Bounty Mining Limited **ACN: 107 411 067**
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27 September 2019

ASX Announcement

Shareholder Update

Bounty Mining Limited (**Bounty** or **Company**) (**ASX:B2Y**) confirms that, as set out in our announcement on 26 September 2019, Bounty has discussed and met with QCoal regarding QCoal's revised unsolicited funding proposal received on Wednesday 18 September and its further updates (**QCoal Proposal**). No further discussion or proposal has been provided by, or had with, QCoal since Bounty's announcement yesterday.

Despite the discussions between the parties earlier this week, the QCoal Proposal continues to be non-binding as it is incomplete, contains provisions which are unacceptable to Bounty, and remains in draft form only.

Bounty has an independent board committee comprising all of the directors other than Mr Craig Garson (**Non-interested Directors**) to consider potential funding proposals including the Letter Proposal and the QCoal Proposal.

As set out in Bounty's announcement on 26 September 2019, taking into consideration the relevant factors, including input from the Company's legal and commercial advisors, the Non-interested Directors have concluded that the QCoal Proposal is not superior to the recapitalisation proposal Bounty has entered into with Amaroo Blackdown Investments, LLC (**Amaroo Proposal**). In reaching their determination the Non-interested Directors have considered, in depth, the proposal provided, the discussions with QCoal, and the opinion of QCoal's advisors.

The Non-interested Directors reiterate their recommendation that shareholders vote in favour of the resolutions proposed at the upcoming general meeting to be held at 11.00am on 30 September 2019, in the absence of a superior proposal. The Non-interested Directors also intend to vote each Bounty share they hold or control in favour of those resolutions, in the absence of a superior proposal.

Details regarding the Amaroo Proposal are set out in Bounty's notice of meeting lodged with ASX on 29 August 2019 and distributed to shareholders.

The purpose of this announcement is to clarify the proposed terms contained in the latest non-binding QCoal Proposal provided to Bounty which are substantially the same as the terms set out in QCoal's non-binding letter to Bounty dated 2 September 2019 (**Letter Proposal**), a copy of which was released to the ASX by Bounty on 4 September 2019.

There are, however, some differences between the terms in the Letter Proposal and the terms proposed in the QCoal Proposal. The key proposed terms of the QCoal Proposal (with commentary on the updated key terms compared with the Letter Proposal) are set out below.

Issue	QCoal Proposal	Update from Letter Proposal
Nature of facility	The QCoal Proposal is a debt facility comprised of: • $60,000,000 cash finance and $25,000,000 guarantee facility	The cash finance facility (Facility B below) was increased by $5,000,000 from the Letter Proposal on 2 September.
Tranches	The QCoal Proposal was offered in three segments or tranches: • Facility A - $45,000,000 cash facility • Facility B - $15,000,000 cash • Facility C - $25,000,000 guarantee facility	Under Facility C: • if no default is subsisting, and a third-party claims under a guarantee, the amount claimed would become a loan; and • If Bounty is able to substitute the rehabilitation bond guarantee or if the contingent royalty liability is not payable or is reduced, no cash is available to Bounty to use for working capital The Letter Proposal required funds to be immediately repaid if a third party claimed under a guarantee.
Use of funds	The facility must be used for: • Facility A – only for repayment of all amounts owing to Amaroo Blackdown Investments, LLC (Amaroo) under the loan facility agreement, VETL loan facility and to XCoal Energy & Resources GmbH in relation to the coal sale prepayment of $US5,200,000 • Facility B – only for general working capital as set out in Bounty's notice of meeting lodged with ASX on 29 August	

	• 2019 and any other working capital purposes agreed by QCoal • Facility C – only for replacing the Glencore rehabilitation bond guarantee and supporting the contingent royalty payments either by guarantee or, if Glencore will not accept a guarantee for the contingent royalty payment, by cash paid into escrow account for the contingent royalty payment.	
Maturity	Facility A: • for the first $20,000,000 (plus interests and costs) – 31 July 2020 • for the balance – 30 January 2021 Facility B – 30 June 2021 Facility C – 30 June 2021	The balance payment of $25,000,000 for Facility A was extended from the original maturity date of 31 July 2020 as set out in the Letter Proposal to 30 January 2021 in the QCoal Proposal.
Interest rates	Ordinary interest rate – 8% per annum. Interest rate if Bounty elects to capitalise interest – 10% per annum (this applies to the full balance of the loan and the full face value of any bank guarantee issued by QCoal's bank under the facilities, not just the capitalised portion). Default interest rate – 13% per annum. Interest is payable on the guarantee facility (Facility C) on the amount of the guarantees provided.	
Capitalisation	Provided there is no default, Bounty can elect to capitalise interest for the first 12 months of the facility.	
Required Security	First ranking security over all of the assets and undertakings of Bounty and its subsidiaries. Mortgage over Bounty and its subsidiaries interests in any mining lease, sublease or tenement.	The mortgage over mining leases, subleases and tenements was not included in the Letter Proposal

	An inter-credit deed with the holders of any other permitted security.	
Early repayment fee and break costs	If Bounty elects to prepay any of the facilities prior to the maturity date, an early repayment fee is payable as follows: **RP = A – B** where: RP = the prepayment fee payable A = the amount of interest that would have accrued on the then utilised portion of the facility such interest accruing at a rate of 8% per annum B = the amount of interest that has been paid and/or capitalised to date. Bounty may also be required to pay certain break costs which reflect the potential interest QCoal could have earned for the balance of the interest period in which the loan is repaid.	Other than for the first $20,000,000 of Facility A, the amount of the repayment fee payable has been increased from the position in the Letter Proposal. The Letter Proposal required only the interest that would have been payable in the first 12 months to be paid. The QCoal Proposal requires all interest for the balance of the term of the loans or guarantee facilities to be paid. Payment of any additional break costs was not included in the Letter Proposal.
Conversion to equity	The QCoal Proposal does not contemplate a conversion of the facility to Bounty shares.	
Director appointment	QCoal has a right to nominate and require Bounty to appoint up to 49% of the directors.	The Letter Proposal provided for the right to nominate and have appointed up to 2 directors only
Key financial covenants	Bounty is required to ensure that: • at 5pm (Brisbane time) on each quarter end date the cash held by the Bounty Group is no less than $1,000,000; and • for each half year period ending 30 June and 31 December, the Bounty group must earn at least $50,000,000 in revenue.	These financial covenants were not included in the Letter Proposal
Warranties and representations	The QCoal Proposal requires Bounty to give warranties and representations usual for a transaction of this kind.	
Undertakings	The QCoal Proposal requires Bounty to give certain undertakings (which can largely be considered to be common for	

	a transaction of this kind) with respect to: • provision of information • further security • further indebtedness • limitations on distributions • limitations on certain share capital transactions • termination or amendment of material contracts	
Events of default	Events of default which can largely be considered to be usual for a transaction of this kind, including any breach of the documentation. A change in control of Bounty or its subsidiaries is an event of default.	Change in control was not expressly included as an event of default in the Letter Proposal
Offtake	Bounty undertakes to enter into an offtake agreement with QCoal from the termination of the existing XCoal offtake agreement until the later of 31 December 2025 or until the loading of 6,575,000 metric tonnes of coal +/- 10% at QCoal's option.	

Shareholders with any questions with regard to Bounty's Notice of Meeting are invited to contact Mr. Robert Stewart, Chairman of Bounty by email on rob.stewart@bounty.com.au.

Further information:

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