

## **ASX RELEASE**



**For Immediate Release – 31 January 2018**

### **QUARTERLY REPORT Quarter Ended 31 December 2017**

#### **Transformational Capital Raising Completed**

- **A\$16.5 million raised in 6 for 5 fully underwritten Renounceable Rights Issue completed in December 2017 to recapitalise the Company as it moves to becoming a coking coal producer.**
- **Debt facility reduced from US\$6.65 million to US\$2.4 million with a further reduction of US\$1 million agreed from potential follow through investment in Northern Railways LLC or additional Aspire equity.**

#### **Nuurstei Coking Coal Project (90%).**

- **Mining License Granted 9 October 2017.**
- **Contractors appointed to provide technical advice, drilling and support services**
- **Agreement signed with a Mongolian Government department to purchase 100,000 tonnes of raw coal from a mine adjacent to the Nuurstei Project. The Company will arrange and oversee contract mine operations. This exercise will provide valuable hard mining and logistics data for inclusion in the Nuurstei Feasibility Study.**

#### **Northern Railways LLC (80% potentially diluting to 34%)**

- **Northern Railways LLC signed a binding Memorandum of Understanding with China Gezhouba Group International Engineering Co Ltd (“CGGC”) on 12 October 2017 to complete the Feasibility Study for the Erdenet to Ovoot Railway.**
- **In January 2018 CGGC was welcomed into the Consortium by all existing Consortium members to build the Erdenet to Ovoot Railway as a joint EPC Contractor.**
- **EPC Framework Agreement signed with CGGC and China Railway 20 Bureau Construction Group (CR20BG) such that CGGC and CR20BG now share EPC responsibilities.**
- **CGGC will decide before 15 February 2018 whether it will fund Northern Railways through to completion of rail concession and financing conditions precedent to earn a 51% interest in Northern Railways.**

Aspire Mining Limited (ASX: AKM, **Aspire**, or the **Company**), focussed on the exploration and development of metallurgical coal assets in Mongolia and the rail infrastructure required to bring production from these assets to market, is pleased to present its Quarterly Activities Report for the quarter ending 31 December 2017.

The Company currently wholly owns 100% of the large scale, world class Ovoot Coking Coal Project (**Ovoot Project**) and a 90% interest in the Nuurstei Coking Coal Project (**Nuurstei Project**), both located in northern Mongolia.

### **Transformational Capital Raising and Debt Restructure**

During the December 2017 Quarter, the Company initiated and completed a \$16.5 million (before costs) fully underwritten 6 for 5 renounceable rights issue and a series of transactions to reduce outstanding debt down to an eventual US\$1.8 million.

The funding was applied to a reduction in the loan amount outstanding to Noble with the balance after costs of \$11.5m available for investment into the Nuurstei Coking Coal Project as the Company's first coking coal development in Mongolia and working capital.

### **Nuurstei Coking Coal Project (90%)**

The Company received its Mining License for the Nuurstei Coking Coal Project (Nuurstei Project) on 12 October 2017. This now provides the Company with 30 year tenure over the deposit. As part of the Nuurstei Project Feasibility Study, the Company will be applying for the environmental approvals, water licenses and other permits and approvals to commence mining operations.

An exploration plan comprising 54 holes has been approved by the Mongolian Resource Authority and a drilling and support services contractor has been appointed. Mobilisation of two drill rigs is awaiting site approvals from the local airmag.

RPM Global has been appointed to provide technical advisory services and the initial JORC 2012 Reserve Statement and the updated Resource Statement following a successful completion of the drilling programme and commercial studies.

The Company has also agreed to purchase 100,000 tonnes of raw coal from the Mongolian Government Agency which owns and operates a coal mine adjacent to Nuurstei. The Mine is currently producing small quantities of raw coal for local thermal uses. The Company will manage a mining contractor on behalf of the Government Agency with a mining operation expected to commence in the March 2018 Quarter.

The strategy is to use this coal to test logistics and cost assumptions to be used in the Nuurstei Project Feasibility Study by transport of this raw coal along existing road and rail facilities for delivery to export markets in China, Russia and potentially Korea and Japan.

### **Northern Railways LLC (80% potentially diluting to 34%)**

Northern Railways LLC (**Northern Railways**), Aspire's Mongolian rail infrastructure subsidiary, is responsible for activities associated with the construction and commercialisation of the 549 km Erdenet to Ovoot Railway in northern Mongolia. The Erdenet to Ovoot Railway is a part of Mongolian Rail Policy included in the "Northern Rail" Economic Corridor, an initiative to establish an international economic corridor between China and Russia through Mongolia and supported by all three Governments to facilitate trade between the three nations and the wider Asian and European economies.

On the 12 October 2017 Northern Railways signed a binding MOU with China Gezhouba Group (CGGC), a large Chinese EPC construction contractor to complete the Feasibility Study for the Erdenet to Ovoot Rail Project by 31 March 2018. The agreement also laid out a pathway for CGGC to be included into the consortium to develop the Erdenet to Ovoot Railway and to fund Northern Railways through to completion of conditions precedent included in the Erdenet to Ovoot Rail Concession Agreement. CGGC has until 15 February 2018 to confirm whether it will proceed to funding Northern Railways through to completion of conditions precedent. Completing the Feasibility Study and providing ongoing funding for Northern Railways would see CGGC earn a 51% interest in Northern Railways LLC.

As part of the capital raising and debt restructure during the quarter, the Noble Group agreed to reduce the loan payable by the Company by US\$1.4 million in exchange for a further 10% equity interest in Northern Railways LLC. This transaction was settled in mid-December. The ownership interest in Northern Railways LLC is now 80% Aspire and 20% Noble Group.

In January 2018, the Company and Northern Railways LLC signed an Agreement with existing Consortium partners including CRB20G to allow for the inclusion of CGGC into the Consortium to provide additional support for the Northern Railways Project and in particular, to assist with funding.

Work continues on advancing a preliminary economic analysis for the rail connection from Ovoot to Arts Suuri to Kyzyl (refer map below). Discussions were held with a Russian design institute to provide coordination and a combined analysis of the potential economics of this rail connection which would link Russia through Mongolia to China as part of the Northern Rail Corridor.



**Figure 1:** Northern Railways Rail Project forms part of a planned international trade corridor between Russia, Mongolia and China

## **Corporate and Mongolian Legislative Changes**

The Mongolian Government has recently released two new pieces of legislation aimed at curbing tax avoidance in the Mongolian mineral resources industry and revamping Mongolia's mineral laws so as to improve the mining tenement application process. The changes to the Corporate Income Tax Law ("CIT"), which came into effect on 1 January 2018, seek to extend the existing Mongolian taxes payable on the sale of mineral tenements to include the sale of shares in upstream companies and ultimate by ultimate controlling shareholders in order to capture tax avoidance through transactions that occur at the license holder level. The regulations that govern how these new laws are to be applied are currently being considered and will be released for public comment in February 2018. While the new regulations are still being developed, it is expected that changes in the CIT will have no impact on public companies like Aspire which themselves do not have an ultimate holding company.

The new Mongolian Mineral Law, which has been recently released for public comment, seeks to ensure that applicants for mining tenements have the necessary financial and operating experience to be able to progress the development of those tenements. These amendments when combined with a strong "use it or lose it" policy framework should see a significant increase in investment into Mongolian exploration over the coming years. These two new pieces of legislation provide an opportunity to engage with the Mongolian Government with a shared objective to create a vibrant resource exploration and development sector to once again underpin Mongolia's economic growth.

### **Cash Position**

At 31 December 2017, Aspire had A\$11.1 million cash at bank.

### **Debt Position**

At 31 December 2017, the Company had a fully drawn US\$2.4m debt facility with Noble Group expiring on 19 August 2019. An Agreement is in place that should China Gezhouba Group on or before 15 February 2018 provide additional funding for Northern Railways LLC and take a 51% equity interest in Northern Railways, Noble Group will convert an additional US\$1m of the current debt facility into a further equity interest in Northern Railways LLC. Should China Gezhouba Group not take up its option to acquire a 51% interest in Northern Railways, Aspire has the right to convert the US\$1m in debt owing to Noble into equity in Aspire anytime before 19 August 2019.

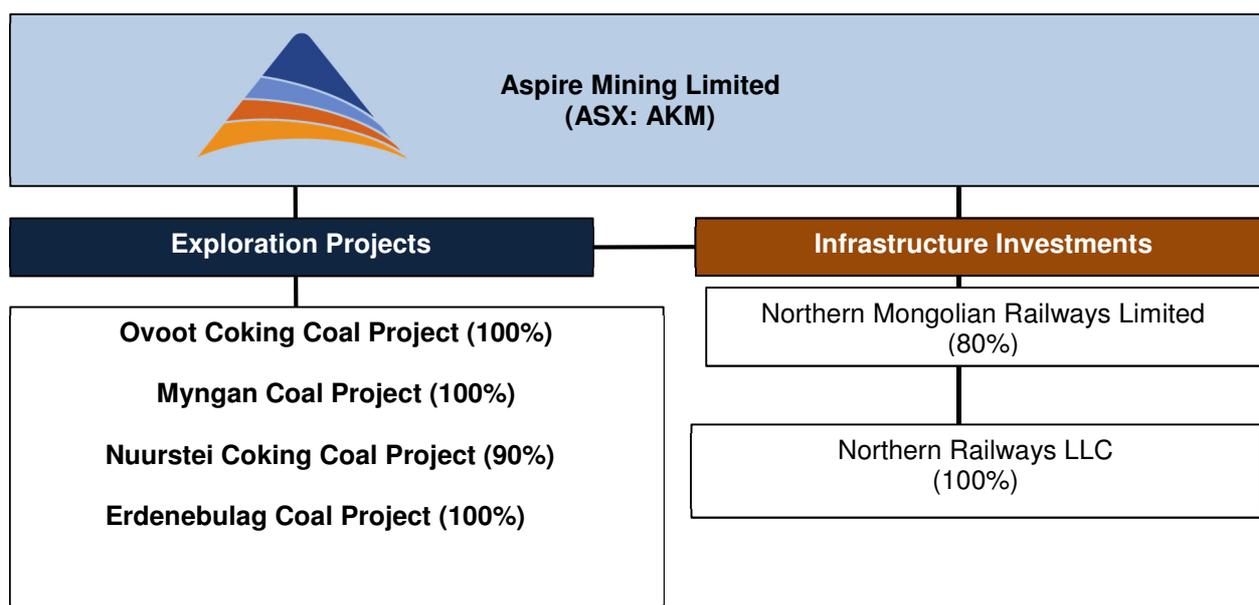
### **Capital Structure at 31 December 2017**

| <b>Security</b>                                 | <b>No. on issue</b> |
|---|---------------------|
| Quoted Ordinary Shares                          | 2,525,882,526       |
| Unlisted Performance Rights                     | 48,500,000          |
| Unlisted Options (2.5c expiring August 2018)    | 187,093,450         |
| Listed Options (1.8c expiring 11 December 2019) | 688,877,052         |

## Interests in mining and exploration tenements at 31 December 2017

| Tenement  | Location | Attributable Equity |
|---|----------|---------------------|
| <b>Ovoot</b><br>MV017098<br>017003X                     | Mongolia | 100%<br>100%        |
| <b>Hurimt</b><br>14510X<br>14637X                       | Mongolia | 100%<br>100%        |
| <b>Jilchigbulag</b><br>12816X                           | Mongolia | 100%                |
| <b>Myngan</b><br>17922X                                 | Mongolia | 100%                |
| <b>Nuurstei (ECJV)</b><br>MV-020941<br>13958X<br>13580X | Mongolia | 90%<br>90%<br>90%   |
| <b>Erdenebulag (ECJV)</b><br>18294X                     | Mongolia | 100%                |

## Group Investment Structure



**-Ends-**

**Forward-looking statements:** This announcement contains certain “forward-looking statements”. The words “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan”, “consider”, “foresee”, “aim”, “will” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on capital expenditure, operating expenditure and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Aspire and Northern Railways.

### **About Aspire Mining Limited**

Aspire Mining Limited is listed on the ASX (ASX: AKM) with mining and exploration licences in Mongolia's Northern provinces and is focused on identifying, exploring and developing quality coking coal assets.

### ***Ovoot Coking Coal Project (100%)***

Aspire is also the owner of the world class Ovoot Coking Coal Project (Ovoot Project). The full realisation of the Ovoot Project is dependent on the construction of the Erdenet to Ovoot Railway which is being progressed by Northern Railways LLC (Northern Railways).

### ***Nuurstei Coking Coal Project (90%)***

Aspire has a 90% interest in Nuurstei Coking Coal Project (Nuurstei Project) located in northern Mongolia.

The close proximity of the Nuurstei Project to existing infrastructure (town, road, rail and services) provides an excellent opportunity to assess the economics of a road-based operation prior to the construction completion of the Erdenet to Ovoot Railway.

Depending on the further analysis of the results of the intended 2018 drilling program, future positive economic studies, funding and the grant of necessary approvals and licenses, the Nuurstei Project could commence a road based production operation and access the new Erdenet to Ovoot Railway two years from commencement of its construction.

### **About Northern Railways LLC**

Northern Railways LLC (Northern Railways) is a Mongolian registered rail infrastructure company mandated to pursue the development of the Erdenet to Ovoot Railway, and is supported by a consortium consisting of Aspire Mining, and subsidiaries of Fortune 500 listed China Railway Construction Corporation – China Railway 20 Bureau Group Corporation (CR20G) and China Railway First Survey & Design Institute (FSDI).

The Erdenet to Ovoot Railway extends 549 km between the town of Erdenet to Aspire's Ovoot Project, which connects northern Mongolia to China and international markets. In accordance with Mongolian National Rail Policy, the Erdenet to Ovoot Railway is a multi-user rail line and will be available for the transport of bulk materials, agricultural and general freight from the region to export markets including China, Russia and seaborne markets.

The Erdenet to Ovoot Railway will play an important part in the establishment of a new Northern Rail Economic Corridor through Mongolia, the subject of a trilateral programme agreed by the governments of China, Russia and Mongolia. This Economic Corridor through Mongolia links closely with Chinese policies to establish a New Silk Road to improve Euro-Asian trade, and Russia's policy of establishing a Euro-Asian economic zone.

In August 2015, Northern Railways was granted an exclusive 30 year concession by the Mongolian Government to build and operate the Erdenet to Ovoot Railway. Northern Railways is now progressing negotiations for the required funding for the completion of a bankable feasibility study and other studies necessary to support applications for licences, permits and approvals, and negotiations for the EPC contract.

In October 2017 Northern Railways entered into a binding contract with China Gezhouba Group Corporation (CGGC) to complete the Bankable Feasibility Study for the Erdenet to Ovoot Railway. CGGC will also decide by 15 February 2018 whether it wishes to commit to funding all of the rail concession and funding conditions precedent for the rail project which would then earn CGGC a 51% interest in Northern Railways LLC.

**For more information contact:**

**Corporate, Media and Investor Relations**

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