

## **ASX RELEASE**



**For Immediate Release – 30 October 2018**

### **QUARTERLY REPORT Quarter Ended 30 September 2018**

#### **Ovoot Early Development Project (OEDP)**

- **Refocus on an early development of the Ovoot Coking Coal Project through a road based delivery of coal to Erdenet with the support of new major Mongolian shareholder Mr Tserenpuntsag.**
- **Scoping Study commenced on potential road paths from Ovoot to Erdenet comparing routes following the rail corridor versus alternative routes.**
- **Pre-Feasibility Study has commenced on the OEDP starter pit within the existing Ovoot Reserve.**
- **Nuurstei Feasibility Study deferred with focus on the much larger OEDP opportunity. Purchases of raw coal from the adjacent Government owned mine which supported work on this feasibility study has been deferred.**

#### **\$15m Financing Package to Support OEDP**

- **Shareholders' meeting set for 28 November to approve a \$15m financing and debt for equity conversion package.**
- **Includes approval for a \$10m placement to Mr Tserenpuntsag which will increase his holding in the company to approximately 27%.**

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

- **Feasibility Study for Ovoot to Erdenet Railway lodged with Mongolian Ministry of Roads and Transport for technical review and approval.**
- **Erdenet to Ovoot Rail Project now confirmed as meeting Class II capacity of up to 30 Mtpa. The Feasibility Study economics are based on up to 16 Mtpa on the Ovoot – Erdenet Line.**
- **A Preliminary Economic Assessment of the extension of the Northern Rail Corridor from Ovoot north west to the Russian border confirms the capital cost of construction. Completion of the Northern Rail Corridor significantly enhances the economics of the Erdenet to Ovoot Railway.**

Aspire Mining Limited (ASX: AKM, **Aspire**, or the **Company**) continues to focus on the exploration and development of metallurgical coal assets in Mongolia and the rail infrastructure required to bring production from these assets to market.

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.

### **Ovoot Early Development Project (100%)**

On 29 August 2018 the Company announced the targeting of an early development of the Ovoot Coking Coal Project and in support of that strategy, had entered into a funding subscription agreement with major shareholder, Mr Tserenpuntsag. The Company will make a \$10 million placement to Mr Tserenpuntsag and up to \$2.1million to other professional and sophisticated investors (**Placement**) as part of a total minimum \$15 million financing package, inclusive of the conversion of all remaining long term debt in the company to equity.

As part of the subscription agreement, the Company and Mr Tserenpuntsag have jointly agreed to prioritise feasibility studies into the Ovoot Early Development Project (**OEDP**).

The Company has commenced a Pre-Feasibility Study (**PFS**) for the OEDP focusing on a section of the Ovoot Open Pit Probable Reserve that has a lower than average waste to coal ratio and a lower than average ash in the coal. The PFS will update capital and operating cost estimates previously prepared for the Ovoot Pre-Feasibility Study completed in 2013<sup>1</sup>.

The OEDP is based on establishing a Coal Handling and Preparation Plant at Ovoot and to initially truck washed coal product to an existing rail head at the city of Erdenet. The Company has secured an option over land at Erdenet adjacent to the existing rail line and suitable to establish a rail load out terminal of a scale to support the OEDP. An engineering scoping study is currently being undertaken to assess the proposed terminal's capital and operating costs for the required capacity.

Logistics costs and available capacities are an integral components of the OEDP. The Company has received confirmation from the Mongolian national rail operator that there is 3 to 4 million tonnes per annum of available rail capacity from Erdenet. The OEDP PFS will be looking at a mine design, CHPP and trucking operation that can fully utilise this available capacity.

The distance between Ovoot and Erdenet is substantial with the Erdenet to Ovoot Railway covering a total of 547 kilometres. In order to achieve a balance between road construction costs and operating cost, the Company has commenced a Road Scoping Study to identify the best path for the haul road between Ovoot and Erdenet. Under Mongolian laws and regulations, the Company will apply for a license to build this haul road as a special purpose road. A construction time frame of 12 – 15 months from permitting and funding approvals is expected to be confirmed in the Study. A special purpose haul road will allow for larger axle loadings and longer truck and trailer configurations than would otherwise be allowed on a public road. A number of potential routes are being evaluated including a path along the intended Erdenet to Ovoot Rail path.

Once the favoured road path has been identified, the Company, subject to a favourable outcome from the OEDP PFS, intends to then complete a Definitive Feasibility Study. Both the OEDP PFS and the Road Scoping Study are both expected to be completed in the December 2018 Quarter.

<sup>1</sup> At this time the Company confirms that all material assumptions underlying the Ovoot Pre-Feasibility Study continue to apply and have not materially changed.

The OEDP is a strategy to commence a material scale operation at Ovoot within a relatively short development time frame while the Company and its rail subsidiary, Northern Railways LLC, continues to work on delivering the Erdenet to Ovoot Railway

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

Drilling work at Nuurstei had been deferred from earlier in the year whilst the Company engaged with the local community. With the refocus on the OEDP, further work at Nuurstei has been deferred to conserve cash and resources. The OEDP is planned to be a considerably larger scale operation than Nuurstei.

Once road construction has commenced, it is intended to revisit the Nuurstei project as it will also be able to access the logistics path established for the OEDP. With a prime hard coking coal product, Nuurstei will complement the OEDP and Aspire's product offering.

With the refocus on the OEDP and deferral of activities at Nuurstei, the purchase of raw coking coal from the mine adjacent to Nuurstei has also been put on hold. The deposit has shown that it contains very high quality coking coal but has so far produced raw coal above the contracted ash levels. Aspire is looking to assist with identifying an inexpensive dry sizing separation process. Such a processing step could also be used to beneficiate Nuurstei raw coal before washing.

The logistics evaluation undertaken on transporting this purchased raw coal is integral in identifying the logistics capacity opportunity that the OEDP now presents.

### **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 547 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.

The Rail Feasibility Study review and translation into Mongolian were completed in the Quarter. Consistent with Mongolian Government expectations, modifications were made to the design to ensure compliance with Mongolian Class II rail standards so that the railway is capable of delivering up to 30 Mtpa. This reflects an expectation of significant transit freight demand. While engineered to carry up to 30 Mtpa, the Rail Feasibility Study has not assumed any benefit from transit freight volumes. Further detail on the rail feasibility is included in the ASX announcements made on 22 March 2018 and 4 June 2018<sup>2</sup>.

Subsequent to the end of the Quarter (refer ASX announcement 29 October 2018), Northern Railways has received a Preliminary Economic Assessment estimating the capital costs of extending the Northern Rail Corridor beyond Ovoot to the Mongolian/Russian border port of Arts Suuri. Completion of that extension and the resultant connection to other markets beyond would yield material long term benefits to Northern Railways and the Ovoot Coking Coal Project.

## Corporate

### Cash Position

At 30 September 2018, Aspire had A\$6.185 million cash at bank.

### Debt Position

At 30 September 2018, the Company had a fully drawn US\$2.4m debt facility with Noble Group that was to expire 19 August 2019. However, subject to the completion of the placement to Mr Tserenpuntsag outlined in the OEDP section of this report, Noble Group has agreed with the Company that it will convert that loan, and interest accrued, to equity in the Company by the issue of shares at 2.1 cents per share at an average exchange rate, such that Noble's interest in the Company remains below 20%. Any minimal balance of the debt and interest that cannot be met by the issue of shares will be settled in cash (**Loan Conversion**).

### Annual General Meeting

The 2018 Annual General Meeting has been called for 4.30pm (WST) on 28 November 2018 at Level 4, 130 Stirling Street, Perth. The resolutions that shareholders are asked to consider and approve include those approving the Placement and the Noble Loan Conversion. Shareholder approval is a pre-condition to completion.

### Capital Structure

The securities on issue at 30 September 2018 are:

<b>Security</b>	<b>No. on issue</b>
Quoted Ordinary Shares	2,608,020,847
Unlisted Performance Rights	211,383,329
Listed Options (1.8c expiring 11 December 2019)	688,732,652

Unlisted options that were not exercised at 2.5 cents before expiry dates in the September 2018 Quarter were cancelled.

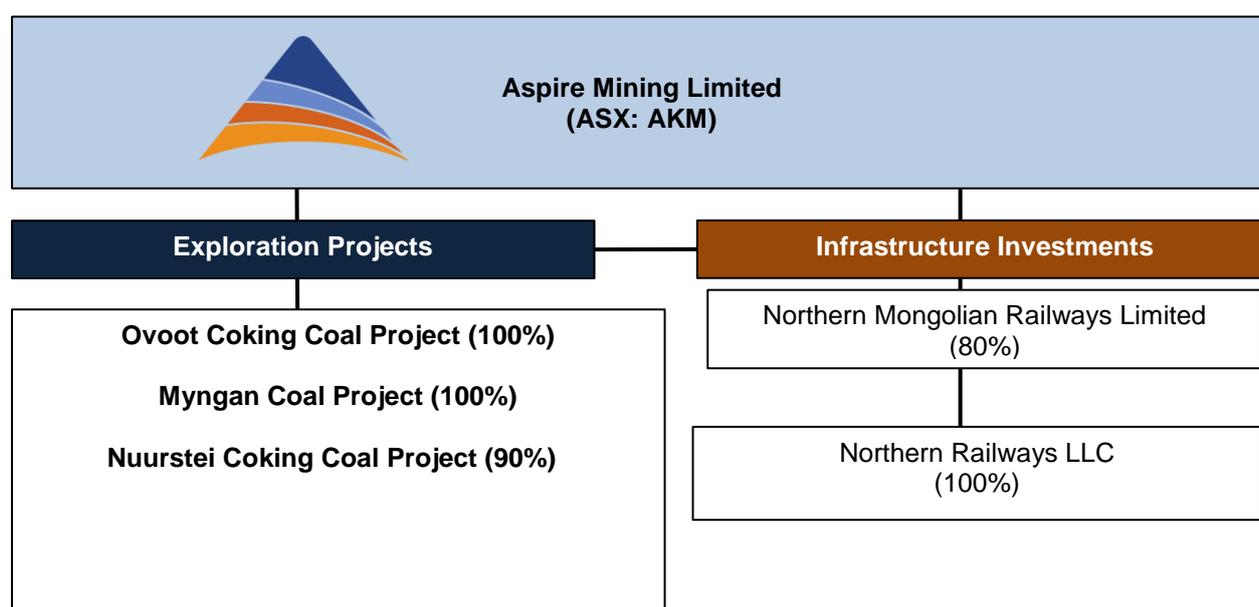
The Capital Structure following completion of the Placement and Loan Conversion is expected to approximate:

<b>Security</b>	<b>No. on issue</b>
Quoted Ordinary Shares	3,347,832,111
Unlisted Performance Rights	211,383,329
Listed Options (1.8c expiring 11 December 2019)	700,732,652

## Interests in mining and exploration tenements at 30 September 2018

Tenement	Location	Attributable Equity
<b>Ovoot</b> MV017098 017003X	Mongolia	100% 100%
<b>Hurimt</b> 14510X	Mongolia	100%
<b>Myngan</b> 17922X	Mongolia	100%
<b>Nuurstei</b> MV-020941	Mongolia	90%

## 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).

Aspire is targeting early production of washed coking coal from the Ovoot Project via a truck and rail operation to end markets within 12 to 15 months of final operational and Board approvals (the Ovoot Early Development Plan or OEDP). Operational expansion can occur following the construction of the Erdenet to Ovoot Railway being progressed by Aspire's subsidiary, 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 proximity of the Nuurstei Project to existing infrastructure (town, road, rail and services) also provides an excellent opportunity to assess the economics of a road-based operation prior to the construction of the Erdenet to Ovoot Railway. However, that assessment is currently on hold with the focus on the Ovoot Early Development Plan.

Dependent on that further analysis of the results of an additional 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 then later have access to the new Erdenet to Ovoot Railway following 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, China Gezhouba Group Construction International Ltd (CGGC) 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 awaiting the required funding to complete all remaining conditions precedent for the Rail Concession including secured access to funding.

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 and provide CGGC with an opportunity to fund Northern Railways LLC to complete the rail concession and funding conditions precedent for additional equity in Northern Railways LLC.

### **For more information contact:**

#### **Corporate, Media and Investor Relations**

David Paull  
Executive Chairman

Aspire Mining Ltd

+61 8 9287 4555