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

## 22 Accumulated losses

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Accumulated losses at the beginning of the financial year | (69,220) | (44,339) |
| Net loss attributable to members of the parent entity | (34,411) | (24,881) |
| **Accumulated losses at the end of the financial year** | **(103,631)** | **(69,220)** |

## 23 Options reserves

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Balance at 1 July 2018 | 5,299 | 3,173 |
| Capital raising cost during the year | - | 2,126 |
| **Balance at 30 June 2019** | **5,299** | **5,299** |

The option reserve records items recognised as expenses or cost of raising capital on valuation of share options. The options reserve is used to record the share options issued in relation to the Company's securities.

## 24 Commitments

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **(a) Exploration and mining** | | |
| The commitments to be undertaken are as follows: | | |
| Not later than 12 months | 185 | 355 |
| Between 12 months and 5 years | 370 | 555 |
| Greater than 5 years | - | - |
| | 555 | 910 |
| **(b) Operating leases** | | |
| The commitments to be undertaken are as follows: | | |
| Not later than 12 months | 853 | 1,522 |
| Between 12 months and 5 years | 123 | 209 |
| Greater than 5 years | - | - |
| | 976 | 1,731 |
| **(c) Capital commitments** | | |
| The commitments to be undertaken are as follows: | | |
| Not later than 12 months | 1,897 | 1,254 |
| Between 12 months and 5 years | - | 64 |
| Greater than 5 years | - | - |
| | 1,897 | 1,318 |

## 24 Commitments (continued)

(a) Exploration and mining commitments

Bounty has certain obligations to expend minimum amounts on exploration in tenement arears.

(b) Operating leases

The operating leases commitments include equipment leases, office premises leases and services commitments.

(c) Capital commitments

The majority of these relate to mining equipment acquisitions which involve refurbishment and / or which are repaid under payment plan until the acquisition has been completed.

## 25 Contingent liabilities

Under the MRA 1989 the holder of a Mining Licence is required to pay Royalties on the Market Value of the Mineral mined from the land. Under the Acquisition agreement with Glencore, Cook Resource Mining Pty Ltd remains the holder of the mining Licence and ownership does not transfer to Bounty until full settlement of the Asset Sale Agreement. Discussions are ongoing with Glencore and the Queensland OSR in relation to the methodology and valuation of any Royalties to be paid, if any, and the entities responsible for payment. As the matter is yet to be finalised the timing and amount of any liability to be borne by Bounty is uncertain and as such no provision has been recorded in the financial statements. It is fully anticipated that on completion of the Asset Sale Agreement and transfer of Cook Resource Mining Pty Ltd licences to Bounty Royalties will be payable on future coal sales and will be provided as incurred.

## 26 Financial risk management

Financial instruments

Initial recognition and measurement of financial assets and financial liabilities occurs when Bounty becomes a party to the contractual provisions for the instrument.

Bounty's financial instruments consist mainly of deposits with bank, trade and other receivables, trade and other payables, progress and prepaid sales and secured loan facilities. These financial assets and liabilities are measured at amortised costs and carrying amounts reasonably approximate fair value.

**Specific financial risk exposures and management**

**(a) Credit risk**

The entity's maximum exposure for credit risks at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

## 26 Financial risk management (continued)

| | Note | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 6 | 255 | 8,810 |
| Restricted cash | 6 | 22 | 22 |
| Trade receivables | 8 | 6,580 | 4,661 |
| Other receivables | 8 | 1,086 | 3,210 |
| | | **7,943** | **16,703** |

### (b) Liquidity risk

Liquidity risk arises from the possibility that Bounty might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Bounty seeks to manage this risk through the following mechanisms:

- Preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- Maintaining the support of a related party lender;
- Maintaining ability to raise capital under the 15% available under ASX Listing Rule 7.1. ;
- Negotiating with stakeholders to defer payments – e.g. deferred payment to Glencore for the Cook acquisition has been deferred from 30 June 2019 to 30 September 2019;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets

**Maturity Analysis - Consolidated - 2019 - Financial Liabilities**

| **Financial liabilities** | | Carrying Amount | Contractual cash flows | 1 - 3 months | 4 - 6 months | 6 - 12 months |
|---|---|---|---|---|---|---|
| 2019 | | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Trade payables | 14 | 8,980 | 8,980 | 8,980 | | |
| Liabilities in relation to the Cook acquisition | 16 | 4,500 | 4,500 | 4,500 | | |
| VETL facility | 17 | 930 | 930 | 930 | | |
| Amaroo facility | 17 | 25,000 | 25,000 | 25,000 | | |
| | | **39,411** | **39,411** | **39,411** | - | - |

At the date of this report the VETL facility has been assigned to Amaroo. A shareholder meeting is being held on 30 September 2019 to seek shareholder approval for a recapitalisation proposal from Amaroo and other transactions (see Note 17). If shareholder approval is obtained the repayment date for the Amaroo facility, including the amount previously owed to VETL, will be deferred from 30 September 2019 to 31 July 2020.

## 26 Financial risk management (continued)

**Maturity Analysis - Consolidated - 2018 - Financial Liabilities**

| **Financial liabilities** | Note | Carrying Amount | Contractual cash flows | 1 - 3 months | 4 - 6 months | 6 - 12 months |
|---|---|---|---|---|---|---|
| 2018 | | $'000 | $'000 | $'000 | $'000 | $'000 |
| Trade payables | 14 | 5,562 | 5,562 | 5,562 | | |
| Liabilities in relation to the Cook acquisition | 16 | 12,000 | 12,000 | | | 12,000 |
| VETL facility | 17 | 930 | 930 | | 930 | |
| | | 18,492 | 18,492 | 22,198 | 6,257 | 12,000 |

### Recognition and Measurement

Financial liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

The following table details Bounty's contractual maturity for non-derivative financial liabilities and is based on undiscounted financial liabilities on the earliest date on which repayment can be required.

| 2019 | Note | weighted average effective interest rate % | Floating interest rate $'000 | Fixed interest rate $'000 | Non-interest bearing $'000 | Total carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | 6 | 0.78 | 110 | - | 145 | 255 |
| Restricted cash | 6 | 1.50 | - | 22 | - | 22 |
| Trade receivables | 8 | | - | - | 6,590 | 6,590 |
| Other receivables | 8 | | - | - | 1,076 | 1,076 |
| **Total financial assets** | | | **110** | **22** | **7,811** | **7,944** |
| **Financial Liabilities** | | | | | | |
| Trade payables | 14 | | - | - | 8,980 | 8,980 |
| Accrued expenses | 14 | | - | - | 5,364 | 5,364 |
| Progress and prepaid sales | 15 | | - | - | 7,846 | 7,846 |
| Liabilities in relation to the Cook acquisition | 16 | | - | - | 4,500 | 4,500 |
| Related party secured loan | 17 | 9.72 | - | 930 | - | 930 |
| Amaroo loan facility | 17 | 8 | - | 25,000 | - | 25,000 |
| **Total financial liabilities** | | | **-** | **25,930** | **26,690** | **52,620** |
| **Net Financial Liabilities** | | | | | | **(44,676)** |

## 26 Financial risk management (continued)

| 2018 | Note | weighted average effective interest rate % | Floating interest rate $'000 | Fixed interest rate $'000 | Non-interest bearing $'000 | Total carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | 6 | 0.49 | 8,637 | - | 173 | 8,810 |
| Restricted cash | 6 | 1.10 | - | 22 | - | 22 |
| Trade receivables | 8 | | - | - | 4,661 | 4,661 |
| Other receivables | 8 | | - | - | 3,210 | 3,210 |
| **Total financial assets** | | | **8,637** | **22** | **8,044** | **16,703** |
| **Financial Liabilities** | | | | | | |
| Trade payables | 14 | | - | - | 5,562 | 5,562 |
| Accrued expenses | 14 | | - | - | 8,060 | 8,060 |
| Progress and prepaid sales | 15 | | - | - | 13,903 | 13,903 |
| Liabilities in relation to the Cook acquisition | 16 | | - | - | 12,000 | 12,000 |
| Related party secured loan | 17 | 9.72 | - | 930 | - | 930 |
| **Total financial liabilities** | | | **-** | **930** | **39,525** | **40,455** |
| **Net Financial Liabilities** | | | | | | **(23,752)** |

### Fair Value

The fair value of financial assets and liabilities at balance date approximates their carrying amount.

### (c) Currency Risk

The Australian dollar (AUD) is the functional currency of Bounty and as a result currency exposure arises from the transactions and balances denominated in currencies other than the AUD.

Coal sales denominated in USD

Coal sales for export coal are denominated in USD. Bounty is therefore exposed to volatility in the USD: AUD exchange rates.

Expenses denominated in currencies other than AUD

Currently the exposure to such expenses is minimal.

### (d) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments.

## 26 Financial risk management (continued)

### (e) Foreign exchange ("FX") risk

Foreign exchange risk arises principally from cash and cash equivalents, trade receivables and progress and prepaid sales liabilities.

As at 30 June 2019, the effect on profit and equity as a result of changes in the FX rate would be:

| | 2019 $'000 | increase in FX rate by 5% Profit / (loss) $'000 | decrease in FX rate by 5% Profit / (loss) $'000 |
|---|---|---|---|
| Cash and cash equivalents - USD A/C | 48 | (2) | 3 |
| Trade receivables | 5,894 | (281) | 310 |
| Prepaid sales | 7,845 | 373 | (413) |

As at 30 June 2018:

| | 2018 $'000 | increase in FX rate by 5% Profit / (loss) $'000 | decrease in FX rate by 5% Profit / (loss) $'000 |
|---|---|---|---|
| Cash and cash equivalents - USD A/C | 76 | (4) | 4 |
| Trade receivables | 4,661 | (222) | 245 |
| Progress sales | 3,250 | 155 | (171) |
| Prepaid sales | 10,653 | 507 | (561) |

### (f) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rate will affect future cash flows or the fair value of fixed rate financial instruments. Bounty is also exposed to earnings volatility on floating rates.

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2018 100% of Bounty's debt is provided by a fixed rate loan. Bounty policy is to keep between 65% and 100% of debt on fixed interest rates.

## 26 Financial risk management (continued)

Interest Rate Sensitivity Analysis

At 30 June 2019, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | 2019 $'000 | increase in interest rate by 1 % Profit $'000 | decrease in interest rate by 1 % Profit $'000 |
|---|---|---|---|
| Cash and cash equivalents | 110 | 1 | (1) |

At 30 June 2018, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | 2018 $'000 | increase in interest rate by 1 % Profit $'000 | decrease in interest rate by 1 % Profit $'000 |
|---|---|---|---|
| Cash and cash equivalents | 8,636 | 86 | (86) |

**(g) Price risk**

Bounty has exposure to price risk through a sales contract with one of its customers. Under this contract the sales price is adjusted based on the market price of the coal at the time the shipment is received.

## 27 Controlled Entities

| | 2019 | 2018 |
|---|---|---|
| **Particulars in relation to controlled entities** | | |
| **Parent entity** | | |
| Bounty Mining Limited | | |
| **Controlled entities** | | |
| Bounty Mining Limited controls the following entities: | | |
| Bounty Minyango Leasing Pty Limited | 100% | 100% |
| Bounty Operations Pty Limited | 100% | 100% |
| Bounty Cook Pty Limited | 100% | 100% |
| Bounty Mining Investments Pty Limited | 100% | 100% |

## 28 Parent entity disclosures

| Financial position as at 30 June | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Assets** | | |
| Current assets | 719 | 8,957 |
| Non-current assets | 69,661 | 35,189 |
| **Total assets** | **70,380** | **44,146** |
| **Liabilities** | | |
| Current liabilities | 26,086 | 2,454 |
| **Total liabilities** | **26.086** | **2,454** |
| **Net assets** | **44,294** | **41,692** |
| **Equity** | | |
| Issued capital | 98,198 | 87,844 |
| Accumulated losses | (59,204) | (51,451) |
| Reserves | 5,299 | 5,299 |
| **Total equity** | **44,294** | **41,692** |

| Financial performance | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Loss for the year | (7,753) | (7,775) |
| Other comprehensive income | - | - |
| **Total comprehensive loss** | **(7,753)** | **(7,775)** |

## 28 Parent entity disclosures (continued)

The loss for the year includes a provision for impairment of $5.7 million (2018: $3.5 million) against loans made by the parent company (Bounty Mining Limited) to a subsidiary where, based on the assets of those subsidiaries, there is a reduced capacity to repay the loans. The parent entity has no contingent liabilities or capital commitments.

Also refer to note 1 Going Concern.

## 29 Subsequent Events

Other than as described in the directors' report there have been no other subsequent events which require disclosure.

## 30 Segment

The consolidated entity operates under one business segment which is the exploration, production and sale of coal in Australia. This approach by management is different from the 30 June 2018 year end because decision making is based on it being one segment now as the focus is on coal production.

Major customers
During the financial year 78% of Bounty's external revenue was derived from sales to a major customer (2018:90%). The next most significant customer accounted for 11% of revenue (2018: 10%).

### Recognition and measurement

Bounty applies AASB 8 Operating Segments which requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner that is consistent with the internal reporting to the CODM, which has been identified by Bounty as the Executive Chairman and other members of the Board of Directors.

## 31 Share-based Payments

In August 2018, 143,2299 shares were granted to current and former employees at 38.4c per share as share-based payments. No options or rights were granted other than those disclosed in Note 21a.

Financial year 2018: On 12 June 2018, 671,429 shares were granted to KMP at 35c per share as share-based payments. No options or rights were granted other than those disclosed in Note 21a.

## 31 Share-based Payments (continued)

The amount recognised as share-based payment expenses in the Consolidated Statement of Profit and Other Comprehensive Income is as follows:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Employee benefits expense | 55 | 235 |

In Financial year 2018 26,301,614 options were issued to non-related parties in the financial year as capital raising fees, with a total value of $2,126,032 (see Note 21b). The amount was recorded against equity in the current financial year.

These amounts have been recognised in equity in the Consolidated Statement of Financial Position as follows:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Capital raising cost | - | 2,126 |

**Recognition and measurement**

The fair value of shares, options or rights granted to directors, employees and consultants are recognised as an expense or a deduction from equity where related to capital raisings, with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the directors, employees or consultants become unconditionally entitled to the instruments. In determining fair value, no account is taken of any performance conditions other than those related to the Bounty Mining Limited share price (i.e. market conditions).

## 32 Related party transactions

*Parent entity*

Bounty Mining Limited is the parent entity and is incorporated in Australia.

*Subsidiaries*

Interests in subsidiaries are set out in note 27.

*Joint operations*

Interests in joint operations are set out in Note 12.

*Key management personnel*

Disclosures relating to key management personnel are set out in Note 31 and in the remuneration report included in the directors' report.

## 32 Related party transactions

*Related party loans*

Disclosures relating to loans to related parties are set out in Note 17.

*Transactions with related parties*

The following transactions occurred with related parties:

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Rent paid to C5 Holdings Pty Ltd, an entity associated with former director Gary Cochrane | 86,660 | 43,550 |
| Consultancy fees paid to Jukes Todd Pty Ltd, an entity associated with director Rob Stewart. | 52,614 | 335,000 |

The outstanding balances at reporting date were:

- C5 Holdings Pty Ltd - $9,570
- Jukes Todd Pty Ltd - $5,223

## 33 New and amended Accounting Standards adopted by the Group

Bounty has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

The adoption of these Australian Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Bounty.

## 34 New Accounting Standards for Application in Future Periods

**AASB 16 Leases**

AASB 16 will replace AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

## 34 New Accounting Standards for Application in Future Periods (continued)

A lessee measures right-of-use asset similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

This Standard applies to annual reporting periods beginning on or after 1 January 2019. Bounty will adopt this standard from 1 July 2019 and the impact has been determined not to be material.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bounty Mining Limited, the directors of the Company declare:

1 that the financial statements and notes set out in pages 30 to 72 are in accordance with the Corporations Act 2001, and:

a) comply with Accounting Standards and the Corporations Regulations 2001; and
b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Company and Consolidated Entity; and
c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

2 that the Chief Executive Officer and Chief Financial Officer have each declared that:

a) the financial records of the Consolidated Entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001; and
b) the financial statements and notes for the financial year comply with the Accounting Standards; and
c) the financial statements and notes for the financial year give a true and fair view;

3 In the Directors' opinion there are reasonable grounds to believe that the Company and Consolidated Entity will be able to pay their debts as and when they become due and payable.

Dated 16 September 2019

Signed in accordance with a resolution of the Directors:

Rob Stewart
*Chairman*

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Bounty Mining Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Bounty Mining Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BDO

## Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Revenue Recognition

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| As explained in Note 1, the Group has implemented AASB 15 *Revenue from Contracts with Customers* for in the fiscal year 2019. Significant management judgements and estimates occur in the timing and quantum of amounts recognised for various performance obligations.<br><br>Revenue recognition was identified as a key audit matter due to the significance of revenue to the financial report and the complex nature of a significant revenue arrangement. | Our audit procedures included, but were not limited to the following:<br>• Obtaining and developing an understanding of the contracts with customers and considered management's treatment in accordance with the 5 step approach outlined in AASB 15;<br>• Considering management's determination of performance obligations and allocation of the transaction price to the milestones;<br>• Considering whether a significant financing component exists with respect to the prepaid coal sales;<br>• Performing substantive testing, including:<br>    • Tracing revenue transactions to supporting documentation;<br>    • Ensuring revenue transactions around year end were included in the appropriate financial reporting period, including coal delivered to the port;<br>    • Considering the date of foreign exchange translation to ensure appropriate valuation; and |

|  |  |
|---|---|
|  | • Recalculating the balance of the deferred revenue (prepaid sales) balance based on the contracted prepayment and the number of tonnes delivered to date.<br>• Assessing the adequacy of the Group's disclosures within the financial statements and evaluating the disclosures for revenue and revenue recognition accounting policies. |

Carrying Value of Property, Plant and Equipment

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| As required by AASB 136 *Impairment of Assets*, assets are required to be valued and assessed by management where there are indicators as impairment.<br><br>As at 30 June 2019 the Group has property, plant and equipment of $40m, which consists of primarily of the mining property and associated plant and equipment.<br><br>The recoverable amount was assessed using a discounted cash flow model which is dependent on key judgements and estimates as disclosed in Note 11.<br><br>The recoverability of the property, plant and equipment is a key audit matter due to the significance of the total and the extent of procedures undertaken to evaluate management's application of AASB 136. | Our audit procedures in respect of this area included, but were not limited to the following:<br>• Obtaining management's value in use model which utilised a third party expert's life of mine report and assessing the report as follows:<br>  • considering the competency, capability and objectivity of the management's expert;<br>  • evaluating the inputs to the life of mine and value in use models, including future commodity prices, foreign exchange rate forecasts, discount rates and resource estimates;<br>  • considering a base case under existing operational capacity and costs and compared to the carrying value of the mine.<br>• Evaluating management's assessment of impairment under AASB 136; and<br>• Assessing the appropriateness of the disclosures in Notes 1 and 11 to the financial statements. |

BDO

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Bounty Mining Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO East Coast Partnership**

BDO

Gareth Few

Gareth Few

Partner

Sydney, 16 September 2019

## Appendix 1 ASX ADDITIONAL INFORMATION

### The shareholder information set out below was applicable as at 20 August 2019.

### A. Distribution of equity securities

Analysis of equity security holders by size of holding

| | Number of shareholders | Ordinary Shares Held |
|---|---|---|
| 1 - 1000 | 259 | 114,511 |
| 1,001- 5,000 | 375 | 983,094 |
| 5,001 - 10,000 | 147 | 1,111,183 |
| 10,001 - 100,000 | 424 | 15,601,712 |
| More than 100,000 | 197 | 367,339,866 |
| **Total** | **1,402** | **385,150,366** |

There were 672 holders of less than a marketable parcel of ordinary shares at 8c.

### B. Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

| | Ordinary Shares Number held | Percentage of issued shares |
|---|---|---|
| Max Coal Pte Ltd | 56,380,526 | 14.6% |
| Lido Trading Limited | 44,615,247 | 11.6% |
| Amaroo Blackdown Investments Pte Ltd (a) | 39,008,646 | 10.1% |
| Amaroo Blackdown Investments LLC (a) | 28,437,651 | 7.4% |
| VETL Pty Ltd <Cochrane treasury A/C> (b) | 26,153,846 | 6.8% |
| Contango Nominees Pty Ltd | 15,550,000 | 4.0% |
| J P Morgan Nominees Australia Limited | 15,303,423 | 4.0% |
| VETL Pty Ltd <Moongunya Investment A/C> (b) | 7,942,646 | 2.1% |
| Dahlonega Investments Pty Ltd | 6,817,576 | 1.8% |
| KNT International Co Ltd | 6,716,057 | 1.7% |
| HFTT Pty Ltd >Haggarty Family a/c> | 6,073,810 | 1.6% |
| Ms Zolzaya Byambaa | 5,942,844 | 1.5% |
| Killin Investments Pty Ltd | 5,179,487 | 1.3% |
| Aus-care Management Services Pty Ltd | 5,028,571 | 1.3% |
| Redland Plains Pty Ltd <Majestic Investment Fund a/c> | 4,409,893 | 1.1% |
| HSBC Custody Nominees (Australia) Ltd | 3,926,987 | 1.0% |
| Bindaring Pty Ltd | 3,142,858 | 0.8% |
| Mrs Margaret Lynette Harvey | 3,142,857 | 0.8% |
| Crocodile Capital Offshore Fund | 3,000,000 | 0.8% |
| Killin Capital Pty Ltd | 2,971,422 | 0.8% |
| | 289,744,447 | 75.2% |

## Appendix 1 ASX ADDITIONAL INFORMATION (continued)

### C. Substantial holders

Substantial holders in the ordinary shares of the company are set out below:

| Shareholder Name | Number Held | Percentage |
|---|---|---|
| Amaroo Blackdown Investments LLC and Amaroo Blackdown Investments Pte Ltd | 67,446,397 | 17.5% |
| Max Coal Pte Ltd | 56,380,526 | 14.6% |
| Lido Trading Limited | 44,615,247 | 11.6% |
| VETL Pty Ltd <Moongunya a/c> and VETL Pty Ltd <Cochrane Treasury A/C> (b) | 34,096,492 | 8.9% |

### D. Voting rights

The voting rights attaching to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### E. Restricted Securities

| 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 |

The remaining restricted securities will be released from escrow on 19 June 2020.