BOUNTY

BOUNTY MINING LIMITED
AND ITS CONTROLLED ENTITIES
ABN: 19 107 411 067

ANNUAL OPERATIONS AND FINANCIAL REPORT

30 JUNE 2018

TABLE OF CONTENTS

CORPORATE DIRECTORY

DIRECTORS

Gary Cochrane (Chairman)
Robert Stewart
Kevin Jiao
Julie Garland-McLellan

COMPANY SECRETARY

Eryl Baron

AUDITOR

Nexia Sydney Audit & Assurance

Level 16, 1 Market Street
Sydney NSW 2000

REGISTERED OFFICE

Suite 301, L3, 66 Hunter Street
Sydney NSW 2000

BANKERS

ANZ Banking Group Ltd

Chifley Square
Sydney. NSW 2000

Commonwealth Bank of Australia

14 Martin Place
Sydney, NSW 2000

SOLICITORS

McCullough Robertson

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

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Yarra Falls,
452 Johnston Street,
Abbotsford VIC 3067

CHAIRMAN'S REPORT

To Our Shareholders

I am pleased to present the Chairman's Report for Financial Year 2018.

It was an outstanding year for Bounty Mining Limited and I would like to thank all staff, shareholders and new investors for their support in the Company's rapid growth and recent listing on the Australian Securities Exchange. Bounty has transformed from a mine developer to a mine operator in a period of less than 8 months with the commencement of coal mining operations on 24 January 2018.

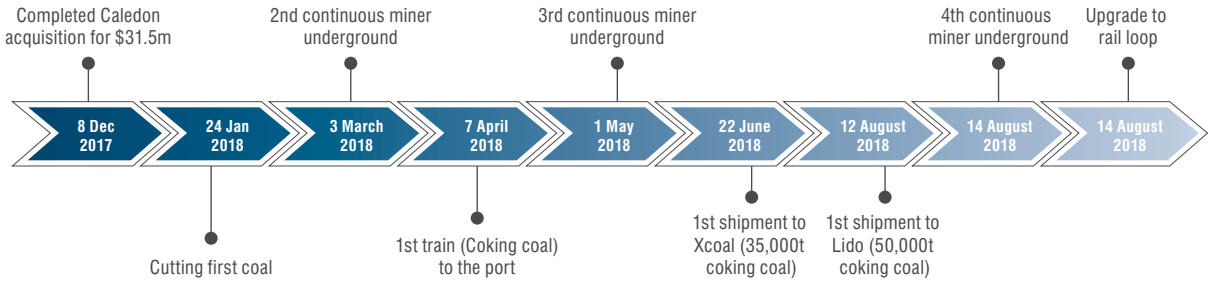
The company is now in a very strong position with an operating coking coal mine, prepaid sales agreements, growing sales revenue and a pipeline of great coking coal projects that can be developed over the next 5 years. This has been transforming for Bounty.

With continuing strength of the export coking coal sector and forecasters predicting steady demand growth for good quality Australian coking coal there are good prospects for future coal pricing and this will be assisted with the low Australian dollar.

THE TURNAROUND

At the start of the financial year Bounty was continuing development of the longer term Wongai Project. On 8 December 2017 Bounty was successful in acquiring the Cook Colliery, Cook North and Minyango Projects.

Bounty management then commenced an immediate program of activity to return Cook Colliery from a mine on care and maintenance, with only 14 staff, to a fully operational mine with staff/contractor numbers now approaching 240 and on the way to producing at a 1 million tonne per annum rate by the end of September 2018. The highlights since taking ownership are summarised below:



Bounty has now established a number of key relationships including with Lido Trading, a subsidiary of a large Chinese private steel mill and Xcoal, a large US coal trading company. These companies provided key equity support in the recent capital raisings to support the Cook acquisition, the Initial Public Offering and critical offtake agreements which included favourable terms with progress payments and pre-sales facilities. This has provided assistance in Bounty's early working capital requirements as the mining operation ramps up to cash flow positive status. Bounty is working on new partnerships including with RG Tanna Coal Port at Gladstone, Aurizon rail group and other mine site and equipment suppliers to accommodate further growth potential at Cook, Cook North and Minyango in the short to medium term.

Bounty entered into two deferred payments agreements in settlement of the Cook acquisition. Bounty has now fully paid out the deferred payment schedule to CC Pty Ltd (in liquidation) which has also resulted in the release of all financial security held over the company. Bounty has also completed the first $3 million payment to Cook Resources Pty Ltd leaving a $7 million deferred payment remaining in June 2019.

CAPITAL RAISINGS FOR FY18

Investor interest has returned to the Australian coal industry since late 2016 particularly in the coking coal sector. During the financial year Bounty completed a number of capital raisings to raise $49.5 million to secure the Cook acquisition, fund working capital and fund the cost of the Initial Public Offering. The Company's shares commenced trading on the ASX on 19 June 2018.

The company now sits with a total of 351 million shares and current market capitalisation of $110 million from investments of $31 million in the Cook assets.

CURRENT PERFORMANCE

By the end of August 2018 Cook Colliery had produced 202,000 Run of Mine ("ROM") tonnes of coal and had achieved process plant recoveries of more than 83% with 85% of product coal reporting as a medium volatile hard coking coal. Cook has now had two major sales of coking coal with a 34,000 tonnes shipment to XCoal trading and 50,000 shipment of coking coal to Lido.

The Board of Bounty will continue to keep investors updated of all developments as they occur.

Gary Cochrane
Chairman and Chief Executive Officer

Dated this 26th day of September 2018

DIRECTORS' REPORT

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 2018.

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
Gary Cochrane (Chair)	25 November 2007	–
Rob Stewart	17 November 2009	–
Kevin Jiao	18 August 2016	–
Julie Garland McLellan*	10 November 2017	–
Matthew Wood	29 March 2016	20 September 2017
Brian McMaster	29 March 2016	3 October 2017
Daniel Crennan	18 August 2016	23 November 2017

* Julie Garland McLellan was previously a director of Bounty between 2009 and 2016.

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

Gary William Cochrane GAICD

Chairman and Chief Executive Officer

Bachelor of Engineering (Civil), Grad Dip Mining (Ballarat), EMBA (Haskayne)

Gary is the Chairman and Chief Executive Officer. An entity associated with Gary Cochrane is also a lender to the Company. He is not considered to be independent.

Gary has more than 30 years' experience in the mining, engineering and construction industry. He has worked on projects in Australia, China, Indonesia and Papua New Guinea. He has held senior management and technical roles at operating mines in Australia and Papua New Guinea.

Gary has over 18 years as an international mining and management consultant to the coal and hard rock mining industries. Gary is a frequent commentator on coal industry strategic supply and demand positions and coal investment opportunities and speaks at international coal conferences in Australia, China, and Japan.

Gary was a founding investor and director of the Millennium coal mine during development from greenfield exploration through to production. He is also on the board of a junior resource company, EcoTech Mining Pty Ltd, with a specialisation in process technology.

Gary completed an Executive MBA in Global Energy at the Haskayne Management School in Calgary, Canada in 2014.

Gary joined the board on 27 November 2007 and became Chairman on 28 February 2008.

Robert (Rob) Douglas Stewart FIEAust

Non-Executive Director

Rob is an independent Non-Executive Director. Rob 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.

(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 18 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. Julie 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 Filex.

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

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.

DIRECTORS' REPORT

Details of Board and Committee meeting attendance during the financial year 2018 are as follows:

	Board Meetings		Audit Committee Meeting		Remuneration Committee Meeting	
Director	Held while in office	Attended	Held while in office	Attended	Held while in office	Attended
Gary Cochrane	12	12	n/a	n/a	n/a	n/a
Rob Stewart	12	10	1	1	1	1
Kevin Jiao	12	11	1	1	1	1
Julie Garland McLellan	8	8	1	1	1	1
Brian McMaster	3	2	n/a	n/a	n/a	n/a
Matthew Wood	2	–	n/a	n/a	n/a	n/a
Daniel Crennan	4	3	n/a	n/a	n/a	n/a

OPERATIONS UPDATE

The net result for the year of Bounty was a net loss after tax of $24.881 million (2017: net loss after tax of $0.675 million)

In December 2017 Bounty completed the Cook & Minyango Purchase Agreements. Bounty has four projects:

- the Cook Colliery operational since January 2018 with its CHPP operational since April 18;
- the Cook North Project;
- the Minyango Project; and
- the Wongai Project. Bounty has completed a concept study and pre-feasibility study for this Project.

OPERATION OF COOK COLLIERY

Bounty acquired the Cook Colliery, Cook North and Minyango assets on 8 December 2017 and then commenced a restart of coal mining operations at Cook Colliery ("Cook"). At that time there was a core of 14 personnel who had been operating the mine on a care and maintenance program.

Coal mining operations commenced on 24 January 2018 with one continuous miner fleet. Since that time Bounty has ramped up production and now has 240 personnel (staff and contractors) at the mine site.

Additional mining fleets were introduced underground in March, May and August 2018 and the mine is operating at around a 40,000 ROM tonne per month rate. The introduction of a sumping unit combined with three development units are expected to operate from September at around an 80,000 ROM tonne per month or 1 million ROM tonne per annum rate. This is expected to further increase from May 2019 with the introduction of an additional ventilation shaft, an additional mining unit and the introduction of a revised mining method.

Bounty has also recommissioned the coal handling and preparation plant and commenced processing ROM coal from late March 2018. It has also completed initial sales of coking coal to its two main customers.

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

'000 tonnes	Year to 30 June 2018 (commencing 24 January 2018)	July to August 2018
ROM coal produced	134	68
Saleable coal produced		
• Coking	93	53
• Thermal	16	11
Coal sales		
• Coking	55	54
• Thermal	11	14
Product Coal stockpiles		
• Coking	30	29
• Thermal	9	7

The recommissioning of the colliery from care and maintenance to production and the recommissioning of the CHPP have required a substantial working capital investment. This includes both non-recurring costs and on-going fixed costs amortised over start-up level production rates. This is reflected in Bounty's financial statements for financial year 2018.

As Bounty's production increases and approaches its 1 million ROM tonnes per annum interim production target the cost per tonne will continue to reduce. Bounty's plan is then to increase to 2 million ROM tonnes per annum with the introduction of place change mining in the fourth quarter of financial year 2019.

In August 2018 Bounty announced the completion of its upgrade of the Koorilgah Rail loop servicing its Cook Colliery ("Cook") in Queensland's Bowen Basin to full axle load capacity trains. Prior to Bounty restarting operations at Cook early in 2018, the rail loop had been downgraded to 20 tonne axle load capacity due to a lack of maintenance under the previous mine owner. Bounty spent $2 million on the upgrade, which included the installation of new ballast, formation work, drainage works, new sleepers and weight meter and train overload facilities. Prior to these works being completed Bounty was limited to using partly loaded trains carrying 5,500 tonnes of coal at a time. Full capacity trains, of 8,500 tonnes, will deliver operating cost savings of at least $5 per tonne of coal.

COAL SALES

In late June 2018, the first shipment of export coal from Cook sailed from the Port of Gladstone destined for China. The 33,408-tonne cargo was sold to privately owned global coal marketing and logistics company XCoal Energy & Resources under an existing offtake agreement.

Under a prepaid sales agreement XCoal Energy & Resources GmBH ("XCoal"), which is the associate of a substantial shareholder in Bounty, had agreed to purchase an initial 275,000 tonnes of coal from Cook providing it meets certain specifications and the June shipment was the first cargo under this agreement. Subsequent to 30 June 2018 this agreement has been extended into with additional offtake of 550,000 tonnes to be delivered by 31 December 2019. XCoal trades 22 million tonnes of coal internationally.

A second prepaid sales agreement has been executed with Lido Trading Ltd ("Lido"), a subsidiary of a private Chinese steel mill which Lido produces and sells internationally 10 million tonnes of crude steel annually. Lido is also a substantial Bounty shareholder. The agreement is to purchase approximately 195,000 tonnes of coal from Cook. The first 53,736 tonnes shipment was sent in August 2018.

In addition, 21,845 tonnes of coking coal were sold to Coronado Curragh Pty Ltd during the June 2018 quarter.

Cook coking coal sells at a discount to the Platts HCC64 second tier spot index. This discount has averaged 8.4% since April 2018. Export coal prices have remained strong. Average index price from commencement of sales in early April 2018 have been US$171.86 per FOB tonne, giving an average Cook coal price after the discount of US$157.43. Bounty is looking to reduce the discount to Platts over time as the Cook coal brand becomes better recognised.

Bounty completed the sale of two trains of thermal coal to customer Glencore International AG during the June 2018 quarter at prices of US$90 per FOB tonne, with additional sales of 13,714 tonnes in July and August 2018 at US$96 per FOB tonne.

COOK ACQUISITION

The Cook & Minyango Agreements consist of the following:

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

Bounty has now paid the consideration in full, with the final deferred payment of $5,000,000 on 24 August 2018. This final payment has triggered the release of Bounty from all obligations under the Fixed and Floating Charge.

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

The consideration under the Glencore agreement is payable in two tranches:

- First Payment (paid 28 June 2018) – $3,000,000; and
- Second Payment (due 30 June 2019) – $7,000,000.

Cook Resource Mining Pty Ltd provided and lodged with the Department of Natural Resources and Energy the financial assurance amount for the Cook Tenements, being $9,191,944. Under the agreement Bounty was due to provide to Cook Resource an unconditional bank guarantee equivalent to the existing financial assurance in November 2018 to support the transition of ownership. In September 2018 Cook Resource agreed to defer the provision of the bank guarantee, which has been deferred until 29 March 2019.

The funds for the acquisition and for working capital were provided by capital raised during the financial year.

EQUITY

During the financial year Bounty issued 255.6 million ordinary securities:

- 238.8 million securities were issued to raise $49.5 million, including $18 million at the IPO in June 2018;
- 14.6 million securities were issued to current and past directors to repay $2.2 million in loans and outstanding fees with shareholder approval;
- 1.6 million securities were issued as capital raising fees; and
- 0.6 million securities were issued to directors and management on successful completion of the IPO.

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**

Ordinary Fully Paid Securities	Total	Under escrow	Not under escrow
Balance at 30 June 2018	350,673,804	125,860,460	224,813,344
Issue of ordinary shares	143,229	n/a	143,229
Coming out of escrow	n/a	(3,637,649)	3,637,649
Balance at 24 September 2018	**350,817,033**	**122,221,811**	**228,594,222**

During the financial year Bounty issued 26,301,614 options over ordinary securities. All ordinary security shares issued on exercise of these options are escrowed until 19 June 2020.

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

FINANCING

Until December 2017 Bounty's sole lender has been VETL Pty Limited ("VETL"), a company associated with Chairman, Gary Cochrane. By agreement, no interest was charged on the loan between October 2013 and 31 July 2017. Interest resumed on the loan at 9.72% from August 2017.

At a General Meeting on 24 January 2018 shareholders approved settling $2 million of the VETL debt by the issue of Bounty securities at 15cent per share. An expert report obtained in relation to the transaction concluded that the transaction was fair and reasonable to the non-associated shareholders. This resulted in the issue of 13,333,333 securities to VETL.

	2018 $'000	2017 $'000
Balance at 1 July	**2,930**	**2,930**
Interest charged	224	–
Interest paid	(224)	–
Issue of securities in partial repayment	(2,000)	
Balance at 30 June	**930**	**2,930**

The balance of the VETL loan is due for repayment by 31 December 2018.

COMPANY STRUCTURE

Bounty's shares were admitted to the Official List of the Australian Securities Exchange on 15 June 2018 and the shares have been quoted since 19 June 2018. Movements in securities during the financial year are shown in the table below.

During the financial year Bounty issued 255.6 million ordinary securities:

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- 14.6 million securities were issued to current and past directors to repay $2.2 million in loans and outstanding fees with shareholder approval;
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Cost of issuing securities			$(4,555,736)
Balance at 30 June 2018	**350,673,804**		**$87,843.925**

Movements in equity subsequent to 30 June 2018:

Ordinary securities on issue	Escrowed	Unescrowed	Total
Balance at 30 June 2018	125,860,460	224,813,344	350,673,804
Issued to staff @38.4c	–	143,229	143,229
Shares coming out of escrow	(3,637,649)	3,637,649	–
Balance at report date	**122,222,811**	**228,594,222**	**350,817,033**

No dividends were paid or declared during or in relation to the financial year to 30 June 2018.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year the Consolidated Equity acquired assets in relation to the Cook Colliery, Cook North Project and Minyango Project. The Cook Colliery and CHPP were recommissioned during the year. The details of the acquisition and the effects of the acquisition on the Consolidated Equity are shown in detail throughout this document including this Directors' Report and in particular in Note 33.

To finance this acquisition, provide working capital to recommission the colliery and CHPP and pay the costs of the June 2018 IPO Bounty raised $49.5 million from investors. Details of the capital raisings are shown in the Equity section of this Directors' Report and in Note 21.

EVENTS SUBSEQUENT TO BALANCE DATE

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 Colliery

Phase 2 will commence from September 2018 with the introduction of a sumping or extraction miner underground. This is expected to increase productivity to 1 million ROM tonnes per annum on an annualised basis.

When areas have been identified as appropriate for place change mining, suitable continuous miners and a separate roof bolter will be acquired, and Phase 3 will commence. This is a higher productivity mining method. Place change mining operations are expected to be in place by the June quarter of 2019, which will align with the construction of the additional ventilation shaft to allow a greater number of mining units to operate in the mine. This will allow mining to ramp up to the targeted 2.2 million tonne per annum rate in the second half of 2019.

Exploration and Development

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

- Developing the Cook North Project located on the same mining lease, to further exploit the mining lease and potentially expand capacity; and
- Developing the Minyango Project into an operating mine.

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 environmental authority.

Toll Washing

Bounty Cook Pty Ltd ("Bounty Cook") has executed a "toll washing" agreement. Coal processing will commence in the third quarter of financial year 2019. Bounty Cook will be paid a fee on a per-tonne-washed-coal basis for its services; including washing, stockpiling, loading and logistics. The Agreement includes a minimum labour fee per month. Bounty Cook is responsible for all consumables and other costs in relation to its services. The terms of the agreement provide for the customer to send up to 100,000 tonnes of coal per month for washing at Cook CHPP.

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

Cook North and Minyango

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 375 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 in 2018. 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.

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.

The current financial assurance amount required in relation to the Cook Colliery is set at $9,191,944. This may not fully reflect the rehabilitation costs. The financial assurance amount will be reassessed on submission of an updated plan of operations which is scheduled for 31 December 2018. There is a risk that the Queensland Department of Environment and Sciences will increase the amount of financial assurance required.

REMUNERATION REPORT (AUDITED)

Remuneration and Nomination Committees

Bounty has a Remuneration and a Nomination Committee. The Committees comprise independent, non-executive directors.

Short term incentive plan

All employees participate in a short-term incentive plan. Employees' performance will be assessed against KPIs and first payments under the incentive plan will be made in December 2018.

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 $300,000 per annum in total excluding superannuation. 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.

Since February 2018 annualised director fees are as follows:

Director	Position	Annualised fee
Gary Cochrane	Executive chairman	$66,000
Rob Stewart	Non-executive director	$78,000
Kevin Jiao	Non-executive director	$78,000
Julie Garland McLellan	Non-executive director	$78,000
Total		**$300,000**

Executive services agreement with entity controlled by Gary Cochrane

Bounty has entered into an executive service agreement with Resource Management International Pty Ltd, an entity controlled by Gary Cochrane, under which Mr Cochrane's services are provided as Chief Executive Officer. The fees payable under this agreement are $334,000 (exclusive of GST) per annum.

Ex gratia payments

- Gary Cochrane, Rob Stewart and Kevin Jiao provided additional services to the Company in relation to the recent acquisition of Cook Colliery, the Cook North Project and the Minyango Project. Each of these Directors received a payment of $75,000 (exclusive of GST) for providing these services during the financial year.
- At the IPO each director was issued with a $50,000 success fee through the issue of 142,857 shares at the IPO price of $0.35.

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 2018

FY2018	Position	Period of Service	Short Term Benefits (Salaries & fees) $	Post Employment Benefits (Super-annuation) $	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**

Details of Remuneration for Year Ended 30 June 2017

FY2017	Position	Period of Service	Short Term Benefits (Salaries & fees) $	Post Employment Benefits (Super-annuation) $	Bonus $	Grant of shares $	Total $
Directors							
Gary Cochrane	Chairman, CEO	1 July 16 to 30 June 17	175,000	–	–	–	175,000
Rob Stewart	Non-Executive Director	1 July 16 to 30 June 17	55,000	–	–	–	55,000
Kevin Jiao	Non-Executive Director	18 August 16 to 30 June 17	52,903	–	–	–	52,903
Julie Garland McLellan	Non-Executive Director	1 July 16 to 2 August 17	–	–	–	–	–
Brian McMaster	Non-Executive Director	1 July 16 to 30 June 17	55,000	–	–	–	55,000
Matthew Wood	Non-Executive Director	1 July 16 to 30 June 17	55,000	–	–	–	55,000
Daniel Crennan	Non-Executive Director	18 August 16 to 30 June 17	52,903	–	–	–	52,903
Total			**270,806**	**–**	**–**	**–**	**270,806**
Senior Management							
Eryl Baron	CFO, Company Secretary	1 July 16 to 30 June 17	**123,663**	**–**	**–**	**–**	**123,663**

For financial year 2017 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 KMP and it is planned this will be in place by the end of calendar year 2018. 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.

Services agreement – Gary Cochrane

The Company has entered into a services agreement with Resource Management International Pty Ltd (**RMI**), a company controlled by Gary Cochrane, under which RMI provides the Company with the services of Mr Cochrane to fulfil the role of Chief Executive Officer of the Company. Under the agreement, RMI is not permitted to utilise another person to provide the services or subcontract the services.

The agreement commenced on 1 April 2018 and terminates on 30 June 2019. Mr Cochrane is required to work sufficient hours to complete the services described in the agreement, which include the day-to-day management of the Company's affairs and assisting with raising capital and completion of the planned works on the Wongai Coal Project. RMI is entitled to a fee of $334,000 (excluding GST) for providing the services under the agreement, which is to be paid monthly after submission of an invoice. The Company is also required to reimburse reasonable travel expenses incurred by RMI in providing the services outside the greater Sydney area. RMI is required to maintain professional indemnity insurance on terms satisfactory to the Company.

The services agreement can be terminated by the Company by giving four weeks' notice if the services are no longer needed or by RMI by giving eight weeks' notice if RMI believes the services can no longer be provided. The Company is also able to terminate the agreement without notice if it is found that RMI has committed serious misconduct in performing the services.

Employment Contract – Adam Foulstone, General Manager, Cook Colliery

Bounty has an Employment Contract with Adam Foulstone which commenced on 19 January 2018. Mr Foulstone 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.

Mr Foulstone is entitled to participate in the existing STI scheme and in the LTI scheme currently being developed. The maximum annual STI is a cash bonus of 35% of base remuneration based on performance against Key Performance Indicators.

Employment Contract – Eryl Baron, Chief Financial Officer and Company Secretary

Bounty has an Employment Contract with Eryl Baron which commenced on 12 February 2018. Mrs Baron 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.

Mrs Baron is entitled to participate in the existing STI scheme and in the LTI scheme currently being developed. The maximum annual STI is a cash bonus of 25% of base remuneration based on performance against Key Performance Indicators.

Employment Contract – David Low, Business Development Manager

Bounty has an Employment Contract with David Low which commenced on 12 February 2018. Mr Low 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.

Mr Low is entitled to participate in the existing STI scheme and in the LTI scheme currently being developed. The maximum annual STI is a cash bonus of 30% of base remuneration based on performance against Key Performance Indicators.

END OF REMUNERATION REPORT

DIRECTORS' INTERESTS: EQUITY HOLDINGS AND TRANSACTIONS

The movement in current directors' interests in equity during the financial year to 30 June 2018 are as follows:

	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 (1)	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%**

(1) Issued at 15c in settlement of outstanding debt

- On 24 January 2018 the shareholders approved the conversion of $2 million of the VETL Loan to 13,333,333 ordinary shares, at an issue price of 15c per ordinary share. The shares were issued on 23 April 2018.
- On 24 January 2018 the shareholders also approved the issue of ordinary shares to the Directors for outstanding Directors' fees. On 23 April 2018 852,686 shares were issued to current Director and 419,353 to a former Director at an issue price of 15c per ordinary shares to settle $0.19 million of outstanding Directors' fees.

Movements in current directors' equity holdings during Financial Year 2017 are shown in the table below:

	Gary Cochrane	Rob Stewart	Kevin Jiao	Julie Garland McLellan	Total
Shares at 1 July 2016	247,455,658	3,469,117	7,500,000	–	**258,424,775**
Issue of shares as capital raising fee	–	–	6,250,000	–	**6,250,000**
Issue of shares for cash (including Rights Issue)	13,750,000	500,000	1,250,000	–	**15,500,000**
Pre-consolidation balance	261,205,658	3,969,117	15,000,000	–	**280,174,775**
13 for 1 consolidation	(241,112,914)	(3,663,799)	(13,846,153)	–	**(258,622,866)**
Shares held at 30 June 2017	20,092,744	305,318	1,153,847	–	**21,551,909**
Total shares on issue					**95,060,395**
Shares held as % of Total shares	21.1%	0.3%	1.2%	0.0%	**22.7%**

DIRECTORS' INTERESTS: LOAN FACILITY WITH VETL PTY LIMITED

The table below summarises the transactions between Bounty and VETL Pty Limited ("VETL"), a company associated with Gary Cochrane, from 1 July 2016.

	2018 $	2017 $
Balance at 1 July 2017	**2,930,302**	**2,930,302**
Interest charged	224,418	–
Interest paid	(224,418)	–
Issue of securities in partial repayment	(2,000,000)	–
Balance at 30 June 2018	**930,302**	**2,930,302**

- The secured loan was assigned to VETL from Bounty's external financiers in September 2009 under the same terms and conditions. The loan is therefore considered to be on an arm's length basis. The interest rate is 9.72% p.a. However, by agreement, no interest was charged on the loan between 1 January 2015 and 31 July 2017. Since August 2017 interest has been paid monthly.
- During November 2016 Bounty reached agreement with VETL to defer the expiry date of the loan to 31 December 2018.
- 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.
- At an extraordinary general meeting on 24 January 2018 shareholder approval was obtained to settle $2 million of the VETL Loan through the issue of shares at 15c per ordinary share. The shares were issued on 23 April 2018.

OTHER TRANSACTIONS WITH DIRECTORS

- During the financial year Bounty paid Sydney office rent of $43,550 to C5 Holdings Pty Ltd, an entity associated with director Gary Cochrane.
- During the financial year Bounty paid consultancy fees of $335,000 to Jukes Todd Pty Ltd, an entity associated with director Rob Stewart.

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 19 and forms part of the Directors' Report for the year ended 30 June 2018.

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.

During the financial year Bounty's auditor Nexia Sydney Audit & Assurance and its associated entities performed the following services:

	2018 $'000	2017 $'000
Remuneration of auditors		
IPO investigative accountant report	45	–
Audit or review of financial reports	80	24
Total audit and other services	**125**	**24**

Signed in accordance with a resolution of the Board.

Gary Cochrane
Chairman

Dated in Sydney 26 September 2018

AUDITOR'S INDEPENDENCE DECLARATION

AUDITOR'S INDEPENDENCE DECLARATION

Nexia Australia

To the Board of Directors of Bounty Mining Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit director for the audit of the financial statements of Bounty Mining Limited for the financial period ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely
Nexia Sydney Audit & Assurance

Stephen Fisher
Partner

Dated: 26 September 2018

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FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 30 June 2018

	Note	2018 $'000	2017 $'000
Revenue	2	13,767	–
Cost of sales	3	(26,203)	–
Gross loss		**(12,436)**	**–**
Pre-production mining expenses	3	(4,892)	–
Other expenses	3	(7,313)	(676)
Loss before income tax and net finance expenses		**(24,641)**	**(676)**
Finance income	2	25	1
Finance expenses	3	(265)	–
Loss before income tax		**(24,881)**	**(675)**
Income tax benefit/(cost)	5	–	–
Net loss for the year		**(24,881)**	**(675)**
Other comprehensive income		–	–
Total comprehensive loss for the year		**(24,881)**	**(675)**
Loss for the year is attributable to: **Owners of Bounty Mining Limited**		**(24,881)**	**(675)**
Total comprehensive loss for the year is attributable to: **Owners of Bounty Mining Limited**		**(24,881)**	**(675)**

		Cents	Cents
Basic and diluted loss per share (cents per share)	20	(0.130)	(0.008)

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 2018

	Note	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	6	8,810	214
Restricted cash	6	22	–
Trade and other receivables	8	7,871	9
Inventory	9	9,600	–
Other current assets	10	3,415	12
Total current assets		**29,718**	**235**
Non-current assets			
Property, plant and equipment	11	40,222	–
Exploration and evaluation asset	12	4,080	2,267
Other non-current assets	13	510	–
Total non-current assets		**44,812**	**2,267**
Total assets		**74,530**	**2,502**
Current liabilities			
Trade and other payables	14	13,622	469
Progress and prepaid sales	15	13,903	–
Liabilities in relation to the Cook acquisition	16	12,000	–
Financial liabilities	17	930	–
Employee entitlement provision	18	901	–
Total current liabilities		**41,356**	**469**
Non-current liabilities			
Financial liabilities	17	–	2,930
Provision for rehabilitation	19	9,192	–
Employee entitlement provision	18	59	–
Total non-current liabilities		**9,251**	**2,930**
Total liabilities		**50,607**	**3,399**
Net assets/(liabilities)		**23,923**	**(897)**
Equity			
Issued capital	21	87,844	40,269
Accumulated losses	22	(69,220)	(44,339)
Option reserves	23	5,299	3,173
Total equity		**23,923**	**(897)**

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 2018

	Issued Capital	Options Reserve	Accumu-lated Losses	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2016	39,135	3,173	(43,664)	(1,356)
Loss attributable to members of parent entity	–	–	(675)	(675)
Issue of ordinary securities	1,196	–	–	1,196
Cost of issuing ordinary securities	(62)	–	–	(62)
Balance at 30 June 2017	**40,269**	**3,173**	**(44,339)**	**(897)**
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**

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 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		21,653	–
Payments to suppliers and employees		(36,951)	(272)
Interest received		23	1
Interest and other finance costs paid		(224)	–
Net cash flows used in operating activities	7	**(15,499)**	**(271)**
Cash flows from investing activities			
Payments for exploration and evaluation assets		(224)	(743)
Payment for property, plant and equipment		(22,552)	–
Net cash flows used in investing activities		**(22,776)**	**(743)**
Cash flows from financing activities			
Gross proceeds from issue of shares		49,501	1,171
Costs related to issue of shares		(2,415)	(38)
Finance assurance		(500)	–
Net cash flows provided by financing activities	7	**46,586**	**1,133**
Net increase in cash held		8,311	119
Effect of movement in exchange rates on cash held		307	–
Cash at beginning of financial year		214	95
Cash at end of financial year	6	**8,832**	**214**

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 25 September 2018 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 $24.9 million (2017: loss $0.7 million) and incurred negative cash flows from operations of $15.5 million for the year ended 30 June 2018 (2017: negative $0.2 million). At 30 June 2018 current liabilities exceeded current assets by $11.6 million.

These matters give rise to a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern is dependent on generation of positive cashflows from operations.

Operating cashflows during the commissioning and ramp up of the mining operations do not reflect expected future cashflows. Management has prepared a cash flow projection for the period to 31 December 2019 that supports the ability of the Consolidated Entity to continue as a going concern. 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 can raise capital by the issue of shares or debt or by the sale of surplus equipment if forecast cashflows do not eventuate.

In addition, Bounty has secured the deferral of the requirement to issue a bank guarantee to Cook Resource Pty Ltd under the Cook acquisition to 29 March 2019.

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.

NOTES TO FINANCIAL STATEMENTS

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 has determined that the acquisition of Cook Colliery and other nearby assets 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 is to be accounted for as an asset acquisition. Key matters taken into consideration in forming this conclusion were:

- The Cook Colliery site was damaged and had a care and maintenance activity in place 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.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

There have been no changes in accounting policy during the financial year.

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

	2018 $'000	2017 $'000
Revenue		
Revenue from sale of coal	13,767	–
Total revenue	**13,767**	**–**
Finance income		
Interest income	25	1
Total finance income	**25**	**1**

Disaggregation of revenue from contract with customers

	Domestic	Export	Total
2018	AUD '000	AUD '000	AUD '000
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 ownership of the coal is legally transferred to the buyer under the relevant agreement.

Under Bounty's prepaid sales agreements with XCoal and Lido the company receives progress payments when the coal is loaded onto the train at Bounty's CHPP to be placed on the stock-pile at Gladstone. These progress payments are accounted for as liabilities on the balance sheet ("Progress sales" refer to Note 15) until the stockpile coal has been loaded onto the ship. Ownership of the coal is transferred when the coal is loaded onto the ship and the ship leaves the Port of Gladstone and at this point Bounty recognises the sales revenue.

At 30 June 2018, progress payments of $3.2 million representing 17,072 tonnes of coal on the stockpile had been received and these cash receipts are included as current liabilities on the balance sheet.

Under ad-hoc thermal coal sales agreements with Glencore International and coking coal sales agreements with Coronado Curragh, ownership of the coal is transferred when the coal placed on the stockpile at the Port of Gladstone and revenue is recognised at this point.

As is customary with 'free on board' contracts, parameters such as coal quality and mass are tested using independent experts and weight meters as the vessel is being loaded. The bill of lading is only issued upon verifications and confirmation from several parties involved with the logistics and handling process. Once confirmed, the measured parameters form the basis for the calculation of final pricing and quality adjustments on the commercial invoice. All customer contracts specify a known pricing methodology and tolerance range for quality parameters prior to Bounty Cook Pty Ltd ("Bounty Cook") committing to the supply of coal to the customer.

Pricing Determination

Coal sales contracts with Bounty customers contain specific pricing mechanisms as is customary in hard coking coal markets. Coal sales contracts are linked to the HCC64 (Platts) index, with an agreed discount applied, in accordance with contractual terms. Typically, this based on HCC64 (Platts) average pricing for a specific period prior to train unloading date, for coal sale sold on stockpile basis, or bill of lading date.

Payment terms for coal customer range from 5 business days, for coal sold on stockpile, up to 45 days, with settlement occurring within contracted terms. There were no material breaches of payment terms noted during the financial year and all receivables as at 30 June 2018 have subsequently been receipted within contract terms without issue.

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

	Note	2018 $'000	2017 $'000
Production costs (Cost of sales)			
Mining costs		14,694	–
Processing costs		1,833	–
Employee expenses		3,918	
Transport and logistics		1,919	–
State royalties		1,395	–
Production overheads		1,649	–
Other production costs		794	–
Total production costs		**26,203**	**–**
Pre-production mining costs			
Start-up costs		4,892	–
Total pre-production mining costs		**4,892**	**–**
Other expenses			
Other expenses	(i)	7,313	676
Total other expenses		**7,313**	**676**
Finance expenses			
Interest paid		265	–
Total finance expenses		**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 stock-pile at 30 June 2018.

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.

	Note	2018 $'000	2017 $'000
(i) Other expenses			
Other expenses include the following specific items:			
Depreciation and amortisation			
Depreciation	11	1,651	–
Sub-total depreciation and amortisation		**1,651**	**–**
Employee expenses			
Employee – salaries and wages		870	–
Employee superannuation		54	–
Share-based payments	31	235	–
Non-executive director fees		406	271
Sub-total employee expenses		**1,565**	**271**
Other overhead expenses		2,985	405
Listing costs		523	–
Movement in foreign currency		589	–
Total other expenses		**7,313**	**676**

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

	2018 $	2017 $
IPO investigative accountant report	45,000	–
Audit or review of financial reports	80,000	24,000
Total audit and other services	**125,000**	**24,000**

5. INCOME TAX

	2018 $'000	2017 $'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:

	2018 $'000	2017 $'000
Prima facie tax on loss from ordinary activities before income tax at 27.5% (2017: 27.5%)	(6,842)	(186)
Add: tax effect of:		
– Non-allowable items	895	37
– Tax assets not brought to account	6,351	222
Deduct: tax effect of:		
– Movement in provisions	264	–
– Exploration expenditure	–	(39)
– Other allowable items	(668)	(34)
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 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 2018 the amount of deferred tax assets not brought to account are:

- Revenue losses $15 million (2017: $11 million)
- Capital losses $313k (2017: $313k)
- Temporary differences not recognised $778k (2017: $nil)

These amounts have no expiry date.

Deferred tax assets of $778k (2017: Deferred tax liabilities $433k) arising from revenue losses have been applied to the deferred tax assets arising from exploration expenditure.

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

	Note	2018 $'000	2017 $'000
Cash at bank and in hand		8,810	214
Restricted cash	(a)	22	–
		8,832	**214**

(a) Restricted cash held at 30 June 2018 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.

6. CASH AND CASH EQUIVALENTS (continued)

Reconciliation of movement in liabilities arising from financing activities

	2017 $'000	Cash flows $'000	Non-cash changes $'000	2018 $'000
Related party loan	2,930	–	(2,000)	930

7. CASH FLOW INFORMATION

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

	2018 $'000	2017 $'000
Loss after income tax	**(24,881)**	**(675)**
Add non-cash items:		
Depreciation	1,651	–
Expenses converted to shares	630	–
Net cash used in operating activities before change in assets and liabilities	**(22,600)**	**(675)**
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(7,863)	1
(Increase) in inventory	(9,600)	–
(Increase) in other assets	(3,401)	(6)
Increase in trade and other payables	13,102	409
Increase in progress and prepaid sales	13,903	–
Increase in provisions for employee entitlements	960	–
Net cash flow used in operating activities	**(15,499)**	**(271)**

8. TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Trade receivables	4,661	–
Goods and services tax receivables	3,208	9
Interest receivables	2	–
Total other receivables	**3,210**	**9**
Total trade and other receivables	**7,871**	**9**

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 FY18.

There were no breaches of payment terms noted during the financial year and all receivables as at 30 June 2018 have subsequently been receipted within contract terms without issue.

9. INVENTORY

	2018 $'000	2017 $'000
ROM coal inventory	981	–
CHPP coal inventory	2,191	–
Port coal inventory	3,169	–
Coal inventory	**6,341**	**–**
Spare parts and consumables	3,259	–
Total Inventories	**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). This base calculation is then adjusted for 'normal capacity' to account for the fact that the Cook Colliery is currently in a 'ramp up' stage moving towards expected 'normal capacity' production rates during the 2018/19 financial year. 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.

10. OTHER CURRENT ASSETS

	Note	2018 $'000	2017 $'000
Deposits and financial assurances paid		351	–
Prepayments	(a)	3,010	12
Sundry debtor		54	–
Total other current assets		**3,415**	**12**

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

11. PROPERTY, PLANT AND EQUIPMENT

	2018 $'000	2017 $'000
Mining Properties		
At cost	25,657	–
Accumulated depreciation	(307)	–
	25,350	–
Plant and equipment		
At cost	8,259	–
Accumulated depreciation	(1,151)	–
	7,108	–
Buildings and improvements		
At cost	3,061	–
Accumulated depreciation	(175)	–
	2,886	–
Capital work in process		
Plant and equipment work at cost	4,631	
	4,631	–
Office equipment		
At cost	232	–
Accumulated depreciation	(15)	–
	218	–
Motor Vehicles		
At cost	32	–
Accumulated depreciation	(3)	–
	29	–
Total property, plant and equipment	**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.

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:

2018	Mining properties $'000	Plant and equipment $'000	Buildings and improve-ments $'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

	2018 $'000	2017 $'000
Exploration and evaluation assets as at 1 July 2017	2,267	1,524
Expenditure paid during the financial year	1,695	–
Expenditure capitalised during the financial year	119	743
Exploration and evaluation assets as at 30 June 2018	**4,080**	**2,267**

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.

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 15 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

	2018 $'000	2017 $'000
Finance assurance	510	–

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

14. TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Trade payables	5,562	138
Accrued expenses	8,060	331
Total trade and other payables	**13,622**	**469**

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. $1.7 million of the balance relates to insurance premium funding amounts payable over the period to March 2019. All other trade payables are non-interest bearing and are normally settled on 14 – 30 day terms.

15. PROGRESS AND PREPAID SALES

	2018 $'000	2017 $'000
Progress sales	3,250	–
Prepaid sales	10,653	–
Total progress and prepaid sales	**13,903**	**–**

15. PROGRESS AND PREPAID SALES (continued)

Recognition and measurement

Progress sales $3.2 million

Under Bounty's sales agreements with XCoal and Lido the company receives progress payments when the coal is loaded onto the train at Bounty's CHPP to be placed on the stock-pile at Gladstone. These progress payments are accounted for as liabilities on the balance sheet until the stock-pile coal has been loaded onto the ship and despatched to the customer.

The coal represented by the $3.2 million progress sales remains on the stock-pile at Gladstone awaiting shipment.

Prepaid sales $10.7 million

Bounty has prepaid sales agreements with XCoal and Lido, under which US$8.0 million was received during the financial year in relation to future supply of coal. Repayment of these liabilities will be repaid through a USD$ per FOB tonne deduction from future coal supplies. The balance remains a liability until all coal under the agreements has been delivered. This is expected to clear in financial year 2019.

16. LIABILITIES IN RELATION TO THE COOK ACQUISITION

	2018 $'000	2017 $'000
Liabilities in relation to the Cook acquisition	12,000	–

The balance of liabilities in relation to the Cook acquisition at 30 June 2018 includes:

- $5 million due to CC Pty Ltd (in liquidation2) in relation to the Cook Caledon Purchase Agreement (paid on 24 August 2018); and
- $7 million due to Cook Resources Pty Ltd in relation to the Cook Glencore Purchase Agreement (due on 30 June 2019).

These liabilities are not interest-bearing and are payable within 12 months, therefore the recognised amount approximates fair value. Refer to Note 26 for the recognition and measurement policy in relation to Financial Liabilities.

17. FINANCIAL LIABILITIES

	2018 $'000	2017 $'000
Related party secured loan – current	930	–
Related party secured loan – non-current	–	2,930
Total financial liabilities	**930**	**2,930**

Until December 2017 the Company's sole lender has been VETL Pty Limited ("VETL"), a company associated with Chairman, Gary Cochrane. By agreement, no interest was charged on the loan between October 2013 and 31 July 2017. Interest resumed on the loan at 9.72% from 1 August 2017.

At a General Meeting on 24 January 2018 shareholders approved settling $2 million of the VETL debt by the issue of Bounty securities at 15c per share. An expert report obtained in relation to the transaction concluded that the transaction was fair and reasonable to the non-associated shareholders. This resulted in the issue of 13,333,333 securities to VETL.

The balance of the VETL loan is due for repayment by 31 December 2018. Refer to Note 26 for the recognition and measurement policy in relation to Financial Liabilities.

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

	2018 $'000	2017 $'000
Employee entitlement provision – current	901	–
Employee entitlement provision – non-current	59	–
Total employee entitlement provision	**960**	**–**
Number of employees at year end*	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

	2018 $'000	2017 $'000
Provision for rehabilitation	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. 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")

	2018 $'000	2017 $'000
Loss for the year used to calculate basic and diluted EPS	(24,881)	(675)

	Number '000	Number '000
Weighted average number of ordinary shares used for the calculation of basic and diluted EPS	191,049	89,640

	Cents	Cents
Basic and diluted EPS	(0.130c)	(0.008c)

20. EARNINGS PER SHARE ("EPS") (continued)

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 year 2018. There were no options on issue in financial year 2017.

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 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**

Movements in share capital during financial year 2017 were as follows:

	Number of Shares	Share price	Total amount
Shares on issue at 1 July 2016	969,251,776		$39,135,228
Shares issued through a Placement	143,750,000	$0.004	$575,000
Shares issued through a Rights Issue	101,178,810	$0.004	$404,715
1 for 13 Share Consolidation	(1,120,781,573)	n/a	n/a
Shares issued through a Placement	1,661,402	$0.13	$215,982
Cost of capital raising			($61,892)
Shares on issue at 30 June 2017	**95,060,395**		**$40,269,034**

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.

(b) Movements in options over the securities of the company during the year were as follows:

Bounty issued options over ordinary securities to unrelated parties as capital raising fees as follows:

Other terms	Class A	Class B	Total
Number of options	16,301,514	10,000,000	26,301,514
Exercise price	$0.4375	$0.4375	
Vesting date	1,000,000: 25 August 2018 15,301,614: 7 December 2018	19 June 2018	
Expiry date	19 June 2020	19 June 2021	
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	$2,126,032

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.

(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

	2018 $'000	2017 $'000
Accumulated losses at the beginning of the financial year	(44,339)	(43,664)
Net loss attributable to members of the parent entity	(24,881)	(675)
Accumulated losses at the end of the financial year	**(69,220)**	**(44,339)**

23. OPTIONS RESERVES

	2018 $'000	2017 $'000
Balance at 1 July 2017	3,173	3,173
Capital raising cost during the year	2,126	–
Balance at 30 June 2018	**5,299**	**3,173**

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

	2018 $'000	2017 $'000
(a) Exploration and mining		
The commitments to be undertaken are as follows:		
Not later than 12 months	355	170
Between 12 months and 5 years	555	455
Greater than 5 years	–	–
	910	**625**
(b) Operating leases		
The commitments to be undertaken are as follows:		
Not later than 12 months	1,522	–
Between 12 months and 5 years	209	–
Greater than 5 years	–	–
	1,731	**–**
(c) Capital commitments		
The commitments to be undertaken are as follows:		
Not later than 12 months	1,254	–
Between 12 months and 5 years	64	–
Greater than 5 years	–	–
	1,318	**–**

(a) Exploration and mining commitments

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

Permit EPC2334 is subject to certain conditions including an expenditure commitment to be undertaken as above.

(b) Operating leases

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

(c) Capital commitments

In April 2018 Bounty paid initial deposits followed by entering into three "Hire to Buy" agreements in relation to mining equipment. Under these agreements monthly payments will be made for a twelve-month period, at the completion of which title will transfer to Bounty. One agreement has a completion date of 15 June 2019 and the other agreements have a completion date of 15 August 2019.

25. CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities at the date of this report.

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.

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.

	Note	2018 $'000	2017 $'000
Financial assets			
Cash and cash equivalents	6	8,810	214
Restricted cash	6	22	–
Trade receivables	8	4,661	–
Other receivables	8	3,210	9
		16,703	**222**

(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;
- Procuring capital raises where appropriate for debt retirement or capital expenditure finance;
- 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.

26. FINANCIAL RISK MANAGEMENT (continued)

	Note	2018 $'000	2017 $'000
Financial liabilities			
Trade payables	14	5,562	138
Accrued expenses	14	8,060	331
Progress sales	15	3,250	–
Prepaid sales	15	10,653	–
Liabilities in relation to the Cook acquisition	16	12,000	-
Related party secured loan	17	930	2,930
		40,455	**3,399**

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.

		Weighted average effective interest rate	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount
2018	Note	%	$'000	$'000	$'000	$'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)**

		Weighted average effective interest rate	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount
2017						
Financial Assets						
Cash and cash equivalents	6	0.19	208		5	214
Other receivables	8				9	9
Total financial assets			**208**	**–**	**14**	**222**
Financial Liabilities						
Trade and other payables	14				469	469
Related party secured loan	17	9.72		2,930		2,930
Total financial liabilities			**–**	**2,930**	**469**	**3,399**
Net Financial Liabilities						**(3,177)**

Net Fair Value

The net 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.

(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 2018, the effect on profit and equity as a result of changes in the FX rate would be:

		Increase in FX rate by 5%	Decrease in FX rate by 5%
	2018 $'000	Profit/(loss) $'000	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)

26. FINANCIAL RISK MANAGEMENT (continued)

(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.

Interest Rate Sensitivity Analysis

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:

		Increase in interest rate by 1%	Decrease in interest rate by 1%
	2018 $'000	Profit $'000	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

	2018	2017
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

	2018 $'000	2017 $'000
Financial position as at 30 June		
Assets		
Current assets	8,957	235
Non-current assets	35,189	–
Total assets	**44,146**	**235**
Liabilities		
Current liabilities	2,454	469
Total liabilities	**2,454**	**469**
Net assets/(liabilities)	**41,692**	**(234)**
Equity		
Issued capital	87,844	40,269
Accumulated losses	(51,451)	(43,676)
Reserves	5,299	3,173
Total equity	**41,692**	**(234)**
Financial performance		
Loss for the year	(7,775)	(1,417)
Other comprehensive income	–	–
Total comprehensive loss	**(7,775)**	**(1,417)**

The loss for the year includes a provision for impairment of $3.5 million (2017: $0.7 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

Bounty has identified its segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers ("CODM")) in assessing performance and in determining the allocation of resources. The information reported to the CODM is on a monthly basis. Segments are determined based on financial information reported to the Board which is at the Consolidated Entity level. All segments are located within Australia.

Accordingly, management currently identifies Bounty as having three reportable segments:

- The operation of the Cook Colliery mine
- The exploration in relation to its other three projects: Wongai, Minyango and Cook North
- The corporate office

Accounting policies adopted

Unless otherwise stated, all amounts reported to the Board of Directors, being the CODM with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of Bounty.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives most of the economic value from the asset. In most instances, segment assets are clearly identifiable based on their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to be related to the whole Consolidated Entity and are not allocated. Segment liabilities include trade and other payables, progress and prepaid sales, certain liabilities and employee entitlements.

Unallocated items

The following items are not allocated to segments:

- Interest expenses on the financial liabilities
- Related party loans

Major customers

During the financial year ended 30 June 2018 approximately 56% of Bounty's external revenue was derived from sales to a major customer. The next most significant customer accounts for approximately 34% of revenue.

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

Segment performance

	2018			
	Cook Colliery	Exploration	Corporate Office	Total
	$'000	$'000	$'000	$'000
Segment Revenue				
External sales	13,767	–	–	13,767
Intersegment sales	–	–	–	–
Total segment revenue	**13,767**	**–**	**–**	**13,767**
Segment loss from continuing operations before tax	(19,589)	(384)	(439)	(20,412)
Unallocated				(4,469)
Net loss before tax from continuing operations	**(19,589)**	**(384)**	**–**	**(24,881)**
Segment assets	61,921	4,080	45,728	111,729
Intersegment eliminations				(37,346)
Unallocated assets				146
Total Consolidated Entity assets				**74,530**
Segment liabilities	81,608	10,196	5,646	97,450
Intersegment eliminations				(47,774)
Unallocated liabilities				930
Total Consolidated Entity liabilities				**50,607**

31. SHARE-BASED PAYMENTS

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.

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

	2018 $'000	2017 $'000
Employee benefits expense	235	–

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:

	2018 $'000	2017 $'000
Capital raising cost	2,126	–

31. SHARE-BASED PAYMENTS (continued)

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.

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:

	2018 $	2017 $
Rent paid to an entity associated with director Gary Cochrane	43,550	22,998
Consultancy fees paid to Jukes Todd Pty Ltd, an entity associated with director Rob Stewart.	335,000	211,797

33. ACQUISITION OF COOK COLLIERY AND MINYANGO PROJECT

On 7 December 2017 Bounty announced that it had acquired the assets of Caledon Coal Pty Ltd (Caledon) and Blackwater Coal Pty Ltd (Blackwater) encompassing the established Cook Colliery and the Minyango Project. The Minyango Project, located less than 10km from the Cook CHPP, is a greenfield coking coal development project which the Company believes is primarily suited to bord and pillar underground mining methods. The acquisitions include all the assets of Caledon and Blackwater, except for the 'above ground' real property associated with the Minyango Project.

In a separate but related transaction, Bounty acquired the assets associated with the Cook Colliery that had remained the property of Cook Resource Mining Pty Ltd, a subsidiary of Glencore Limited. This acquisition placed Bounty in full ownership and control of the assets related to the Cook Colliery, including the related Mining Lease, rail loop, washplant and coal marketing agreement.

Bounty took possession of the mine effective 8 December 2017. Previously the Cook Colliery had been maintained on a "Care and Maintenance" basis since April 2017. Bounty has since brought the Cook Colliery back into production with a more flexible and efficient bord and pillar style mining operation (previously longwall). Coal production commenced on 15 January 2018 and the volume of extraction was increased over the ensuing months following acquisition and deployment of additional continuous miners and teams.

The consideration for the acquisition totalled $30 million in cash to the vendors for both acquisitions under deferred payment agreements. At 30 June 2018, $12 million was still to be paid of which $5 million was paid in August 2018. As part of the acquisition, Bounty also took 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 Protection ("DEHP") in August 2017. This rehabilitation cost has been recognised as a component cost of mine and a corresponding provision in the statement of financial position.

The acquisitions gave rise to the following significant asset and liability movements in the statement of financial position upon completion at 8 December 2017:

	Consolidated Group
	8 December 2017 $
Increases in assets:	
Current Assets	
Inventories	2,113,331
Prepayments & deposits	639,566
Non-Current Assets	
Cook Colliery plant and equipment	12,843,630
Cook Colliery – other mining assets	25,795,288
Financial Assurance term deposit (which secures 5-year guarantee for Queensland Mines Rescue Services commitments)	500,000
Increases in liabilities:	
Current Liabilities	
Trade Payables	2,995,931
Acquisition liabilities due to vendors	16,250,000
Employee entitlements	767,627
Non-current Liabilities	
Acquisition liabilities due to vendors (present value of deferred liability)	6,481,949
Provision for rehabilitation of mine	9,191,944
Employee entitlements	59,887

Separately to the accounting recognition, Bounty will be required to provide a cash-backed Financial Assurance Bank Guarantee to Cook Resources Pty Ltd to support the rehabilitation commitment. While this was originally due in November 2018 Bounty and Cook Resources Pty Ltd have reached agreement to defer this bank guarantee until 31 March 2019. When the Department of Mines completes the process of transferring the mining leases to Bounty from Cook Resources Mining Pty Ltd the Financial Assurance will be redirected to the Department of Natural Resources and Energy ("DNRE").

33. ACQUISITION OF COOK COLLIERY AND MINYANGO PROJECT (continued)

Recognition and measurement

Asset acquisition

For the purposes of AASB 3: Business Combinations, consideration needs to be given as to whether or not Cook Colliery is a business. Bounty has determined that the acquisition of Cook Colliery and other nearby assets 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 is to be accounted for as an asset acquisition. Key matters taken into consideration in forming this conclusion were:

- The Cook Colliery site was damaged and had a care and maintenance activity in place 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.

34. 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.

35. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

AASB 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets and incorporates amendments to the accounting for financial liabilities and hedge accounting rules to remove the quantitative hedge effectiveness tests and have been replaced with a business model test.

AASB 9 improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139 as follows:

(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

  (i) The change attributable to changes in credit risk are presented in other comprehensive income ("OCI")

  (ii) The remaining change is presented in profit or loss.

Adoption of AASB 9 is not expected to have a material impact on Bounty's financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and four Interpretations issued by the AASB and amends the principles for recognising revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Standard requires an entity to recognise revenue on a basis that depicts the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that principle, an entity shall apply all of the following steps:

(a) identify the contract with a customer;

(b) identify the separate performance obligations in the contract;

(c) determine the transaction price;

(d) allocate the transaction price to the separate performance obligations in the contract; and

(e) recognise revenue when (or as) the entity satisfies a performance obligation.

Adoption of AASB 15 is not expected to have a material impact on Bounty's financial statements.

AASB 16 Leases

AASB 16 replaces 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.

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 January 2019 and the impact has been determined not to be material.

DIRECTORS' DECLARATION

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 21 to 55 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 2018 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 26 September 2018

Signed in accordance with a resolution of the Directors:

Gary Cochrane
Chairman

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Nexia 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 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, 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 2018 and of its financial performance for the year then ended; 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $24.9 million and incurred negative cash flows from operations of $15.5 million during the year ended 30 June 2018 and, as of that date, the Group's current liabilities exceeded its current assets by $11.6 million. As stated in Note 1 the Group is reliant upon deriving significant net cash flows from its operations or seeking other sources of funding in order to settle the acquisition liabilities and capital commitments in connection with the Cook Colliery. These conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. 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.

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Key audit matter	How our audit addressed the key audit matter
Coal Inventory Valuation ***Refer to note 9*** As at 30 June 2018, the Group held $6.3 million of coal inventories. As disclosed in Note 9, inventories are valued using direct costs for the year. At year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecast to be sold below cost. Inventory costing is inherently complex and errors in the calculation may have a material impact on the result. Given the size of this inventory balance relative to the total assets and the estimates and judgements involved, the valuation of coal inventory is considered a key audit matter.	Our procedures included, amongst others: ▪ documenting and understanding the valuation methodology used by management, the inputs used and the judgements made; ▪ agreeing the inventory on hand to the independent quantity surveyor reports and checking whether the surveyor is suitably qualified to measure coal inventory; ▪ checking the assumptions and estimates used by management in the coal inventory valuation model and agreeing these to independent expert reports where relevant; ▪ checking whether the valuation model appropriately included all direct costs, costs of conversion and other relevant costs incurred in bringing the inventory to its present location and condition; ▪ assessing the basis upon which management determined the normal capacity of the mine in order to allocate fixed costs; ▪ testing, on a sample basis, whether the variable production overheads were allocated to the cost of inventory on the basis of the actual level of production and fixed overheads were allocated by reference to the normal capacity of the mine; and ▪ compared the per unit carrying value of inventory to the Group's contracted and forecast coal sales prices to ascertain whether inventory is carried at the lower of cost and net realisable value.
Acquisition of the Cook Colliery and Minyango Project ***Refer to note 31*** During the financial year ended 30 June 2018, the Group acquired the Cook Colliery and Minyango Project assets for a total purchase consideration of $30 million. The Group accounted for this acquisition as an asset acquisition. A critical step in determining the appropriate accounting is to determine whether the acquisition is that of a business (and therefore within the scope of AASB 3 Business Combinations), or is an acquisition of an asset or group of assets that do not constitute a business and is therefore outside the scope of AASB 3.	Our procedures included, amongst others: ▪ reviewing the significant contracts applicable to the transaction to understand the key terms and conditions; ▪ obtaining and considering management's assessment regarding the inputs, processes and outputs of the acquisition to determine whether the treatment of the acquisition as an asset acquisition is appropriate; ▪ agreeing the assets and liabilities recognised as part of the acquisition to the terms of the sale and purchase agreement; and ▪ assessing the adequacy of the Group's disclosures in respect of this transaction including those disclosures related to significant accounting judgements included in the accounting policies.

Key audit matter	How our audit addressed the key audit matter
Due to the size of this acquisition, its significance to the operations of Group and the judgement applied in determining whether the acquisition was a business or an asset, the acquisition of the Cook Colliery and Minyango Project is considered a key audit matter.	

Other information

The directors are responsible for the other information. The other information comprises the information in Bounty Mining Limited's annual report for the year ended 30 June 2018, 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 the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility 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 Group's ability 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 have no realistic alternative but to do so.

Auditor's responsibility 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 Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 15 of the directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Bounty Mining Limited for the year ended 30 June 2018, 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.

Nexia Sydney Audit & Assurance

Stephen Fisher
Partner

Dated: 26 September 2018
Sydney

72

APPENDIX 1 – ASX ADDITIONAL INFORMATION

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The shareholder information set out below was applicable as 26 September 2018.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of equity security holders by size of holding:

	Number of shareholders	Ordinary Shares Held
1 – 1000	256	116,294
1,001 – 5,000	401	1,055,990
5,001 – 10,000	163	1,231,369
10,001 – 100,000	497	19,239,920
More than 100,000	236	329,173,460
Total	**1,553**	**350,817,033**

There were 371 holders of less than a marketable parcel of ordinary shares at 30c.

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
Lido Trading Limited	44,615,247	12.7%
Amaroo Blackdown Investments LLC (a)	27,666,667	7.9%
VETL Pty Ltd <Cochrane treasury A/C> (b)	26,153,846	7.5%
J P Morgan Nominees Australia Limited	20,544,405	5.9%
Eight IP Emerging Companies Ltd	16,153,747	4.6%
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail client>	11,154,000	3.2%
HSBC Custody Nominees (Australia) Ltd	7,536,363	2.2%
Merrill Lynch (Australia) Nominees Pty Ltd	7,252,748	2.1%
Amaroo Blackdown Investments Pte Ltd (a)	7,142,857	2.0%
Dahlonega Investments Pty Ltd	6,817,576	1.9%
KNT International Co Ltd	6,716,057	1.9%
Ms Zolzaya Byambaa	5,942,844	1.7%
Aus-care Management Services Pty Ltd	5,828,571	1.7%
Redland Plains Pty Ltd <Majestic Investment Fund a/c>	4,797,486	1.4%
HFTT Pty Ltd >Haggarty Family a/c>	4,407,143	1.3%
VETL Pty Ltd <Moongunya Investment A/C> (b)	4,073,329	1.1%
Killin Investments Pty Ltd	3,846,154	1.1%
Merrill Lynch (Australia) Nominees Pty Ltd	3,831,759	1.1%
VETL Pty Ltd <Moongunya Investment A/C> (b)	3,341,759	1.0%
Mrs Margaret Lynette Harvey	3,142,857	0.9%
	220,965,637	**63.0%**

APPENDIX 1 – ASX ADDITIONAL INFORMATION

C. SUBSTANTIAL HOLDERS

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

Shareholder Name	Number Held	Percentage
Lido Trading Limited	44,615,247	12.7%
Amaroo Blackdown Investments LLC, and Amaroo Blackdown Investments Pte Ltd and Amaroo Blackdown Investments Pty Ltd (a)	37,809,524	10.8%
VETL Pty Ltd <Moongunya a/c> and VETL Pty Ltd <Cochrane Treasury A/C> (b)	33,568,934	9.6%
J P Morgan Nominees Australia Limited	20,544,405	5.9%

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.

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BOUNTY MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN: 19 107 411 067