Bounty Mining Limited **ACN: 107 411 067**

Suite 301, Level 3, 66 Hunter Street, Sydney NSW 2000, Australia
www.bounty.com.au

21 November 2019

ASX Announcement

Chairman's Address to the Annual General Meeting

Bounty is currently all about Cook Colliery.

Since Bounty's decision to make an offer to purchase the Caledon assets including Cook Colliery, Bounty has had quite a rough journey. The primary problems have been, but are not limited to, lower than expected productivity, poor plant and equipment reliability, and more recently falling coal price and two rock falls.

Under these circumstances I thank shareholders for continuing to support the company and in particular Amaroo and QCoal, both of whom have provided significant financial support over the past 12 months.

These are not excuses, but normal factors that impact the fortunes of underground mining businesses and the company must adjust to deal with them.

To remind you:

- In December 2017 Bounty acquired assets from Caledon (in liquidation) and Glencore, including Cook Colliery;
- Subsequently pre IPO placements raised $31.5M to fund early payments for the acquisition and to provide working capital to cover operating losses during initial start-up;
- In June 2018 we raised $18M under an IPO to fund further acquisition payments and provide working capital;
- In October 2018 Bounty was tight for cash and a further $10M was raised through placement to cover equipment issues, working capital and other capital works;
- In December 2018, again suffering a shortage of cash to pay operating expense, Bounty entered into a $20M debt facility with its major shareholder Amaroo. This was later increased to $35M;
- The target of mine production of 80,000 tonne per month from 4 miners remained beyond our reach;
- None of the prior raisings provided Bounty with sufficient cash to meet its prudent need for working capital nor for the capital to deliver the productivity improvement critical to achieving ongoing sustained profitability;

- The transaction in December 2018 provided Bounty with interim funds to give time to negotiate of a larger transaction with Amaroo. This was concluded in 3 August and rejected by shareholders on 30 September;
- On 7 October, Bounty signed debt and guarantee facilities with another shareholder, QCoal. The QCoal facilities totalled $90M and enabled payout of all debt owing to Amaroo and Xcoal, completion of the acquisition of assets from Glencore, and provided guarantee facilities for obligations related to rehabilitation and contingent royalties. These facilities with QCoal did not provide Bounty with sufficient funds for the company's needs to achieve consistent profitability;
- On the production front, we have continued to increase plant reliability and productivity and produced a new mining strategy, mine plan and business plan;
- In implementing our new mining strategy, we have commenced our first panel of place change mining, plan to have our second panel operating in Q3 FY20 and the timing of the third panel could be as early as May 2020 if we can source additional funding.

Impact of price drop

- At the start of the calendar year pricing of Bounty's metallurgical coal was US$170. In early November our as received price for met coal was down to US$114, a 33% fall;
- This equates to reduction in monthly revenue of over A$4M expected prior to Place Change implementation.

Impact of rock falls

- Two rock falls in October were the only significant falls since Bounty commenced operating at Cook;
- There were two major consequences of these falls:
    - Immediate lost production with mine shutdown 23,000 tonne;
    - Loss of developed reserve for high productivity recovery (sumping) of 135,000 tonne.

Place Change plan

- Based on place change operations elsewhere, we would expect that the place change method will double production of each mining unit, from around 20,000 tonne per month per mining unit to around 40,000 tonne;
- Place Change panel 1 commenced operating on 12 November and is progressively ramping up as operators become more skilled in the technique;
- Place Change panel 2 is on schedule to commence operating late Q3 in FY20;
- Work on preparation for Place Change panel 3 is on hold subject to clear demonstration of the success of panel 1 and securing funding;
- With 3 panels operating, mine production is expected to be 1.4 million tonne which would deliver 1.2 million saleable tonne;

- The Place Change structure would increase panel cost (extra 2 people per panel per shift), but the increased production would substantially reduce per tonne cost.

Forward Funding

- Bounty needs further funding to get to the stage where Place Change is delivering consistent profitability.
- These funds are expected to be applied as follows:
    - $10M to cover the loss of revenue resulting from October's rock falls;
    - $15M working capital to cover unforeseen events and cover ongoing operating loss;
    - $10M for the work needed to establish Place Change panel 3.
- In addition to the above, Bounty has a first repayment commitment of $20M due in July next year.
- We are currently working on a number of potential funding options to meet the funding needs, including discussion with QCoal, surety bond issuers, prepayment on a new thermal offtake agreement, capitalisation of interest, leasing of equipment and a potential rights issue later in this financial year.

Further information:
Rob Stewart
Chairman, Bounty Mining Limited
Rob.Stewart@bounty.com.au