



# **ANNUAL OPERATIONS AND FINANCIAL REPORT**

30 JUNE 2014

for

**BOUNTY MINING LIMITED AND ITS CONTROLLED ENTITIES**

ABN: 19 107 411 067

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## 1 CORPORATE DIRECTORY

### Directors

Gary Cochrane (Chairman)  
Julie Garland McLellan  
Robert Stewart

### Banker

ANZ Banking Group Ltd  
115 Pitt Street, Sydney NSW 2000

### Company Secretary

Eryl Baron

### Securities Exchange

Australian Securities Exchange Ltd  
Code: BNT

### Auditor

Gould Ralph Assurance  
L42, Suncorp Place, 259 George Street  
Sydney, NSW 2000

### Share Registry

Computershare Investor Services Pty Ltd  
Yarra Falls, 452 Johnston Street,  
Abbotsford VIC 3067

### Registered Office

Suite 1002, L10, 60 Pitt Street  
Sydney 2000  
Phone: 02 8965 0200  
Fax: 02 8965 0214

### Solicitors

McCullough Robertson  
L11, 66 Eagle Street  
Brisbane, QLD 4000

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## 2 CHAIRMAN’S REPORT

At the start of the financial year, Bounty acted decisively to minimise its exposure to a depressed mining services market by:

- a) Entering into agreements to secure a life of mine contract to provide secure revenue streams into the future
- b) Building experience in developing a greenfields exploration project, with the support of the Chairman who has successfully been through the process with Millennium Coal, to provide an addition to the company’s core contracting skill and to develop a growth asset base; and
- c) Retrenching most employees except for a skeleton number to maintain the company in a care and maintenance mode while developing the new revenue sources.

The trigger motivating this action was Anglo American’s decision not to renew Bounty’s primary revenue generating contract for operation of the Aquila Mine in Queensland. The contract terminated on 31 July 2013 and most employees were made redundant from that date. Anglo subsequently put the Aquila Mine under care and maintenance.

### **New Revenue Source**

Bounty entered agreements with joint venture partner Aust-Pac Capital Pty Ltd (“Aust-Pac”) under which Bounty has the right to earn up to 51% of the Wongai coal project in far north Queensland through Farm-in and acquisition. In addition, Bounty has a life of mine contract to develop and operate the mine. The Wongai Mine is well suited to Bounty’s core expertise of underground place-change mining.

These agreements secure a potential long term revenue stream for the company without the level of uncertainty attached to short term contracts with third party mining companies. That uncertainty has affected the company’s historical contract mining and cash flows.

During the financial year, Bounty earned the “Phase 1 Interest”, a 5% equity interest in the Wongai exploration tenements. Aust-Pac has confirmed that Bounty has earned the Phase 1 Interest and transfer of the interest has been initiated.

In order to earn the 5% interest, Bounty funded and executed:

- An exploration program including drilling;
- An updated resource report based on JORC 2012 Code; and
- A desk-top concept study.

Local people, including the traditional owners, have been involved in the on-site works and will continue to be involved throughout the life of the project.

By funding and executing further exploration and evaluation work, Bounty may continue to increase its interest in the project up to 51% ownership.

Bounty has the skills and expertise to successfully complete the exploration and development and to operate the Wongai project when development is complete. The project has significant potential advantages when compared to other coal projects currently proposed in Australia:

- Bounty's specialist underground mining methodology will lead to a minimal environmental footprint for the mine;
- A proposed enclosed gondola 'ski-lift' transport for coal from the mine to the coastal loading point will reduce the need for road or conveyor systems and give both environmental and cost advantages;
- The proposed barging and transshipment methodology is designed to avoid disruption to sea grass habitats, wetlands or tidal flats;
- No seabed dredging or sea dumping are proposed as part of the Project.

In addition to partnering with Aust-Pac, Bounty continues to partner with the Kalpowar Traditional Owners, who provide monitoring and guidance in the preservation of cultural and environmental values. The Kalpowar also have an equity interest in the project and an ILUA is in place.

Bounty is also reviewing additional joint venture opportunities based on the Wongai project model.

### **Contracting mining (traditional revenue source)**

Bounty will continue to source revenue from contract mining work, as it becomes available and when successful in being awarded contracts. This market remains depressed but there are early indications that some improvement may emerge during 2015.

During FY2013, using Place-Change mining, Bounty produced coal at a rate of greater than 40 metres per shift with a single mining unit, well above industry standard performance. Bounty has also demonstrated capability to provide greater than 17 metres per shift (again above industry standard performance) of Place-Change Gate Road Drivage at a competitive cost. The Company is therefore well positioned to find work when the market improves.

Following expiry of the mining contract at Aquila Bounty's equipment remains on care and maintenance pending a recovery of economic conditions and finding new revenue opportunities. The equipment has been valued by an independent valuer in June 2014 and with some limited investment

can be ready for make a prompt return to profitable use when a favourable contract becomes available.

### Financial restructuring

In June 2014 Bounty obtained shareholder approval to restructure and strengthen the balance sheet by debt reduction and fund raising in order to:

- Resume quotation on the Australian Securities Exchange; and
- Provide funding to progress the Wongai project and secure working capital for Bounty.

Shareholders approved the following actions:

- Issue of up to 30,000,000 shares at 2.5c per share raising \$0.75 million to fund phase one development works on the Wongai project. This capital was successfully raised between November 2013 and March 2014 and phase one is now complete.
- Issue of up to 150,000,000 shares to raise \$4.5 million to fund the Phase 2 Works of the Wongai Coal Project, working capital and the costs of the offer. Bounty also has the capacity to raise capital through the issue of shares under Listing Rules 7.1 and 7.1A.
- Issue of 166,666,667 shares at 3c per share to VETL Pty Ltd (“VETL”), a company associated with Chairman Gary Cochrane, in partial conversion of a debt owed by Bounty to VETL. Bounty has now completed this transaction. Bounty's debt and gearing levels are now significantly reduced.

Following the conversion of the debt, the change to the Company’s debt to equity ratio is as shown below:

	30/06/2013	30/06/2014
debt to equity ratio	(1588%)	87%

Reduction of the Company’s debt has significantly strengthened the balance sheet. During July 2014 Bounty has continued to raise capital at 2.6c per share to raise \$0.23 million to fund working capital while it finalises a prospectus to raise capital to commence Phase 2 of the Wongai project.

Bounty intends to lodge the prospectus to issue shares during August 2014. The prospectus will be made available when the shares are offered and should be considered when investors are deciding whether to acquire shares. Any potential investor who wants to acquire those shares will need to complete the application form accompanying the prospectus.

The Company is now well advanced in its strategy of resuming quotation and trading of its securities on the ASX and has secured a valuable asset for shareholders in the form of the interest earned in the Wongai development.

Over the past year the Company has met all milestones set in 2013 and your directors are confident that it will continue to do so into the future.

A handwritten signature in black ink, appearing to read 'Gary Cochrane', written in a cursive style.

**Gary Cochrane**

Chairman and Chief Executive Officer

Dated this 4th day of August 2014

### 3 DIRECTORS' REPORT

The Directors of Bounty Mining Limited ("Bounty" or the "Parent Entity") and its controlled entities (the "Bounty Group"), present their report together with the financial statements for the year ended 30 June 2014.

#### Information about the Directors & Company Secretary

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

**Gary Cochrane                      GAICD                      Chairman and Chief Executive Officer**

Bachelor of Engineering (Civil), Grad Dip Mining (Ballarat), MBA (Deakin)

Gary has more than 26 years experience in the mining, engineering and construction industry in Australia, China, Indonesia and Papua New Guinea. He has had senior management and technical roles at operating mines in Australia and Papua New Guinea.

Gary has spent the last 18 years as an international mining and management consultant to the coal and hard rock mining industries. Gary is a regular commentator on coal industry strategic supply and demand positions and coal investment opportunities and is a regular speaker at international coal conferences in Australia, China, and Indonesia.

Gary was a founding investor and former director of Millennium Coal which is now an operating coal mine in Queensland producing 3 million tonnes per annum. He is also on the board of several junior coal development companies with projects in Indonesia, Canada and the USA. Gary is currently completing an Executive MBA in Global Energy.

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

**Julie Garland McLellan                      FAICD                      Non-executive director**

Julie is a professional company director with a background in the resources and energy sectors. Julie has a degree in Civil Engineering, an MBA and a Graduate Diploma in Applied Finance as well as a Diploma and an Advanced Diploma in Company Directorship. She has served on the boards of listed and unlisted companies. She is a former Chairman of Oldfields Holdings Limited and non-executive director of Kimbriki Environmental Enterprises Limited. As an executive she has been: Managing Director for Gamesa Energy Australia (a multinational energy company), General Manager Energy and Natural Resources for KPMG and Corporate Planner for BHP. Julie was a NSW Australian Institute of Company Directors councillor from 2004 until 2010 and writes, facilitates and presents governance training for the Institute and other clients.

Julie joined the board of Bounty on 4th April 2008.



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**Robert Stewart                      GAICD                      Non-Executive director**

Rob has a Bachelor of Engineering (Civil), Master of Engineering Science (Mining), FIEAust, and has spent 37 years working in the mining and construction industries. He came to Bounty following executive level experience with mine and infrastructure owners and with mining and construction contractors. Previous appointments have included General Manager with Leighton Holdings Ltd subsidiary Thiess Pty Ltd responsible for the company's contract mining and construction business in NSW, and Chief Executive and Managing Director of Whitehaven Coal Limited, an ASX listed coal mining company.

Rob is currently a director of CRSM LLC, a Mongolian based company identifying, evaluating and managing investments in Mongolia's rapidly expanding resource industry.

Rob joined the board on 17 September 2009.

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

BA Politics & Econ (London), ACIS

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. In March 2009, Eryl received a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia. Eryl is currently enrolled in the Advanced Certificate in Risk Management runs by the Governance Institute of Australia.

**Principal Activities**

Until 31 July 2013 the principal activities of the Bounty Group were contract coal mining, and refurbishing, maintaining and supporting its own equipment. Its mining contract expired in July 2013 due to the movement in commodity prices.

In September 2013 Bounty announced that it had finalised agreements for a Farm-in, a Joint Venture and a Life-of-Mine Management Contract for the Wongai Coal Project. Bounty has focused on developing the Wongai Coal Project while looking for new contract mining opportunities.

**Operating & Financial Review**

Bounty generated a loss after tax of \$2.2m during the financial year (2013: a profit of \$0.9m).

Reconciliation from operational EBITDA to the group's total profit for the financial year is as follows:

	Consolidated Group	
	2014	2013
	\$	\$
Operational EBITDA	(1,025,331)	3,901,795
Less: adjustment for impairment of assets	-	(269,561)
Group EBITDA after impairment and write down	(1,025,331)	3,632,234
Less: depreciation and amortisation	(442,515)	(1,570,664)
Less: net interest	(689,568)	(736,749)
Less: deferred tax assets written off	-	(391,681)
<b>Total (loss) / profit after taxation</b>	<b>(2,157,414)</b>	<b>933,140</b>

### Contract Mining

100% of the group's revenue during the financial year was from the Aquila mining operation. This revenue stream ended on 30 July 2013.

### Significant Changes

On 11 June 2013 our client announced its intention to put the Aquila mine on care and maintenance due to the declining metallurgical coal price. Bounty's contract was therefore not renewed and expired on 30 July 2013. The majority of the workforce was terminated by reason of redundancy effective 30 July 2013, and Bounty's mining equipment was demobilised and relocated to Mackay. Most remaining corporate and workshop employees were also terminated by reason of redundancy. The remaining skeleton staff and the directors accepted a reduction in remuneration while Bounty identifies new revenue generating projects.

### Investment in Equipment

During the year, the group minimised its investment in refurbishing and renewing its fleet of equipment, spending \$0.1m (2013: \$0.9m).

### Shareholder Returns

Earnings per share were a loss of 0.43cents (2013: profit of 0.19 cents).

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**Review of Financial Condition***Liquidity & Funding*

During financial year 2014, the Bounty Group was reliant on funds from its Aquila operation and capital raising to support the operations.

*Economic Dependency*

For financial year 2014, 100% of the revenue of the Company was derived from the operation of the Aquila project at the German Creek mining site. This contract expired on 30 July 2013 and was not renewed.

**Events Subsequent to Reporting Date**

During July 2014, Bounty issued a further 8,653,851 shares at 2.6c per share to raise \$225,000. These funds will be used for working capital.

Bounty is in the process of preparing a prospectus for the issue of ordinary shares which the company intends to lodge during August 2014. The prospectus will be made available when the shares are offered and should be considered when investors are deciding whether to acquire shares. Any potential investor who wants to acquire those shares will need to complete the application form accompanying the prospectus.

The purpose of the prospectus is to raise up to \$4.5 million to fund the Wongai Coal Project Phase 2 Works, working capital and the costs of the offer.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which have significantly affected or could significantly affect the operations of the consolidated group, the results of the operations or the state of affairs of the consolidated group in future financial years.

**Future Developments**

Bounty is presently pursuing further contract mining opportunities in Queensland and New South Wales. These opportunities, if successfully obtained, would be undertaken in addition to the work on the Wongai Coal Project.

### Directors' Interests: Equity Holdings and Transactions

In June 2014 166,666,667 shares were issued to VETL Pty Ltd ("VETL"), a company associated with Chairman Gary Cochrane at 3c per share, in order to repay \$5million of the \$7.8million debt then owing to VETL. Shareholder approval for the transaction was obtained on 6 June 2014. There were no other movements in director shareholdings during the year.

Directors' holdings in ordinary securities at 30 June 2014 are as follows:

		Gary Cochrane	Rob Stewart	Julie Garland McLellan	Total	Total on issue
<b>Shares</b>	1/07/2013	80,788,991	3,469,124	0	84,258,115	
Ordinary Shares	Movements	166,666,667	-	-	166,666,667	
	30/06/2014	<b>247,455,658</b>	<b>3,469,124</b>	-	<b>250,924,782</b>	<b>687,666,229</b>
<b>As a % of the total</b>		<b>36.0%</b>	<b>0.5%</b>	<b>0.0%</b>	<b>36.5%</b>	

### Loans and other transactions

In September 2009, VETL was assigned a loan of \$1.1 million, and the attached fixed and floating charges over the group's assets, from the company's banker, Westpac. Since being assigned the loan, VETL has advanced a further \$6.7 million to the Company, including capitalised interest and net of repayments. On 1 August 2013 the independent directors determined that Bounty does not have the means to make further loan repayments to VETL. No loan repayments have therefore been made subsequent to July 2013. No interest payments have been made subsequent to August 2013. Interest accrued has been capitalised into the loan.

In April 2014 the independent directors reached an agreement with VETL to partially repay the loan by converting \$5.0 million of the loan into equity, at 3c per share. Shareholder approval was obtained on 06 June 2014 to issue of 166,666,667 shares at 3cps.

### D & O Insurance: Indemnification of Officers or Auditor

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 the Bounty Group.

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 the Bounty Group, 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 the Company.

### **Insurance of Officers**

Since the end of the previous financial year Bounty has paid insurance premiums of \$24,900 in respect of directors and officers' liability insurance and corporate reimbursement, for directors and officers of Bounty. The insurance premiums relate to:

- Any loss for which the directors and officers may not be legally indemnified by Bounty arising out of any claim, by reason of any wrongful act committed by them in their capacity as a director or officer, first made against them jointly or severally during the period of insurance; and
- Indemnifying Bounty against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer, first made against the director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid to each individual officer of Bounty.

### **Environmental Regulations**

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

## **Remuneration Report (Audited)**

### Remuneration and Nomination Committee

The Company has a Remuneration and Nomination Committee. The Committee comprises independent, non-executive directors.

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### Employment Contracts

Following the termination by reason of redundancy of the majority of the company's employees, at 30 June 2014 two staff remained on permanent part-time employment contracts. One of those employees resigned in July 2014.

Staff receive a base remuneration which is based on factors such as experience, skills and responsibility and market rates, as well as superannuation at the superannuation guarantee rate. There are no performance pay plans in place at this date.

### 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 received a superannuation contribution at the SGL rate during the financial year 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.

Mr Gary Cochrane is Chairman and Chief Executive Officer ("CEO") of Bounty. His remuneration for FY2014 includes \$70k in relation to his role as CEO. This amount is not included in the \$300,000 aggregate maximum fee for non-executive directors.

### Future Perspectives

The Company'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 2014

	Position	Period of service	Short Term Benefits		Post-employment benefits	Termination benefit	Total
			Salaries and Fees	Non-cash benefit	Superannuation		
			\$	\$	\$	\$	\$
<b>Directors</b>							
Mr Gary Cochrane	Chairman and Chief Executive Officer	01/07/13 - 30/06/14	110,000	-	3,700		113,700
Ms Julie Garland McLellan	Non-executive Director	01/07/13 - 30/06/14	20,000	-	1,423		21,423
Robert Stewart	Non-executive Director	01/07/13 - 30/06/14	20,000		1,850		21,850
Total Directors			150,000	-	6,973	-	156,973
<b>Specified Executives</b>							
Mr Larry Cook	Technical & Bus Dev Manager	01/07/13 - 26/12/13	181,114	47,355	12,836	231,862	473,167
Mrs Eryl Baron	Chief Financial Officer, Company Secretary	01/07/13 - 30/06/14	234,832	-	6,071	133,701	374,604
Mr Andrew Pix	Project Manager	01/07/13 - 30/06/14	190,929		15,798		206,727
Total Specified Executives			606,875	47,355	34,705	365,563	1,054,498

- The directors accepted a reduction in remuneration from 1 July 2013 while Bounty identifies new revenue generating projects. These reduced remuneration levels are reflected in the table.
- The Chief Executive Officer's remuneration for FY2015 is under review.
- Mr Cook and Mr Pix are no longer with the company, and Mrs Baron remains under a part-time consulting contract. These changes will be reflected in the FY2015 remuneration.
- No bonus was paid to any individual during the year or in respect of the year.
- Termination payments include redundancy, long service leave and annual leave entitlements.

**Proceedings on Behalf of the Company**

No person has applied for leave of a Court to bring proceedings on behalf of the Company or to intervene in any proceeding to which the Company is party for the purpose of taking responsibility on behalf of the Company 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 17 and forms part of the Directors' Report for the year ended 30 June 2014.

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**Non-audit Services**

The Board, in accordance with the advice from the Audit and Risk Committee, 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, Gould Ralph Assurance, Bounty's auditor, and its associated entities, performed non-audit services as follows:

	<b>2014</b>
	<b>\$</b>
Tax Compliance Services	8,802
Other services	1,517
<b>Total non-audit services</b>	<b>10,319</b>

Signed in accordance with a resolution of the Board.



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Gary Cochrane

Chairman

Dated in Sydney this 4th day of August 2014



4 August 2014

# GouldRalph

## ASSURANCE

The Board of Directors  
Bounty Mining Limited  
Suite 1002  
60 Pitt Street  
SYDNEY NSW 2000

**Chartered Accountants**  
ABN 74 632 161 298  
Level 42, Suncorp Place  
259 George Street  
Sydney NSW 2000  
Australia  
**T: +61 2 9032 3000**  
F: +61 2 9032 3088  
E: [mail@gouldralph.com.au](mailto:mail@gouldralph.com.au)  
W: [www.gouldralph.com.au](http://www.gouldralph.com.au)

### AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor for the audit of the financial statements of Bounty Mining Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there has been no contravention of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

Yours faithfully

GOULD RALPH ASSURANCE



MALCOLM BEARD, M.Com., F.C.A.  
Partner



Member of Russell Bedford International - with affiliated offices worldwide  
Liability limited by a scheme approved under Professional Standards Legislation

## 5 CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of Bounty Mining Limited (“the Company”), and aims for high standards of corporate governance. Given the size and nature of the Company, the Board considers that the Company follows as far as possible the spirit and intentions of the ASX Corporate Governance Council’s Principles and Recommendations. The Company’s policies are summarised below. Specific areas where the recommended practices are not followed are described below, and summarised at the conclusion of the report.

References to Principles and Recommendations are references to the second edition of the ASX Corporate Governance Council’s Principles and Recommendations (“the ASX Principles”).

### **PRINCIPLE 1: Lay solid foundations for management and oversight**

#### **The role of the Board and Management**

The primary role of the Board of Directors of Bounty is the protection and enhancement of shareholder wealth. The Board is responsible for:

- setting strategic direction;
- appointing the chief executive officer or equivalent;
- ensuring that the management team is appropriately qualified and experienced to discharge its responsibilities;
- establishing goals for management, and monitoring the achievement of these goals;
- oversight of management’s risk management system;
- ensuring appropriate resources are available to senior executives; and
- approving and monitoring financial and other reporting.

In circumstances where a company approaches potential insolvency the Board also has a duty to protect the rights of creditors. This duty takes precedence over the duty owed towards shareholders but is not inconsistent with the primary role and duty.

The Board typically meets monthly and holds additional meetings when necessary to address specific matters that arise. In between meetings, decisions may be adopted by way of circular resolution. Day to day management of the Bounty Group affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the chief executive and management of Bounty.

**The role of the Chairman**

The Chairman is responsible for:

- leading the Board of Directors;
- ensuring directors are properly briefed in all matters relevant to their role and responsibilities;
- facilitating board discussions;
- establishing an appropriate board structure and committees to meet the needs of the Company;
- ensuring adequate board performance measures are in place and regular reviews are undertaken with individual directors and the CEO; and
- managing the Board's relationship with shareholders and with the Company's senior executives.

**The role of the Chief Executive Officer ("CEO")**

The CEO is responsible for:

- implementing company strategies to achieve objectives;
- managing the business of the Company;
- complying with company policies, contractual obligations and regulatory requirements;
- forecasting and reporting progress; and
- formally reviewing the performance of senior executives having regard to the views of the Board.

Gary Cochrane is both Chairman and CEO.

**PRINCIPLE 2: Structure the Board to add value****Board Meetings**

The Board typically meets monthly and holds additional meetings when necessary to address specific matters that arise. In between meetings, decisions may be adopted by way of circular resolution. The Board attempts to hold at least two meetings per year at the operations' sites. This adds to the Directors' understanding of the operations and the company culture.

The CEO attends scheduled Board meetings and reports on safety and environmental matters, business development, and operational performance.

The Chief Financial Officer attends scheduled Board meetings, presents the monthly financial report, and answers questions from the Directors on financial performance, accounting, risk management and treasury.

Board Meetings		
Director	Held	Attended
Gary Cochrane	15	15
Julie Garland McLellan	15	15
Rob Stewart	15	15

### **Composition of the Board**

Julie Garland McLellan and Rob Stewart are independent non-executive directors. Gary Cochrane is a non-independent executive director.

### **Independent Directors**

The Board has accepted the following definition of an independent director. An independent director is a non-executive director who is not a member of management, and who:

- Is not a substantial shareholder (under the meaning of Corporations Act 2001) of Bounty or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of Bounty;
- Has not within the last three years been employed in an executive capacity by Bounty or another group member, or been a director after ceasing to hold any such employment;
- Is not a principal of a professional adviser to Bounty or another group member;
- Is not a significant consultant, supplier or customer of Bounty or another group member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- Has no significant contractual relationship with Bounty or another group member other than as a director of Bounty; and
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Bounty.

Chairman Gary Cochrane is the Chief Executive Officer. Since 30 September 2009, a company associated with Chairman Gary Cochrane, VETL Pty Ltd ("VETL"), has also been the principal lender to the Company, following the assignment of the Company's loan facility and associated charges from Westpac bank to VETL, and the further lending by VETL to Bounty of net \$6.7m including the injection of funds and the capitalisation of interest. A company associated with Mr. Cochrane also holds approximately 36% of the shares of Bounty. Mr. Cochrane is therefore not considered to be an independent director.

Bounty therefore has not followed the recommended practice of:

- Recommendation 2.2 – The chair should be an independent director
- Recommendation 2.3 – The roles of chair and chief executive officer should not be exercised by the same individual.

The Board of Bounty considers that the current situation is appropriate to a company in Bounty's circumstances. The Directors strictly monitor all potential conflicts of interest. Mr Cochrane is only permitted to participate in discussions and votes where he has a material personal interest if this has been approved in his absence by a resolution of the other directors.

### **Appointment and retirement of directors**

The procedures for election and retirement of directors are governed by the Constitution of Bounty. The composition of the Board is determined using the following principles:

- The Board shall comprise a majority of independent non-executive directors;
- Non-executive directors should have no management role within Bounty, but particular skills may be utilised from time to time in an advisory capacity;
- The Board shall comprise directors with a range of experience encompassing the current and proposed activities of Bounty;
- The Board recognises the value of diversity including age, gender, race, disability etc. in structuring the Board. This is discussed further under Principle 3;
- The Remuneration and Nomination Committee is a committee of the three non-executive independent directors: Robert Stewart (chair) and Julie Garland McLellan;
- Where a vacancy exists, the Committee will select an appropriate candidate through consultation with external parties and consideration of the needs of shareholders and the Bounty Group. Such appointments will be referred to shareholders for re-election at the next annual general meeting; and
- All directors are subject to re-election by shareholders at least every three years.

### **Independent Professional Advice and Access to Company Information**

Each director has the right of access to all relevant Bounty Group information and Bounty's executives. Directors may seek independent professional advice, subject to agreement by the Chairman, at Bounty's expense. A copy of advice received by any director is to be made available to all other members of the Board.

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**Evaluation and Review of Board Performance**

The Chairman introduced a formal board appraisal system in 2011. The performance of individual directors is reviewed by the Chairman in a series of one-on-one meetings. The performance of the Board as a whole and of the Chairman is reviewed by all directors and the Board's direct reports. Analysis of the review may identify opportunities for improvement and actions.

**PRINCIPLE 3: Promote ethical and responsible decision-making****Code of Conduct**

The Board supports high standards of corporate governance. Bounty has established a Code of Conduct which requires board members and staff to act with integrity and objectivity in relation to:

- Compliance with the law;
- Record keeping;
- Confidentiality;
- Professional conduct;
- Dealing with suppliers, advisers and regulators; and
- Dealing with the community and employees.

Directors and senior executives are subject to further requirements as follows:

**Conflict of Interest**

In accordance with the Corporations Act 2001 and Bounty's Constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of Bounty. The Board has processes for registering conflicts of interest at all Board and committee meetings and for managing conflicts by maintaining confidentiality of discussions and excluding conflicted directors or staff from discussions or decisions as appropriate.

**Diversity Policy**

The Company recognises the benefits arising from employee and board diversity, including accessing different perspectives and ideas and benefitting from a greater pool of talent.

In 2011 the Board formally adopted a Diversity Policy, a copy of which is available on the Bounty website. The Company has a policy not to discriminate on the basis of gender, age, religion or disability.

Factors such as gender, race, age or disability are irrelevant and are not taken into account when making employment decisions. In all cases, the person most suited to the position is selected based on their skills and qualifications without bias or prejudice.

Consistent with Bounty's policy of non-discrimination, the Board has chosen not to set, and therefore not to report, specific measurable targets for gender diversity. However, the outcomes of this policy at all reporting levels at 30 June 2014 were:

Board	33% female
Senior executives	50% female

The Company's diversity policy is available on the Company's web-site.

### **Dealings in Bounty Shares**

The Constitution permits directors to acquire shares in Bounty. Company policy prohibits directors, officers and employees from dealing in Bounty shares whilst in possession of price sensitive information or during certain periods of activity. The Corporations Act 2001 and the Listing Rules of ASX require that the ASX is advised of any transactions conducted by directors in shares in Bounty. The Company's policy is available on the web-site.

### **Directors' and officers' duties**

- To act honestly, in good faith and in the best interest of the Company as a whole at all times;
- To use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- To use the powers of the office for a proper purpose;
- To recognise that primary responsibility is to the Company's members as a whole, but where appropriate to have regard for the interests of all stakeholders;
- To refrain from making improper use of information acquired as a director;
- Not to allow personal interest, or the interest of any associated person, to conflict with the interests of the Company;
- To be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board;
- To maintain the confidentiality of information received in the course of the exercise of duties;
- Not to engage in conduct likely to bring discredit upon the Company; and
- To comply, at all times, with the spirit as well as the letter of the law and with the principles of this Code.

## PRINCIPLE 4: Safeguard integrity in financial reporting

### Audit and Risk Committee

The Company has an Audit and Risk Committee.

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

The Committee reports to the Board on all matters relevant to its role and responsibilities. The Committee has a schedule of meetings for the year which aligns with scheduled financial reporting requirements for the audit function of the Committee, but also meets at least once a year to specifically monitor and assess the risk management framework and may also meet from time to time as required.

Committee membership is based on the following principles:

- The Committee consists of independent non-executive board members;
- The Chairman of the Committee is independent, and is not the Chairman of the Board; and
- All members are financially literate, and have an understanding of the industry in which the Company operates.

Executive director Gary Cochrane attends meetings on the invitation of the Committee where the Committee members consider that there is no conflict of interest.

Membership of the Committee is currently as follows:

Julie Garland McLellan (Chair) (independent non-executive director)

Rob Stewart (independent non-executive director)

Audit and Risk Committee meetings		
Director	Held	Attended
Julie Garland McLellan	6	6
Rob Stewart	6	6

### Financial Reporting

Monthly actual results are reported and reviewed by the Board. The Bounty Group reports its financial performance to shareholders half-yearly, and reports a statement of cashflows quarterly, via the



Australian Securities Exchange platform. The Committee reviews the integrity of the Company's financial reporting.

### **Certification of Financial Reports**

The Chief Executive Officer and the Chief Financial Officer certify to the Board, for the purpose of S295A of the Corporations Act, each reporting period that:

The Company's financial records have been maintained in accordance with s286 of the Corporations Act 2001 ("the Act");

- The Company's financial reports comply with accounting standards as required by s296 of the Act, and give a true and fair view of the Company's financial position;
- The certification is based on a sound system of risk management and internal controls; and
- Those risk management systems and internal controls are operating efficiently and effectively.

### **External Auditors**

The auditors of Bounty have access to the Directors at all times.

The nomination of external auditors is the annual responsibility of the Board.

The Board maintains an effective internal control framework to safeguard the Bounty Group's assets, maintain proper accounting records and ensure the reliability of financial information compiled by Bounty.

### **Audit Independence**

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 17 and forms part of the Directors' Report for the year ended 30 June 2014. The Committee oversees the independence of the external auditors.

## **PRINCIPLE 5: Make timely and balanced disclosure**

The Board aims to ensure that shareholders are at all times fully informed in accordance with the spirit and letter of the Australian Securities Exchange's continuous disclosure requirements.

**Continuous Disclosure**

In accordance with ASX Listing Rules 3.1, the Company has adopted the following practices and procedures for ensuring continuous disclosure to the market:

- At the time of induction, employees and key consultants are informed of the Company's policies and practices and obligations for continuous disclosure;
- All information, including material events and milestones, that can materially impact the share price of the Company must be brought to the attention of a director or the Company Secretary;
- Once a matter is identified as requiring announcement to ASX, the Company Secretary or delegated party prepares the announcement for the consideration of the full Board;
- The Board reviews the draft and ascertains from management that the announcement is based on fact and not misleading;
- The Board, or if the Board cannot be assembled in time, the Chairman, authorises the release the announcement to the market. All announcements are posted on the Company's web-site at [www.bounty.com.au](http://www.bounty.com.au);
- All external queries and comment in relation to an announcement are directed to the Chairman for response if appropriate.

Time is of the essence in respect to these matters.

**PRINCIPLE 6: Respect the rights of security holders**

The Board respects the rights of security holders by:

- Communicating effectively with them;
- Giving them ready access to balanced and understandable information about the Company and corporate proposals; and
- Making it easy for them to participate in general meetings.

Information is communicated to shareholders as follows:

- Publicly released documents and general information about the Company are made available on the Company's internet website at [www.bounty.com.au](http://www.bounty.com.au). The web site is reviewed regularly to ensure information is up to date and accurate;
- The annual report is distributed to those shareholders requesting a hard copy. The report is available electronically on the Company's web-site. The Board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year,

changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;

- The half-year report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act 2001. It is reviewed by the Company's auditors, and is lodged with the Australian Securities and Investments Commission and the ASX. The financial report is sent to any shareholder who requests it; and
- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation by shareholders at the Annual General Meeting, and any other General Meetings held, to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. The Company's auditors are invited to attend each AGM, and shareholders are invited to ask questions of the auditors and directors. Important issues are presented to the shareholders as single resolutions.

The Shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

## **PRINCIPLE 7: Recognise and manage risk**

### **Risk Management and internal control system**

The Board has established a system of risk oversight and management and internal control. The Board monitors areas of operational and financial risk, and considers strategies for appropriate risk management. The Board will draw on the expertise of senior executives, key supervisory staff and, where appropriate, external consultants to assist in dealing with or mitigating areas of risk which are identified.

The Risk Management Plan has been developed using the guidelines published in Australian/New Zealand Standard AS/NZ ISO 31000:2009 Risk Management Principle and Guidelines. The Plan has been designed by the management team, with input from the Audit and Risk Committee and the Board, to manage the Company's material business risks and report to the Board on the management of those risks. The plan is regularly reviewed by the board and by management at each operating site.

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Audit and Risk Committee reviews the risk management system for effectiveness at least annually.

The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the consolidated entity's business objectives. Control procedures cover management accounting, financial reporting, project appraisal, environment, IT security, compliance and other risk management issues.

The Company's main areas of risk include:

- contract performance;
- occupational health & safety;
- equipment reliability;
- market conditions;
- economic risks;
- general operating risks;
- environmental risks;
- human resources;
- ongoing capital requirements;
- access to finance for equipment replacement and fleet growth; and
- commodity price and exchange rate risks;

### **Identification and Management of Risk**

The Board and management's collective experience enables accurate identification of the principal risks which may affect the Company's business. Management of these risks is discussed by the Board periodically at board meetings and strategic planning meetings. In addition, key operational risks and their management are recurring items for deliberation at board meetings.

### **Compliance with customers' systems**

When mining at our customers' sites, in addition to complying with its own risk management systems, Bounty may be required to comply with the customer's risk management and safety systems and procedures.

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**PRINCIPLE 8: Remunerate fairly and responsibly****Remuneration and Nomination Committee**

The Board has established a Remuneration and Nomination Committee. The Committee's charter sets out the objectives, responsibilities and administration of the Committee. The charter is available on the Company's website.

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

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

Membership of the Committee is currently as follows:

Rob Stewart (chair)	(independent non-executive director)
Julie Garland McLellan	(independent non-executive director)

The Remuneration and Nomination Committee did not meet during the Financial Year.

The remuneration of any executive director will be decided by the Committee without the affected executive director participating in that decision making process. Any equity based remuneration for executive and non-executive directors will only be made with the prior approval of shareholders in general meeting.

The maximum remuneration of non-executive directors is the subject of shareholder resolution in accordance with the Company's Constitution, and the Corporations Act as applicable. The apportionment of non-executive director remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive director. A total fee available for non-executive directors is currently set at \$300,000 per annum, excluding superannuation.

When setting fees and other compensation for non-executive directors, the Board will seek independent advice and apply Australian and International benchmarks. The Board may award additional remuneration to non-executive directors called upon to perform extra services or make

special exertions on behalf of the Company. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

In general, non-executive directors are not invited to participate in equity based remuneration schemes.

### Summary:

Bounty has chosen to follow the ASX Corporate Governance Principles and Recommendations except as follows, for the reasons given in the relevant section above:

Recommendation	Explanation of Departure
2.2 The chair should be an independent director	Chairman Gary Cochrane is not considered independent.
2.3 The roles of chair and chief executive officer should not be exercised by the same individual	Chairman Gary Cochrane is currently Chief Executive Officer ("CEO").
3.3 Diversity Policy should set measurable objectives for achieving gender diversity.	The Diversity Policy does not set measurable objectives.

## 6 FINANCIAL STATEMENTS

### Consolidated statement of comprehensive income for the year ended 30 June 2014

		<b>Consolidated Group</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
Revenue from rendering of services	2	1,471,026	19,636,444
Other revenues	2	10,357	42,685
Total revenue		1,481,383	19,679,129
Cost of services		(138,058)	(2,166,943)
Employee expenses	4	(1,430,076)	(12,441,980)
Depreciation and amortisation expenses	3	(442,515)	(1,570,664)
Impairment of assets	3	-	(269,561)
Legal and professional costs		(500,305)	(333,152)
Occupancy expenses		(298,992)	(365,707)
Finance costs	3	(697,949)	(779,434)
Other expenses from ordinary activities		(130,902)	(426,867)
<b>(Loss) / Profit before related income tax expense</b>		<b>(2,157,414)</b>	<b>1,324,821</b>
Income tax expense	6	-	(391,681)
<b>(Loss) / Profit from continuing operations for the year</b>		<b>(2,157,414)</b>	<b>933,140</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive (expense) / income for the year</b>		<b>(2,157,414)</b>	<b>933,140</b>
<b>Net (loss) / profit attributable to members of the parent entity</b>		<b>(2,157,414)</b>	<b>933,140</b>
<b>Total comprehensive (expense) / income attributable to members of the parent entity</b>		<b>(2,157,414)</b>	<b>933,140</b>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	7	(0.43c)	0.19c

The consolidated statement of comprehensive income should be read in conjunction with the notes of the financial statements set out on pages 35 to 71.

**Consolidated statement of financial position at 30 June 2014**

		<b>Consolidated Group</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash and cash equivalents	9	87,804	3,624,638
Trade and other receivables	10	2,398	1,557,475
Inventories	11	469,208	477,019
Other assets	12	145,471	258,396
<b>Total current assets</b>		<b>704,881</b>	<b>5,917,528</b>
<b>Non-current assets</b>			
Property, plant & equipment	13	4,431,172	4,763,083
Exploration and evaluation asset	16	995,185	-
<b>Total non-current assets</b>		<b>5,426,357</b>	<b>4,763,083</b>
<b>Total assets</b>		<b>6,131,238</b>	<b>10,680,611</b>
<b>Current liabilities</b>			
Trade and other payables	14	89,001	1,720,369
Financial liabilities	15	13,583	7,418,530
Short-term provisions	17	26,376	2,008,893
<b>Total current liabilities</b>		<b>128,960</b>	<b>11,147,792</b>
<b>Non-current liabilities</b>			
Financial liabilities	15	2,790,733	-
<b>Total non-current liabilities</b>		<b>2,790,733</b>	<b>-</b>
<b>Total liabilities</b>		<b>2,919,693</b>	<b>11,147,792</b>
<b>Net assets / (deficiency)</b>		<b>3,211,545</b>	<b>(467,181)</b>
<b>Equity</b>			
Issued capital	18	37,469,700	31,633,560
Accumulated losses	19	(37,431,113)	(35,273,699)
Reserves	20	3,172,958	3,172,958
<b>Total equity</b>		<b>3,211,545</b>	<b>(467,181)</b>

The consolidated statement of financial position should be read in conjunction with the notes of the financial statements set out on pages 35 to 71.



**Consolidated statement of changes in equity for the year ended 30 June 2014**

	<b>Issued Capital</b>	<b>Options Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated Group</b>				
Balance at 1 July 2012	31,633,560	3,172,958	(36,206,839)	(1,400,321)
Profit attributable to members of parent entity	-	-	933,140	933,140
Balance at 30 June 2013	31,633,560	3,172,958	(35,273,699)	(467,181)
Balance at 1 July 2013	31,633,560	3,172,958	(35,273,699)	(467,181)
Capital issued for debt conversion	5,000,000	-	-	5,000,000
Capital issued to raise funds	920,000	-	-	920,000
Cost of issuing capital	(83,860)	-	-	(83,860)
Loss attributable to members of parent entity	-	-	(2,157,414)	(2,157,414)
Balance at 30 June 2014	37,469,700	3,172,958	(37,431,113)	3,211,545

The consolidated statement of changes in equity should be read in conjunction with the notes of the financial statements set out on pages 35 to 71.

**Consolidated statement of cash flows for the year ended 30 June 2014**

	Note	Consolidated Group	
		2014	2013
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		3,251,034	21,847,967
Payments to suppliers and employees		(6,263,382)	(17,229,326)
		(3,012,348)	4,618,641
Interest received		12,633	38,414
Finance costs		(182,961)	(779,434)
<b>Net cash flows (used in) provided by operating activities</b>	25	<b>(3,182,676)</b>	<b>3,877,621</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(111,413)	(887,944)
Investment in Wongai		(995,186)	-
Proceeds from sale of equipment		3,061	2,701
<b>Net cash flows used in investing activities</b>		<b>(1,103,538)</b>	<b>(885,243)</b>
<b>Cash flows from financing activities</b>			
Gross proceeds from issue of shares		920,000	-
Costs related to issue of shares		(70,620)	-
Repayment of borrowings		(100,000)	(900,000)
<b>Net cash flows provided by / (used in) financing activities</b>		<b>749,380</b>	<b>(900,000)</b>
Net (decrease) / increase in cash held		(3,536,834)	2,092,378
Cash at beginning of financial year		3,624,638	1,532,260
<b>Cash at end of financial year</b>	9	<b>87,804</b>	<b>3,624,638</b>

The consolidated statement of cash flows should be read in conjunction with the notes of the financial statements set out on pages 35 to 71.

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## Notes to Financial Statements

### 1 Statement of Significant Accounting Policies

This financial report covers the consolidated group of Bounty Mining Limited and controlled entities incorporated and domiciled in Australia (“Bounty” or “The Group”).

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.

#### (a) 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 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.

The financial report is presented in Australian dollars.

The financial report was authorised for issue on 04 August 2014 by the Board of Directors.

#### Going concern

As at 30 June 2014, the Group’s current assets exceeded current liabilities by \$0.6m, and total assets exceeded total liabilities by \$3.2m. However, Bounty has net financial liabilities of \$2.8m (FY2013: \$4.0m), incurred a loss from continuing operations for the year of \$2.2m (FY2013: profit of \$0.9m),

had a deficiency in net cash flows from operating activities of \$3.2m (FY2013: surplus of \$3.9m) and had a deficiency in net cash flows from investing activities of \$1.1m (FY2013: \$0.9m).

The Directors have prepared the financial statements on a going concern basis. The Directors are satisfied that the current capital raising program will provide sufficient funds for operations for at least 12 months from the date of this report. If additional contract mining or joint venture opportunities are identified these will generate additional cashflows.

Bounty also has the continued support of its secured lender, VETL Pty Ltd ("VETL"), a company associated with Chairman Gary Cochrane. The balance of the loan is due for repayment on 31 December 2015 if not extinguished by other means prior to that date.

The Directors are therefore satisfied that the Bounty group will be able to continue as a going concern.

Should the Directors not achieve the matters set out above, there is material uncertainty whether the consolidated entity will be able to continue as a going concern.

If part or the whole of the consolidated entity is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded assets amounts, or to the amounts or classification of liabilities, which might be necessary should the consolidated entity not be able to continue as a going concern.

**(b)** Principles of consolidation

The consolidated financial statements incorporate all of 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 24.

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.

**(c)** Revenue recognition

**Revenue from rendering of services**

Revenue from contracts is recognised when the service is rendered to the customer.

**Interest income**

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

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

**(d)** 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.

**(e)** Foreign currency transactions

Foreign currency transactions are related to purchases of equipment and spare parts from overseas suppliers. These transactions are translated into Australian currency at the rates of exchange prevailing at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

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**(f)** 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.

**(g)** Income tax

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.

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*Tax Consolidation*

Bounty Mining Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. 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 Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from March 2005. 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.

**(h) Earnings per share**

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

**(i) Fair Value**

The Group subsequently measures some of its assets at fair value on a non-recurring basis. Fair value is the price the Group would receive to sell an asset in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs). For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

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**(j) Inventories**

Tools and critical spare parts used within the business are carried at the lower of cost and net realisable value.

**(k) Plant and equipment**

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.

**Depreciation and amortisation**

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 mechanical component of the asset is depreciated on the basis of usage; and
- The electrical component is depreciated on the basis of time as its value deteriorates with age regardless of usage. .

As plant and equipment has been in storage under care and maintenance since August 2013, only the electrical component has continued to be depreciated since that time.

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

Plant and equipment	4 - 6 years
Office furniture	3.33 – 8.88 years
Motor vehicles	3.33 years
Computer equipment	2.66 years



The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Depreciation and amortisation rates and methods are reviewed annually for appropriateness.

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.

**(l) Evaluation and Exploration asset**

Exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest. They are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area.

**(m) Leased assets**

**Operating leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(n) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances, term deposits and deposits at call.

**(o) Impairment of Assets**

At each reporting date, the group reviews the carrying values of its assets to determine whether there is any indication that those assets 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. However as the plant and equipment and capital works in progress have been placed in care

and maintenance since August 2013, the Board has determined that value in use is not an appropriate basis for measuring the recoverable amount in those circumstances. Accordingly the Board considers the lower of carrying value and fair value less costs to sell shall be used to measure all plant and equipment and capital works in progress.

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.

**(p)** Issued capital

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

**(q)** Trade and other receivables

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Trade and other receivables are stated at cost less impairment losses. Refer to Note 1 (o).

**(r)** Trade and other payables

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. Trade payables are non-interest bearing and are normally settled on 15 – 30 day terms.

**(s)** Financial Instruments

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

**Financial liabilities**

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.

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in note 15 *Financial Liabilities*.

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**(t)** Expenses**Operating lease payments**

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.

**(u)** Provisions

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.

**(v)** Employee entitlements**Wages, salaries, annual leave and sick leave**

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. Employee benefits are expected to be settled within one year, and have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

**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.

**(w)** Comparatives

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

**(x)** Critical accounting 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 the following critical accounting policies for which significant judgements, estimates and assumptions are made. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

### **Key estimates**

#### **Impairment**

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using fair value less cost to sell calculations which incorporate various key assumptions.

The Group's plant and equipment and capital works in progress were valued at 30 June 2014 by an independent valuer on 3 different bases which are Going Concern (value in use), Fair Market and Orderly Liquidation. The Board of Bounty consider that the most appropriate basis for valuation for the purpose of determining recoverable amount is Fair Market Value (less costs to sell) which is then applied to individual items of equipment so that the carrying value is the lower of Written Down Value and Fair Market Value (less costs to sell). No further provisions for impairment were required at 30 June 2014.

#### **Estimation of useful lives of assets**

The estimation of the useful lives of assets has been based on historical experience as well as electrical coding information, and lease terms (for leased assets). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Bounty's mining contract expired on 30 July 2013. The expiry of the contract does not impact on the useful life of the equipment.

#### **Deferred Tax Assets**

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those 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.

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## Key Judgements

### Exploration and Evaluation Asset

In respect of the Wongai Project expenditure recognised as an Exploration and Evaluation asset under AASB 6 “Exploration for and Evaluation of Mineral Resources”, the Group has assessed that there are no impairment indicators evident currently. The exploration activities are not yet sufficiently advanced to make an assessment about the likelihood of recovery in full of the Exploration and Evaluation asset.

### Impairment Reversals of Plant and Equipment and Capital Works in Progress

The most recent valuation of the Group's plant and equipment and capital works in progress has indicated that certain assets previously impaired now have a Fair Value higher than the Written Down Value. However the Board has concluded that in the current market conditions, the fair values of those assets are unchanged from their written down value. It is therefore considered inappropriate to recognise the temporary reversal of impairments and values have not been adjusted as a result.

Going Concern: Refer to details in Note 1(a).

## Change in Accounting Policy

The Group voluntarily changed its accounting policy relating to the capitalised expenditure of the Wongai Coal Project, whereby the expenditure was reclassified as an Exploration and Evaluation Asset for the financial year ending 30 June 2014. For the half year ending 31 December 2013 the investment in the Wongai Project was classified as an Investment in associate under AASB 128 “Investments in Associates and Joint Ventures”. After reassessing the contractual obligations of the Wongai Coal Joint Venture, the Board has determined that under AASB 11 “Joint Arrangements”, the Wongai Coal Joint Venture is a Joint Operation, not a Joint Venture. The Wongai Project expenditure will accordingly be classified as an Expenditure and Evaluation asset under that Joint Operation.

Although the Wongai Coal Joint Venture was entered into by Bounty in September 2013, it has since been determined that the Joint Operation cannot take full effect until Bounty becomes a party to an ancillary agreement, being the Indigenous Land Use Agreement (“ILUA”). Bounty's Wongai Coal Joint Venture partner Aust-Pac Capital Pty Ltd and the Kalpowar People, the Traditional Owners of the Wongai tenements are the existing parties to the ILUA. Legal title to the 5% Phase 1 Interest in the Wongai Project can not be transferred to Bounty until Bounty is a party to the ILUA. Bounty expects to become a party to the Wongai ILUA in the near future. Under the terms of the WCJV, Aust-Pac must hold the earned Phase 1 interest in trust for Bounty until the legal interest is transferred.

Pending Bounty's execution of the Wongai ILUA, the Board has determined that the Wongai Project expenditure already meets the requirements for recognition as an Exploration and Evaluation asset under AASB 6 pursuant to the terms of the Wongai Coal Joint Venture. Accordingly, Bounty's execution of the ILUA will have no effect on the recognition, measurement or classification of the Exploration and Evaluation asset in either Financial Year 2014 or in future periods.

The table below provides a summary of the amounts of the adjustments for each financial statement line item affected by the reclassification of the Wongai Project expenditure as an Exploration and Evaluation asset. No expenditure was incurred in the comparative period ending 30 June 2013.

#### Adjustments made to statement of financial position

	as at 30 June 2014		
	Under Previous Accounting Policy	Effect of Change in Accounting Policy AASB 6	As Presented
	\$	\$	\$
Investment accounted for using the equity method	995,185	(995,185)	-
Exploration and Evaluation asset	-	995,185	995,185

The change in accounting policy has no effect on basic or diluted earnings per share.

		<b>Consolidated Group</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>2</b>	<b>Revenue</b>		
	<b>Revenue from ordinary activities</b>		
	Rendering of services	1,471,026	19,636,444
	Other revenues		
	- Interest income	8,381	42,685
	- Gain on disposal of property, plant and equipment	1,975	-
	Sub-total other revenues	10,357	42,685
	<b>Total Revenue</b>	<b>1,481,383</b>	<b>19,679,129</b>

### 3 Loss / Profit for the year

(Loss) / profit from ordinary activities before income tax expense has been arrived at after charging the following items:

#### Expenses

#### Depreciation and amortisation of:

- Plant & equipment	432,610	1,556,128
- Office furniture	3,161	7,795
- Motor vehicles	6,744	6,741
	442,515	1,570,664
Impairment of assets	-	269,561
Rental expense on operating leases	347,487	686,999
Finance costs	697,949	779,434

		<b>Consolidated Group</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>4</b>	<b>Employee expenses</b>		
	Wages and Salaries	2,798,255	7,089,683
	Other associated personnel expenses	305,523	1,007,143
	Contributions to defined contribution superannuation funds	108,558	629,131
	(Decrease) / Increase in liability for leave	(1,982,517)	746,153
	Contractors Expenses	200,257	2,969,870
		<b>1,430,076</b>	<b>12,441,980</b>
<b>5</b>	<b>Remuneration of auditors</b>		
	Audit or review of financial reports	41,805	45,600
	Taxation and other services	10,319	10,301
	Total audit and other services	<b>52,124</b>	<b>55,901</b>
<b>6</b>	<b>Income Tax</b>		
	The component of tax expense comprise:		
	Current tax	-	-
	Deferred tax	-	391,681
		-	391,681



## 6 Income Tax (continued)

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

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Prima facie tax on profit / (loss) from ordinary activities before income tax at 30% (2012:30%)	(647,225)	397,446
Add: tax effect of:		
- Non-allowable items	166,934	343,308
- Unrealised impairment of assets	-	80,868
- Tax assets not brought to account	1,466,678	228,483
- Reduction in deferred tax assets	-	391,681
Deduct: tax effect of:		
- Movement in provisions	(594,755)	223,845
- Exploration expenditure	(152,889)	-
- Other allowable items	(238,743)	(516,009)
- Realised impairment of assets	-	(757,941)
<b>Income tax charge attributable to entity</b>	<b>-</b>	<b>391,681</b>

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Tax assets</b>		
(a) Assets		
Non-current deferred tax asset comprises:		
Provisions and accruals	-	-

## 6 Income Tax (continued)

### (b) Reconciliations

The overall movement in the deferred tax asset arising from temporary differences is as follows:

	Consolidated Group	
	2014	2013
	\$	\$
Opening balance	-	391,681
Charge to the income statement	-	(391,681)
Closing balance	-	-

### 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.

### Deferred tax assets not brought to account

The Directors estimate that at 30 June 2014 the amount of deferred tax assets not brought to account are:

- In respect of tax operating losses – \$9,633,453 (2013: \$8,166,774)
- In respect of tax capital losses – \$341,885 (2013: \$341,885)
- Temporary differences not recognised \$641,091 (2013: \$632,310)

These amounts have no expiry date.

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

- 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;
- The consolidated entity continues to comply with the conditions for deductibility imposed by the tax legislation; and
- No changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

## 7 Earnings per Share

<b>Consolidated Group</b>	
<b>2014</b>	<b>2013</b>
<b>\$</b>	<b>\$</b>

The following reflects the income and share data used in the calculation of basic earnings per share (eps):

Net (loss) / profit	(2,157,414)	933,140
Earnings used in calculating basic eps	(2,157,414)	933,140

	Parent Company	
	2014	2013
	No.	No.
Weighted average number of ordinary shares used in calculating basic eps	504,171,532	478,691,869

## 8 Segment Reporting

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate expenses.

### Business segments

During FY2014 the consolidated entity comprised the following main business segments

- Contract Mining (with production mining during July 2013)
- Development of Wongai Coal Project (from August 2013).

## 8 Segment Reporting (continued)

### (i) Segment performance

	Contract Mining \$	Development of Wongai Coal Project \$	Corporate Office \$	Total \$
<b>Year to 30 June 2014</b>				
<b>Revenue</b>				
External sales	1,376,894	-	94,132	1,471,026
Intersegment sales	160,372	-	-	160,372
<b>Total segment revenue</b>	<b>1,537,266</b>	<b>-</b>	<b>94,132</b>	<b>1,631,398</b>

Reconciliation of segment revenue to group revenue:

Other revenue	10,357
Intersegment elimination	(160,372)
<b>Total group revenue</b>	<b>1,481,383</b>

### Segment net profit / (loss) from continuing operations before tax

<b>165,901</b>	<b>-</b>	<b>(1,182,851)</b>	<b>(1,016,950)</b>
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Reconciliation of segment result to group net loss before tax:

Depreciation and amortisation expense	(441,327)	-	(1,188)	(442,515)
Finance costs				(697,949)
<b>Net loss before tax from continuing operations</b>				<b>(2,157,414)</b>

### (ii) Segment assets

	Contract Mining \$	Development of Wongai Coal Project \$	Corporate Office \$	Total \$
<b>30 June 2014</b>				
<b>Segment assets</b>	<b>4,961,932</b>	<b>995,185</b>	<b>3,247,182</b>	<b>9,204,299</b>
Segment assets include:				
Additions to non-current assets	111,412			111,412
Exploration and evaluation asset		995,185		995,185

Reconciliation of segment assets to group assets:

Intersegment eliminations	(3,073,062)
<b>Total group assets</b>	<b>6,131,238</b>

## 8 Segment Reporting (continued)

### (iii) Segment liabilities

	Contract Mining	Development of Wongai Coal Project	Corporate Office	Total
	\$	\$	\$	\$
<b>Segment liabilities</b>	2,086,168	995,185	120,668	3,202,021
Reconciliation of segment liabilities to group liabilities:				
Intersegment eliminations				(3,073,062)
Related party liability				2,790,734
<b>Total group liabilities</b>				<b>2,919,693</b>

During FY2013, the Group's activities related to contract coal mining within Australia.

Consolidated Group	
2014	2013
\$	\$
87,804	2,092,811
-	1,531,827
87,804	3,624,638

## 9 Cash and cash equivalents

## 10 Trade and other receivables

### Current

Trade debtors (a)	49,519	1,602,724
Accrued revenues	-	4,270
	49,519	1,606,994
Less: impairment	(49,519)	(49,519)
Goods and Services tax receivable	2,398	-
	<b>2,398</b>	<b>1,557,475</b>

(a) Trade debtors are non-interest bearing and generally on 14 day terms.

		<b>Consolidated Group</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>11 Inventories</b>			
Spares and tools inventory at cost:		469,208	477,019
		<b>469,208</b>	<b>477,019</b>
<b>12 Other current assets</b>			
Prepayments		51,938	141,762
Deposits		93,533	116,634
		<b>145,471</b>	<b>258,396</b>
<b>13 Property, plant and equipment</b>			
Plant and equipment (at cost)	-	5,091,269	
Less: accumulated depreciation	-	(2,584,445)	
Less: impairment	-	(313,163)	
	-	2,193,661	
Plant and equipment not in use (at cost)	5,037,055	-	
Less: accumulated depreciation	(2,818,415)	-	
Less: impairment	(313,163)	-	
	1,905,477	-	
Capital works in progress (at cost)	6,694,150	6,597,859	
Less: accumulated depreciation	(1,738,160)	(1,608,853)	
Less: impairment	(2,433,280)	(2,433,280)	
	2,522,710	2,555,726	
Office furniture and fittings (at cost)	143,481	148,057	
Less: accumulated depreciation	(141,609)	(142,218)	
	1,872	5,839	
Motor Vehicles (at cost)	20,438	20,438	
Less: accumulated depreciation	(19,325)	(12,581)	
	1,113	7,857	
<b>Total</b>		<b>4,431,172</b>	<b>4,763,083</b>

### 13 Property, plant and equipment (continued)

(a) VETL Pty Ltd, a company associated with Chairman Gary Cochrane, is owed \$2.8m by wholly owned subsidiary Bounty Equipment Leasing Pty Ltd as at 30 June 2014 (see Note 15). The loan is secured by a fixed and floating charge over the assets and undertaking of the Consolidated Bounty Group. Interest is charged at 9.72% p.a. A guarantee and indemnity has been given by Bounty Mining Limited and Bounty Operations Pty Ltd.

<b>Movement in carrying amount</b>	<b>Consolidated Group 2014 \$</b>
<b>Plant and equipment</b>	
Carrying amount at 1 July 2013	2,193,658
Additions	15,122
Net transfers to Plant and equipment not in use	(2,130,712)
Depreciation expense (note 3)	(78,068)
Carrying amount at 30 June 2014	-
<b>Plant and equipment not in use</b>	
Carrying amount at 1 July 2013	-
Net transfers to Plant and equipment not in use	2,130,712
Depreciation expense (note 3)	(225,235)
Carrying amount at 30 June 2014	<b>1,905,477</b>
<b>Capital works in progress</b>	
Carrying amount at 1 July 2013	2,555,726
Additions	96,290
Depreciation expense (note 3)	(129,306)
Carrying amount at 30 June 2014	<b>2,522,710</b>
<b>Office furniture &amp; fittings</b>	
Carrying amount at 1 July 2013	5,839
Depreciation expense (note 3)	(3,161)
Disposals	(807)
Carrying amount at 30 June 2014	<b>1,872</b>
<b>Motor vehicles (owned)</b>	
Carrying amount at 1 July 2013	7,857
Depreciation expense (note 3)	(6,744)
Carrying amount at 30 June 2014	<b>1,113</b>
<b>Total</b>	<b>4,431,172</b>

Depreciation charges during FY2014 reflect the life cycles of the mechanical and electrical components of the equipment. Refer Note 1(k).

### 13 Property, plant and equipment (continued)

The Group initially recognises and measures its Plant and Equipment and Capital Works in Progress at cost. The Group subsequently measures some items of its plant and equipment and capital works in progress at fair value on a non-recurring basis in accordance with AASB136: Impairment of Assets. Refer to Note 1 (o).

#### Fair Value Measurement

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that is an input that is significant to the measurement can be categorised into as follows:

- Level 1: Measurements based on quoted prices in active markets for identical assets that the entity can access at the measurement date.
- Level 2: Measurements based on inputs other than the quoted prices included in Level 1, but that are observable for the asset, either directly or indirectly.
- Level 3: Measurements based on unobservable inputs for the asset or liability.

Bounty's management considers that the inputs used for the fair value measurement are Level 2 inputs.

#### Valuation techniques

AASB 13 requires the valuation technique used to be consistent with one of the following valuation approaches:

- Market approach: techniques that use prices and other information generated by market transactions for identical or similar assets.
- Income approach: techniques that convert future cashflows or income and expenses into a single discounted present value;
- Cost approach: techniques that reflect the current replacement cost of an asset at its current service capacity.

Bounty commissioned an external independent valuer to conduct a valuation of its plant and equipment and capital works in progress at 30 June 2014 using a market approach technique. The technique used recent observable market data for similar equipment both in Australia and in other markets. Bounty's management considers that the market approach is the appropriate valuation technique in relation to its plant and equipment and capital works in progress, as it is currently not in use.

Inputs used in the market approach technique to measure Level 2 fair values were:

- Review of the Code period of each item of equipment; and
- Review of transactions in the relevant domestic and overseas markets for similar assets.



### 13 Property, plant and equipment (continued)

The valuation technique and level of inputs are the same as those used in FY2013.

Non-Recurring fair value measurements:

	Level 2
	<u>2014</u>
	\$
Plant and equipment not in use	1,829,833
Capital works in progress	<u>1,620,694</u>
Total non-financial assets recognised at fair value	<u><b>3,450,527</b></u>

The highest and best use of the assets is the value in use, using the income approach technique. The Board has determined that value in use is not an appropriate basis for measuring the recoverable amount in the current economic conditions.

### 14 Trade and other payables

#### Current

		<u>Consolidated Group</u>	
		<u>2014</u>	<u>2013</u>
		\$	\$
Trade creditors	(a)	42,986	198,948
Other creditors and accruals		<u>46,015</u>	<u>1,521,421</u>
		<u><b>89,001</b></u>	<u><b>1,720,369</b></u>

(a) Standard terms of trade accounts payable are settlement within 15 - 30 days.

## 15 Financial liabilities

### Current

		2014 \$	2013 \$
Unsecured Loans		13,583	42,318
Related party liability	(a)	-	7,376,212
		<b>13,583</b>	<b>7,418,530</b>

### Non current

Related party liability	(a)	2,790,733	-
		<b>2,790,733</b>	<b>-</b>
<b>Total</b>		<b>2,804,316</b>	<b>7,418,530</b>

(a) In September 2009, VETL Pty Ltd ("VETL"), a company associated with Chairman Gary Cochrane, was assigned a loan from Westpac Banking Corporation, on the same commercial terms. Bounty continued to draw down funds under this facility between September 2009 and October 2011. Loan repayments of \$1m were made during FY2013 and FY2014. On 6 June 2014, with shareholders approval, 166,666,667 shares were issued to VETL at 3cps to convert \$5m of the loan to equity. The loan is secured by a fixed and floating charge over the assets and undertakings of the Consolidated Bounty Group. Interest is charged at 9.72% p.a. A guarantee and indemnity has been given by Bounty Mining Limited and Bounty Operations Pty Ltd. The maturity date of the loan has been extended to 31 December 2015.

**16 Exploration and evaluation asset**

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Opening balance	-	-
Expenditure capitalised during the year	995,185	-
Closing balance	995,185	-

- (a) Recoverability of the carrying amount of exploration asset is dependent on the successful development of the Wongai Coal Project. Capitalised costs amounting to \$995,185 (2013:nil) have been included in “net cash flows used in investing” in the statement of cash flows.
- (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 Austpac Capital P/L (“Austpac”) (in its own capacity and in its capacity as trustee of the Wongai Unit Trust) and Bounty Mining Investments P/L (“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 operation does not fully take effect until the ILUA is signed (see Note 1 Change in Accounting Policy).
- v. The management committee will include equal representation from both participants.
- vi. BMI is sole funder of the operation until the Phase 3 works are completed.
- vii. The participants are deemed to have participating interest of 60% for Austpac and 40% 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.

**17 Short-term provisions**

Employee benefits (note 26)

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Opening balance	2,008,893	1,262,740
Additional provisions	119,733	1,620,120
Amount used	(2,102,250)	(873,967)
Closing balance	26,376	2,008,893

**18 Issued capital****(a) Movements in ordinary share capital of the company during the year were as follows:**

	Number of Shares	Share price	Total amount
Shares on issue at 1 July 2013	478,691,869		\$ 31,633,560
Issued for cash November 13 to March 14	30,000,000	\$ 0.025	\$ 750,000
Issued for cash May 14	6,538,462	\$ 0.026	\$ 170,000
Issued in partial conversion of loan June 14	166,666,667	\$ 0.030	\$ 5,000,000
Cost of capital raising			(\$83,860)
Shares on issue at 30 June 2014	681,896,998		\$ 37,469,700

There were no movements in ordinary share capital in FY2013.

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.

**18 Issued capital (continued)****(b) Capital Management**

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

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>19 Accumulated Losses</b>		
Accumulated losses at the beginning of the financial year	(35,273,699)	(36,206,839)
Net (loss) / profit attributable to members of Bounty Mining Limited	(2,157,414)	933,140
Accumulated losses at the end of the financial year	<b>(37,431,113)</b>	<b>(35,273,699)</b>
<b>20 Options Reserve</b>		
Opening Balance	3,172,958	3,172,958
Expense during the year	-	-
Closing Balance	<b>3,172,958</b>	<b>3,172,958</b>

The option reserve records items recognised as expenses on valuation of share options.

The options reserve is used to record the share options issued to directors and executives of the Company. There are no listed or unlisted options on issue at 30 June 2014.

**21 Commitments**

		<b>Consolidated Group</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>(a) Capital expenditure commitments</b>			
Capital expenditure commitments contracted for:			
Not later than one year		-	34,200
<b>(b) Non-cancellable operating lease expense commitments</b>			
Future operating lease commitments not provided for in the financial statements and payable:			
Within one year		288,132	187,107
Later than one year but not later than five years		382,951	132,823
		<b>671,083</b>	<b>319,930</b>

**22 Contingent Liabilities**

In July 2013 a terminated employee made a claim against Bounty for an increased termination payment. On 6 August 2013 Bounty rejected the claim on the basis that it has met its obligations in respect of all employees. There has been no subsequent correspondence. The Directors estimate that there will be no amount payable on this claim.

Other than the above, there are no contingent liabilities at the date of this report.

## 23 Financial Risk Management

The group's financial instruments consist mainly of trade accounts receivable and payable and borrowings.

The totals for each category of financial instruments, measured in accordance with AASB139 as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated Group	
	Note	2014	2013
		\$	\$
<b>Financial Assets</b>			
Cash and cash equivalents	9	87,804	3,624,638
Trade and other receivables	10	2,398	1,557,475
		90,202	5,182,113
<b>Financial Liabilities</b>			
Financial liabilities at amortised cost			
- Trade and other payables	14	89,001	1,720,369
- Borrowings	15	2,804,316	7,418,530
		2,893,317	9,138,899
<b>Net Financial Liabilities</b>			
		(2,803,115)	(3,956,786)

### Specific Financial Risk Exposures and Management

#### (a) 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. The group is also exposed to earnings volatility on floating rate.

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2014 100% of group debt is provided by a fixed rate loan. Group policy is to keep between 65% and 100% of debt on fixed interest rates.

#### (b) 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.

## 23 Financial Risk Management (continued)

### (c) Price risk

The group's exposure to price risk is limited as its contracts with customers are at a fixed price.

### (d) Liquidity risk

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

- Preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Maintaining the support of a related party lender;
- Preparing for a capital raising to repay the main debt;
- 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.

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

	Note	weighted average interest rate	Fixed interest maturing in:			Non-interest bearing	Total
			floating interest rate	1 year or less	1 year to to 5 years		
			\$	\$	\$	\$	\$
<b>2014</b>							
<b>Financial Assets</b>							
Cash and cash equivalents	9	0.10%	18,771	-	-	69,032	87,804
Trade Receivables	10	n/a	-	-	-	2,398	2,398
<b>Total financial assets</b>			<b>18,771</b>	<b>-</b>	<b>-</b>	<b>71,430</b>	<b>90,202</b>
<b>Financial Liabilities</b>							
Trade and other creditors	14	n/a	-	-	-	42,986	42,986
Other creditors and accruals	14	n/a	-	-	-	46,015	46,015
Other Loans	15	6.71%	-	13,583	-	-	13,583
Loans from Related party	15	9.72%	-	-	2,790,733	-	2,790,733
<b>Total financial liabilities</b>			<b>-</b>	<b>13,583</b>	<b>2,790,733</b>	<b>89,002</b>	<b>2,893,317</b>
<b>Net Financial Liabilities</b>							<b>(2,803,115)</b>



## 23 Financial Risk Management (continued)

Note	weighted average interest rate	floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
			1 year or less	1 year to to 5 years			
		\$	\$	\$		\$	\$
<b>2013</b>							
<b>Financial Assets</b>							
Cash and cash equivalents	9	1.46%	2,058,063	1,531,827	-	34,748	3,624,638
Trade Receivables	10	n/a	-	-	-	1,557,475	1,557,475
<b>Total financial assets</b>			<b>2,058,063</b>	<b>1,531,827</b>	<b>-</b>	<b>1,592,223</b>	<b>5,182,113</b>
<b>Financial Liabilities</b>							
Trade and other creditors	14	n/a	-	-	-	198,948	198,948
Other creditors and accruals	14	n/a	-	-	-	1,521,421	1,521,421
Other Loans	15	4.96%	-	42,318	-	-	42,318
Loans from Related party	15	9.72%	-	7,376,212	-	-	7,376,212
<b>Total financial liabilities</b>			<b>-</b>	<b>7,418,530</b>	<b>-</b>	<b>1,720,369</b>	<b>9,138,899</b>
<b>Net Financial Liabilities</b>							<b>(3,956,786)</b>

Consolidated Group	
2014	2013
\$	\$

Trade and sundry payables are expected to be paid as follow:

Less than 3 months	89,001	1,720,369
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### Net Fair Value

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

### Interest Rate Sensitivity Analysis

At 30 June 2014, 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:

	Consolidated Group	
	2014	2013
	\$	\$
Change in profit and equity:		
Increase in interest rate by 2%	375	41,161
Decrease interest rate to 0%	(19)	(52,334)

**24 Controlled Entities**

	<b>2014</b>	<b>2013</b>
<b>Particulars in relation to controlled entities</b>		
<b>Parent entity</b>		
Bounty Mining Limited		
<b>Controlled entities</b>		
Bounty Mining Limited controls the following entities:		
Bounty Equipment Leasing Pty Limited	100%	100%
Bounty Operations Pty Limited	100%	100%
Bounty Personnel Pty Limited	100%	100%
Bounty Mining Investments Pty Limited	100%	-

Bounty Mining Investments Pty Ltd was formed in 2013 to be a participant in the Wongai Coal Joint Venture.

## 25 Cash Flow Information

Reconciliation of Cash Flows from Operations with Profit after Income Tax

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>(Loss) / profit after income tax</b>	<b>(2,157,414)</b>	<b>933,140</b>
Add non-cash items:		
Depreciation & amortisation of fixed assets	442,515	1,570,664
Impairment of equipment	-	269,561
Loss on disposal of fixed assets	(1,976)	-
(Decrease) / increase in employee entitlements	(1,982,517)	746,153
<b>Net cash (used in) / provided by operating activities before change in assets and liabilities</b>	<b>(3,699,392)</b>	<b>3,519,518</b>
Change in assets and liabilities:		
Decrease / (increase) in receivables	1,555,077	(583,115)
Decrease in inventories	7,811	287,104
Decrease / (increase) in other assets	112,924	(9,386)
(Decrease) / increase in payables	(1,673,617)	632,271
Transfer inventory to plant and equipment	-	(360,452)
Increase in accrued interest	514,521	-
Decrease in deferred tax asset	-	391,681
<b>Net cash flow (used by) / from operating activities</b>	<b>(3,182,676)</b>	<b>3,877,621</b>

**26 Employee Benefits**

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Current	26,376	2,008,893
Number of employees at year end *	2	41

\* This excludes non-executive directors.

Superannuation Plan: The Company contributes to a number of defined contribution superannuation plans. The Company and its controlled entities have no legal or constructive obligation to fund any plan deficit. Company payments to superannuation plans are up to date.

**27 Related Party Transactions**

The Group's main related party is VETL Pty Ltd ("VETL"), a company associated with Chairman Gary Cochrane. For details of disclosures relating to the VETL loan, refer to Note 15(a): Financial Liabilities.

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Beginning of the year	7,376,212	8,276,212
Loan converted to equity	(5,000,000)	-
Loan repaid	(100,000)	(900,000)
Interest charged (a)	692,788	767,720
Interest paid	(178,267)	(767,720)
End of the year	<b>2,790,733</b>	<b>7,376,212</b>

(a) The loan is on arm's length basis. Interest is charged at 9.72% p.a.

During the financial year, Chairman Gary Cochrane was paid \$70,000 (2013: \$120,000) (exc. GST) as a consultancy fee in relation to his role as Chief Executive Officer. Please see Remuneration Report for further details.

## 28 Parent entity disclosures

Financial position	2014 \$	2013 \$
<b>Assets</b>		
Current assets	3,246,442	1,771,654
Non-current assets	741	1,929
<b>Total assets</b>	<b>3,247,183</b>	<b>1,773,583</b>
<b>Liabilities</b>		
Current liabilities	120,669	3,294,012
<b>Total liabilities</b>	<b>120,669</b>	<b>3,294,012</b>
<b>Net assets</b>	<b>3,126,514</b>	<b>(1,520,429)</b>
<b>Equity</b>		
Issued capital	37,469,700	31,633,560
Accumulated losses	(37,516,144)	(36,326,947)
Reserves	3,172,958	3,172,958
<b>Total equity</b>	<b>3,126,514</b>	<b>(1,520,429)</b>

## Financial performance

	2014 \$	2013 \$
Loss for the year	(1,189,198)	(763,487)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(1,189,198)</b>	<b>(763,487)</b>

## 29 Share Based Payments

No securities were issued to employees under any plan in 2014 (2013: nil).

## 30 Economic Dependency

Bounty conducts capital raisings to fund working capital and investment in the Wongai Coal project.

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### 31 Subsequent Events

During July 2014, Bounty issued a further 8,653,851 shares at 2.6c per share to raise \$225,000. These funds will be used for working capital.

Bounty is in the process of preparing a prospectus for the issue of ordinary shares which the company intends to lodge during August 2014. The prospectus will be made available when the shares are offered and should be considered when investors are deciding whether to acquire shares. Any potential investor who wants to acquire those shares will need to complete the application form accompanying the prospectus.

The purpose of the prospectus is to raise up to \$4.5 million to fund the Wongai Coal Project Phase 2 Works, working capital and the costs of the offer.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which have significantly affected or could significantly affect the operations of the consolidated group, the results of the operations or the state of affairs of the consolidated group in future financial years.

### 32 New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

- The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.
- The Standard is not expected to significantly impact the Group.

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

AASB-2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

- This Standard provides clarifying guidance relating to the offsetting of financial instruments.
- This Standard is not expected to significantly impact the Group.

Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

- This Interpretation clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised and whether that liability should be recognised in full at a specific date or progressively over a period of time.
- This Interpretation is not expected to significantly impact the Group.

AASB-2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

- The Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment.
- This Standard is not expected to significantly impact the Group.

AASB-2013—4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

- This Standard makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.
- This Standard is not expected to significantly impact the Group.

AASB-2013-5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting period commencing on or after 1 January 2014).

- AASB-2013-5 amends AASB 10: Consolidated Financial Statements to define an “investment entity” and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required.
- This Standard is not expected to significantly impact the Group.

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## 7 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 31 to 71 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 2014 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 (a).
- 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 will be able to pay its debts as and when they become due and payable.

Dated this 4th day of August 2014.

Signed in accordance with a resolution of the Directors:



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Gary Cochrane  
Chairman



# GouldRalph

## ASSURANCE

**Chartered Accountants**

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOUNTY MINING LIMITED

#### Report on the financial report

We have audited the accompanying financial report of Bounty Mining Limited which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

#### *Matters Relating to Electronic Publication of the Audited Financial Report*

This audit report relates to the financial report of Bounty Mining Limited for the year ended 30 June 2014 included on the website of Bounty Mining Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on this integrity. This audit report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.



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**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report we were engaged to undertake services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

**Auditor's opinion**

In our opinion:

1. the financial report of Bounty Mining Limited is in accordance with the *Corporations Act* 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Emphasis of Matter**

Without qualification to the opinion expressed above, we draw attention to Note 1(a) - Going Concern in the financial statements which indicates that for the year ended 30 June 2014, the consolidated entity had net financial liabilities of \$2.8m at 30 June (2013:\$4.0m), incurred a loss from continuing operations of \$2.2m (2013: profit of \$0.9m), and had net cash outflows from operating activities of \$3.2m (2013: surplus of \$3.9m) and from investing activities of \$1.1m (2013:\$0.9m). Further, Note 28 – Parent Entity Disclosures indicates a loss for the year of \$1.2m (2013:\$0.8m). These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

**Report 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 2014. 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.

**Auditor's Opinion on The Remuneration Report**

In our opinion the Remuneration Report of Bounty Mining Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

GOULD RALPH ASSURANCE  
Chartered Accountants



MALCOLM BEARD, M.Com, FCA  
Partner

Sydney, 4<sup>th</sup> August 2014

## 9 ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 04 August 2014.

### A. Distribution of equity securities

Analysis of equity security holders by size of holding

	Number of shareholders	Ordinary Shares Held
1 - 1000	12	4,665
1,001 - 5,000	107	324,457
5,001 - 10,000	113	952,792
10,001 - 100,000	431	18,001,506
More than 100,000	284	671,267,290
<b>Total</b>	<b>947</b>	<b>690,550,849</b>

There were 448 holders of less than a marketable parcel of ordinary shares

### 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
VETL Pty Ltd <Cochrane Treasury Trust>	166,666,667	24.1%
VETL Pty Ltd <Moongunya Investment A/C>	80,788,991	11.7%
Redland Plains Pty Ltd <Majestic Investment Fund>	64,037,183	9.3%
Premier Logistics Services Pty Ltd	40,786,667	5.9%
HSBC Custody Nominees (Australia) Pty Ltd	35,425,952	5.1%
Martin Place Securities Nominees Pty Ltd	24,400,000	3.5%
Alcardo Investments Limited	19,906,198	3.4%
Martin Place Securities Staff Super Fund a/c	13,655,049	2.9%
Mrs Connie Cook	12,689,455	2.0%
Mrs Sharon Mahon	10,022,788	1.8%
National Nominees Limited	8,323,107	1.5%
The Deputy Commissioner of Taxation	6,220,340	1.1%
Minequip Pty Ltd	6,169,360	0.9%
WHI Pty Ltd	5,787,259	0.9%
Mr Colin Knox <Korihi a/c>	5,066,509	0.8%
Locope Pty Ltd	4,500,000	0.7%
Mr & Mrs Detata <Detata Super Fund a/c>	4,325,000	0.6%
Royal Sunset	3,850,000	0.6%
	<b>541,093,958</b>	<b>78.4%</b>

There are no other categories of securities on issue.

## 9 ASX ADDITIONAL INFORMATION (continued)

### C. Substantial holders

Substantial holders in the company are set out below:

Shareholder Name	Number Held	Percentage
VETL Pty Ltd <Cochrane Treasury Trust> (a)	166,666,667	24.1%
VETL Pty Ltd <Moongunya Investment A/C> (a)	80,788,991	11.7%
Redland Plains Pty Ltd <Majestic Investment Fund> (b)	64,037,183	9.3%
Premier Logistics Services Pty Ltd (b)	40,786,667	5.9%
HSBC Custody Nominees (Australia) Pty Ltd	35,425,952	5.1%

(a) Both of these investing entities have a common director.

(b) Both of these investing entities have a common director.

### 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.