ASPIRE MINING LTD

ABN 46 122 417 243

# INTERIM FINANCIAL REPORT

## 31 DECEMBER 2018

# CORPORATE INFORMATION

## Directors

David Paull (Executive Chairman)
Gan-Ochir Zunduisuren (Executive Director)
Boldbaatar Bat-Amgalan (Executive Director)
Neil Lithgow (Non-Executive Director)
Hannah Badenach (Non-Executive Director)
Alex Passmore (Non-Executive Director)
Achit-Erdene Darambazar (Non-Executive Director)

## Company Secretary

Philip Rundell

## Registered office and Australian principal place of business

Level 9, 182 St Georges Terrace
Perth, WA 6000
Telephone: (08) 9287 4555
Fax: (08) 9321 4914
Email: info@aspiremininglimited.com

**Principal place of business Mongolia**
Sukhbaatar District, 1st Khoroo
Chinggis Avenue-8,
Altai Tower, 3RD Floor, Room 302
ULAANBAATAR

## Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333

## Solicitors

Corrs Chambers Westgarth Lawyers
Level 15, Woodside Plaza
240 St Georges Terrace
PERTH WA 6000

## Bankers

National Australia Bank
Level 1, 1238 Hay Street
WEST PERTH WA 6005

## Auditors

*Australia*
HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

*Mongolia*
KPMG
#602, Blue Sky Tower,
Peace Avenue 17,
1 Khoroo, Sukhbaatar District,
ULAANBAATAR, 14240, MONGOLIA

## Securities Exchange Listing

AKM

# TABLE OF CONTENTS

# DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity consisting of Aspire Mining Limited ("Aspire" or "Company") and its controlled entities ("Group") for the half-year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

## Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

| | |
|---|---|
| David Paull | Executive Chairman |
| Gan-Ochir Zunduisuren | Executive Director |
| Boldbaatar Bat-Amgalan | Executive Director (appointed 7 December 2018) |
| Neil Lithgow | Non-Executive Director |
| Hannah Badenach | Non-Executive Director |
| Alex Passmore | Non-Executive Director |
| Achit-Erdene Darambazar | Non-Executive Director (appointed 7 December 2018) |

## Operating Results

The loss of the Group for the half-year after income tax was $3,659,263 (2017: $1,516,805).

## Review of Operations

Aspire Mining Limited ("Aspire" or the "Company") is focused on the exploration and eventual development of metallurgical coal assets in Mongolia.

Aspire owns:

1. a 100% interest in the large scale, world class Ovoot Coking Coal Project (Ovoot Project); and
2. a 90% interest in the Nuurstei Coking Coal Project.

Aspire's Mongolian rail infrastructure subsidiary, Northern Railways LLC, holds a Concession Agreement from the Mongolian Government to build and operate 549km of rail from the town of Erdenet to the Ovoot Coking Coal Railway in northern Mongolia. The Erdenet to Ovoot Railway is required to transport the coal from the Ovoot Coking Coal Project to market and will provide the better transport alternative to road for the Nuurstei Coking Coal Project when constructed.

In August 2018 the Company entered into definitive and binding documentation (**Agreements**) with existing substantial shareholder, Mr. Tserenpuntsag Tserendamba, to invest $10 million as part of a $12.1 million strategic financing package to implement the Ovoot Early Development Project (**OEDP**).

The OEDP involves mining a low ash and high yielding coal from a starter pit that sits within the previously defined Ovoot orebody and construction of a 560km haul road connecting Erdenet to Ovoot. The designed production rate at Ovoot under the OEDP will be matched to forecast logistics capacities which are limited by existing Mongolian rail capacity of 4Mtpa.

Under the Agreements, Mr Tserenpuntsag subscribed for 476.2 million new ordinary Aspire shares at $0.021 per share for his $10 million investment. In addition, the Company raised an additional $1.7 million from other investors.

Also in August 2018, the Company entered into a binding agreement with lender and major shareholder, Noble Resources International Pte Ltd (Noble), to prepay up to US$2.4 million (plus interest accruing on that amount) of the outstanding amount owing under the facility with Noble by way of the issue of Shares at A$0.021 (2.1 cents) per Share.

The Company's shareholders approved the placements and the debt for equity transactions at the Annual General Meeting held on 28 November 2018.

The placement proceeds of A$12.1 million before costs, together with existing cash reserves, will fully fund the Company to complete feasibility studies for the mine and road components of the OEDP to support a planned project financing and decision to mine in the first half of calendar 2019.

Delivery of the road-based OEDP complements the development of the Erdenet to Ovoot Railway without causing any delay to the rail development. Early production and cashflow will materially de-risk the project. Once commissioned, the Northern Rail Line is expected to support up to 10Mtpa of high quality washed coking coal from Ovoot on a low cost, long term basis.

# DIRECTORS' REPORT (continued)

## Review of Operations (continued)

With the focus on the larger scale OEDP, evaluation activities at Nuurstei and the assistance towards contract mining costs to enable coal purchases from the mine adjacent to Nuurstei, were ceased to conserve cash and resources. Logistics and mining data that was derived from this work was used in the OEDP Pre-Feasibility Study, the results of which were released on 28 February 2019.

## Corporate

Aspire had 3,326,530,658 fully paid ordinary listed shares on issue at the end of the half-year (30 June 2018: 2,529,223,526 fully paid ordinary shares); 700,732,652 listed options (30 June 2018: 688,786,052) and 167,749,999 unlisted performance rights (30 June 2018: 245,300,000).

During the period:

- with shareholder approval, a placement of 476,190,476 shares at 2.1 cents per share was made to substantial shareholder, Mr Tserenpuntsag, to raise $10,000,000 before costs;
- with shareholder approval, an additional placement of 80,952,381 shares at 2.1 cents per share was made to professional and sophisticated investors to raise $1,700,000 before costs;
- with shareholder approval, loan principle and interest of US$2,479,528 (A$3,388,706) was extinguished by the issue of 161,743,492 shares at 2.1 cents per share;
- with shareholder approval, 12,000,000 listed options were issued to a director as a share based payment for remuneration;
- on vesting and exercise of performance rights, 34,216,671 shares were issued to directors of the Company, employees and qualifying consultants;
- on exercise of listed options, 53,400 shares at 1.8 cents per share were issued;
- on exercise of unlisted options, 44,527,250 shares of 2.5 cents were issued; and
- without vesting, 43,333,333 performance rights expired on 31 December 2018 and were cancelled.

## Cash at Bank

Cash and cash equivalents held by the Group at the end of the half-year was $15,426,953 (30 June 2018: $7,488,401).

## Significant Subsequent Events

Subsequent to the balance date, the results of the Ovoot Coking Coal Early Development Project (OEDP) Pre-Feasibility Study were announced.

There have been no other significant events subsequent to the reporting date requiring disclosure in this report.

## Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the *Corporations Act 2001*.

**David Paull**
**Managing Director**
**13 March 2019**

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Aspire Mining Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

**Perth, Western Australia**
**13 March 2019**

**N G Neill**
**Partner**

**hlb.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

## CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

| | Note | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|---|
| Interest revenue | | 178,877 | 8,535 |
| Foreign exchange gains | | 90,374 | 53,843 |
| Exploration and evaluation expenditure impaired | 4 | (7,439) | (16,460) |
| Employee benefits expense | | (721,086) | (243,547) |
| Share based payments | | (217,078) | (143,421) |
| Contract mining | 4 | (1,070,243) | - |
| Interest expense | | (156,126) | (417,071) |
| Borrowing costs | | - | (3,487) |
| Other expenses | 2 | (1,741,772) | (755,011) |
| **Loss before income tax expense** | | **(3,644,493)** | **(1,516,619)** |
| Income tax expense | 3 | (14,770) | (186) |
| **Net loss for the period** | | **(3,659,263)** | **(1,516,805)** |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Exchange differences on translation of foreign operations | | (619,899) | (1,113,003) |
| **Other comprehensive loss for the period, net of tax** | | **(619,899)** | **(1,113,003)** |
| **Total comprehensive loss for the period** | | **(4,279,162)** | **(2,629,808)** |
| | | | |
| Loss attributable to: | | | |
| Owners of the parent | | (3,556,113) | (1,486,137) |
| Non-controlling interests | 7 | (103,150) | (30,668) |
| | | **(3,659,263)** | **(1,516,805)** |
| Total comprehensive loss attributable to: | | | |
| Owners of the parent | | (4,088,592) | (2,642,555) |
| Non-controlling interests | 7 | (190,570) | 12,747 |
| | | **(4,279,162)** | **(2,629,808)** |
| | | | |
| Basic and diluted loss per share (cents per share) | | (0.13) | (0.12) |

The accompanying notes form part of these financial statements

## CONDENSED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2018

| | Note | Consolidated<br>31 Dec 2018<br>$ | Consolidated<br>30 Jun 2018<br>$ |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 15,426,953 | 7,488,401 |
| Trade and other receivables | | 515,012 | 1,386,423 |
| **Total Current Assets** | | **15,941,965** | **8,874,824** |
| **Non-Current Assets** | | | |
| Deferred exploration and evaluation expenditure | 4 | 36,162,799 | 35,609,772 |
| Property, plant and equipment | | 569,169 | 269,408 |
| **Total Non-Current Assets** | | **36,731,968** | **35,879,180** |
| **Total Assets** | | **52,673,933** | **44,754,004** |
| | | | |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 513,212 | 760,525 |
| Other financial liabilities | | 12,175 | - |
| **Total Current Liabilities** | | **525,387** | **760,525** |
| **Non- Current Liabilities** | | | |
| Borrowings | 5 | - | 3,246,630 |
| Other financial liabilities | | 80,151 | - |
| **Total Non-Current Liabilities** | | **80,151** | **3,246,630** |
| **Total Liabilities** | | **605,538** | **4,007,155** |
| **Net Assets** | | **52,068,395** | **40,746,849** |
| | | | |
| **Equity** | | | |
| Issued capital | 7 | 114,897,527 | 99,087,130 |
| Reserves | | (4,959,910) | (4,217,742) |
| Accumulated losses | | (57,476,927) | (53,920,814) |
| Equity attributable to owners of the parent | | 52,460,690 | 40,948,574 |
| Non-controlling interest | 6 | (392,295) | (201,725) |
| **Total Equity** | | **52,068,395** | **40,746,849** |

The accompanying notes form part of these financial statements

## CONDENSED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

| Consolidated | Note | Issued capital $ | Accumulated losses $ | Contribution reserve $ | Share based payments reserve $ | Foreign currency translation reserve $ | Attributable to owners of the parent $ | Non-controlling interests $ | Total equity $ |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2017** | | **80,200,207** | **(47,460,080)** | **-** | **463,647** | **(7,344,687)** | **25,859,087** | **-** | **25,859,087** |
| Loss for the period | | - | (1,486,137) | - | - | - | (1,486,137) | (30,668) | (1,516,805) |
| Other comprehensive loss | | - | - | - | - | (1,156,418) | (1,156,418) | 43,415 | (1,113,003) |
| Total comprehensive loss | | - | (1,486,137) | - | - | (1,156,418) | (2,642,555) | 12,747 | (2,629,808) |
| Share issue net of costs | | 19,078,056 | - | - | - | - | 19,078,056 | - | 19,078,056 |
| Performance rights value brought to account | | - | - | - | 143,421 | - | 143,421 | - | 143,421 |
| Performance rights vested and exercised | | 379,500 | - | - | (379,500) | - | - | - | - |
| Listed options issued to underwriters | | (688,877) | - | - | 688,877 | - | - | - | - |
| Non-controlling interest arising on the acquisition of subsidiary | | - | - | - | - | - | - | 171,265 | 171,265 |
| Non-controlling interest arising on part disposal of subsidiary | | - | - | 1,805,302 | - | - | 1,805,302 | (1,031) | 1,804,271 |
| **Balance at 31 December 2017** | | **98,968,886** | **(48,946,217)** | **1,805,302** | **916,445** | **(8,501,105)** | **44,243,311** | **182,981** | **44,426,292** |
| | | | | | | | | | |
| **Balance at 1 July 2018** | | **99,087,130** | **(53,920,814)** | **1,805,302** | **1,250,531** | **(7,273,575)** | **40,948,574** | **(201,725)** | **40,746,849** |
| Loss for the period | | - | (3,556,113) | - | - | | (3,556,113) | (103,150) | (3,659,263) |
| Other comprehensive loss | | - | - | - | - | (532,479) | (532,479) | (87,420) | (619,899) |
| Total comprehensive loss | | | (3,556,113) | - | - | (532,479) | (4,088,592) | (190,570) | (4,279,162) |
| Shares issued net of costs | 7 | 15,383,630 | - | - | - | - | 15,383,630 | - | 15,383,630 |
| Performance rights value brought to account | | - | - | - | 146,158 | - | 146,158 | - | 146,158 |
| Performance rights vested and exercised | 7 | 426,767 | - | - | (426,767) | - | - | - | - |
| Performance rights cancelled | 8 | - | - | - | (1,080) | - | (1,080) | - | (1,080) |
| Share based payments | 8 | - | - | - | 72,000 | - | 72,000 | - | 72,000 |
| **Balance at 31 December 2018** | | **114,897,527** | **(57,476,927)** | **1,805,302** | **1,040,842** | **(7,806,054)** | **52,460,690** | **(392,295)** | **52,068,395** |

The accompanying notes form part of these financial statements

## CONDENSED STATEMENT OF CASH FLOWS
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| | Inflows/(Outflows) | |
| **Cash flows from operating activities** | | |
| Payments to suppliers and employees | (3,234,742) | (1,038,561) |
| Interest received | 172,703 | 4,849 |
| Interest and borrowing costs paid | (177,538) | (358,272) |
| Income tax paid | (14,770) | (186) |
| **Net cash used in operating activities** | **(3,254,347)** | **(1,392,170)** |
| **Cash flows from investing activities** | | |
| Payments for the purchase of subsidiary net of cash acquired | - | (3,888) |
| Purchase of property, plant and equipment | (258,594) | - |
| Exploration and evaluation expenditure | (589,776) | (359,224) |
| **Net cash used in investing activities** | **(848,370)** | **(363,112)** |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares | 12,679,142 | 13,005,200 |
| Payments for share issue costs | (684,218) | (120,930) |
| Proceeds from borrowing | - | 50,000 |
| Repayment of borrowings/financial liabilities | (6,469) | (495,153) |
| **Net cash provided by financing activities** | **11,988,455** | **12,439,117** |
| Net increase in cash held | 7,885,738 | 10,683,835 |
| Cash and cash equivalents at the beginning of the period | 7,488,401 | 412,089 |
| Effects of exchange rate fluctuations on cash held | 52,814 | (754) |
| **Cash and cash equivalents at the end of the period** | **15,426,953** | **11,095,170** |

The accompanying notes form part of these financial statements

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance**

The interim financial statements were authorised for issue on 13 March 2019.

The interim financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Aspire Mining Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

**Basis of preparation**

The interim report has been prepared on a historical cost basis, except for the valuation of share based payments. Cost is based on the fair value of the consideration given in exchange for assets. The consolidated entity is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

**Adoption of new and revised standards**

*Standards and Interpretations applicable to 31 December 2018*

In the period ended 31 December 2018, the Directors have reviewed all new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

The Company has applied AASB 15 *Revenue from Contracts with Customers* from 1 July 2018 notwithstanding its application does not currently apply to the Company. The Company has also initially applied AASB 9 *Financial Instruments* from 1 July 2018. AASB 9 makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting. The Directors have determined that there is no material impact on the current or comparative information on adoption of this or any other new and revised Standards and Interpretations.

*Standards and Interpretations in issue not yet adopted*

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2018. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

AASB 16 replaces AASB 117 *Leases* and related interpretations and is effective from annual reporting periods beginning on or after 1 January 2019.

AASB 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Most leases will be capitalised in the statement of financial position by recognising a lease liability for the present value obligation and a 'right of use' asset. The right of use asset is calculated based on the lease liability plus initial direct costs, prepaid lease payments and estimated restoration costs less lease incentives received. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in the expense recognition with interest and depreciation replacing operating lease expense. There are exemptions for short-term leases and leases of low-value items.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Significant accounting judgments and key estimates**

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2018.

**Accounting policies and methods of computation**

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact (if any) of the new and revised Standards and Interpretations disclosed above. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

| | Consolidated | |
|---|---|---|
| | 31 December 2018 $ | 31 December 2017 $ |
| The following other expense items are relevant in explaining the financial performance for the half-year: | | |
| Accountancy and audit fees | 106,980 | 84,036 |
| Advertising, investor and community relations | 187,438 | 10,041 |
| Company secretarial | 83,333 | 82,606 |
| Consultants' fees | 521,409 | 150,910 |
| Depreciation | 48,254 | 17,342 |
| Directors' fees | 201,320 | 110,323 |
| Insurance | 55,787 | 20,071 |
| Legal fees | 132,127 | 37,097 |
| Rent & outgoings | 67,387 | 41,853 |
| Travel and accommodation | 149,951 | 69,387 |

### NOTE 3: INCOME TAX EXPENSE

| | Consolidated | |
|---|---|---|
| | 31 December 2018 $ | 31 December 2017 $ |
| Income tax expense on Mongolian operations | 14,770 | 186 |
| **Income tax expense** | **14,770** | **186** |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated | |
|---|---|---|
| | Six months to 31 December 2018 $ | Year ended 30 June 2018 $ |
| Costs carried forward in respect of areas of interest in the following phases: | | |
| **Exploration and evaluation phase – at cost** | | |
| Balance at beginning of the period | 35,609,772 | 35,875,408 |
| • Expenditure incurred, net of cost recoveries | 1,053,909 | 515,221 |
| • Acquisition costs | - | 1,684,350 |
| • Foreign exchange differences | (493,443) | 161,998 |
| • Expenditure impaired in the period | (7,439) | (2,627,205) |
| Total deferred exploration and evaluation expenditure | **36,162,799** | **35,609,772** |

Exploration expenditure incurred on projects other than the Ovoot Coking Coal Project and the Nuurstei Coking Coal Project (Nuurstei Project) has been impaired, written-off or expensed as that expenditure is not expected to be recouped through successful development and exploration of the areas of interest, or alternatively, by sale. The recoupment of the expenditure that has been carried forward is dependent upon the successful development and commercial exploitation or sale of the respective areas.

In the period, the Group incurred costs of $1,070,243 (2017: Nil) in relation to mining costs on a mine adjacent to the Nuurstei Project to assist in determining the viability of the Nuurstei Project.

### NOTE 5: BORROWINGS

| | Consolidated | |
|---|---|---|
| | Six months to 31 December 2018 $ | Year ended 30 June 2018 $ |
| USD long term facility | - | 3,246,630 |
| | **-** | **3,246,630** |
| Current borrowings | | - |
| Non-current borrowings | - | 3,246,630 |
| | **-** | **3,246,630** |
| USD long term facility movement for the period | **US$** | **A$** |
| Balance at beginning of period | 2,403,481 | 3,246,630 |
| Repayment from issue of shares | (2,403,481) | (3,284,775) |
| Foreign exchange | - | 38,145 |
| Balance at end of period | - | **-** |

In August 2018, the Company entered into a binding agreement with lender and major shareholder, Noble Resources International Pte Ltd (Noble), to prepay up to US$2.4 million (plus interest accruing on that amount) of the outstanding amount owing under the facility with Noble by way of the issue of Shares at A$0.021 (2.1 cents) per Share. On satisfaction of all conditions precedent, 161,743,492 Shares were issued on 6 December 2018 to settle the loan principle and interest of US$2,479,528 (A$3,388,706).

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 6: NON-CONTROLLING INTERESTS

There is a 10% non-controlling interest in the corporate entity that holds the Nuurstei Coking Coal Project mining and exploration licenses.

There is also a 20% non-controlling interest in subsidiary, Northern Rail Holdings Limited (NRIPL).

| **Non-controlling interest summary** | **Coalridge Limited $** | **Northern Rail Holdings Limited $** | **Total $** |
|---|---|---|---|
| Non-controlling interest arising on the acquisition of subsidiary | 171,265 | - | 171,265 |
| Non-controlling interest arising on part disposal of subsidiary | - | (1,031) | (1,031) |
| Profit/(loss) allocated to non-controlling interest | (264,078) | (72,663) | (336,741) |
| Other comprehensive income/(loss) allocated to non-controlling interest | 23,871 | (59,089) | (35,218) |
| **Balance at 30 June 2018** | (68,942) | (132,783) | (201,725) |
| Profit/(loss) allocated to non-controlling interest | (8,161) | (94,989) | (103,150) |
| Other comprehensive income/(loss) allocated to non-controlling interest | (13,648) | (73,772) | (87,420) |
| **Balance at 31 December 2018** | (90,751) | (301,544) | (392,295) |

| | **Coalridge Limited** | | **Northern Railway Holdings Limited** | |
|---|---|---|---|---|
| | **31 December 2018** | **30 June 2018** | **31 December 2018** | **30 June 2018** |
| Current Assets | 34,361 | 628,025 | 69,567 | 6,482 |
| Non-Current Assets | 1,272,814 | 1,131,519 | - | - |
| Total Assets | 1,307,175 | 1,759,544 | 69,567 | 6,482 |
| Current Liabilities | (19,463) | (23,458) | (8,231) | - |
| Non-Current Liabilities | - | - | | - |
| Total Liabilities | (19,463) | (23,458) | (8,231) | - |
| Net Assets | 1,287,712 | 1,736,086 | 61,336 | 6,482 |
| | | | | |
| Revenue | | - | 3 | 6 |
| Loss for the year | (81,610) | (2,640,775) | (474,946) | (363,316) |
| Total comprehensive loss for the year | (218,079) | (2,402,067) | (843,806) | (658,759) |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 7: ISSUED CAPITAL

| | 31 December 2018<br>$ | 30 June 2018<br>$ |
|---|---|---|
| *Ordinary shares* | | |
| Issued and fully paid | **114,897,527** | **99,087,130** |

| | 31 December 2018<br>No. | <br>$ |
|---|---|---|
| *Movements in ordinary shares on issue* | | |
| Balance at beginning of period | 2,529,223,526 | 99,087,130 |
| Shares issued at 1.8 cents on 17 July 2018 on exercise of vested performance rights | 34,216,671 | 426,767 |
| Shares issued at 2.5 cents on 15 August 2018 on exercise of unlisted options | 44,527,250 | 1,113,181 |
| Shares issued at 1.8 cents on 24 September 2018 on exercise of listed options | 53,400 | 961 |
| Shares issued at 2.1 cents on 6 December 2018 pursuant to debt interest for equity agreement | 161,366,954 | 3,388,706 |
| Shares issued at 2.1 cents on 6 December 2018 pursuant to the Placement with a substantial shareholder | 476,190,476 | 10,000,000 |
| Shares issued at 2.1 cents on 6 December 2018 to subscribers to the Additional placement | 80,952,381 | 1,700,000 |
| Costs of issues | - | (819,218) |
| Balance at end of period | **3,326,530,658** | **114,897,527** |

### NOTE 8: OPTIONS AND PERFORMANCE RIGHTS ON ISSUE

| | 31 December 2018<br>No | 30 June 2018<br>No |
|---|---|---|
| Unlisted options exercisable at 2.5 cents per option before 14 August 2018 (i) | - | 54,922,250 |
| Unlisted options exercisable at 2.5 cents per option before 24 August 2018 (i) | - | 23,833,333 |
| Unlisted options exercisable at 2.5 cents per option before 1 September 2018 (i) | - | 108,337,867 |
| Listed options exercisable at 1.8 cents per option before 11 December 2019 (ii) | 700,732,652 | 688,786,052 |
| Performance Rights (iii) | 167,749,996 | 245,300,000 |

(i) The three tranches of unlisted options were issued on a one-for-one basis as free attaching to the placement undertaken and completed in August 2017. During the current period, 44,527,250 unlisted options were exercised, with the balance cancelled on the expiry dates.

(ii) Of the listed options, 53,400 were exercised during the current period. Of the balance at 31 December 2018:

- 344,385,126 were issued on a one-for-four basis as free attaching to the rights issue capital raising completed in December 2017;
- 344,484,526 were issued to the underwriters of the rights issue and a share based payments as a cost of the capital raising are valued at the market price at grant date; and
- 12,000,000 listed options (valued at $72,000 by applying the listed option price at the grant date) were issued with shareholder approval to a director as a remuneration share based payment.

(iii) Following from shareholder approval given at the 2017 Annual General Meeting held on 26 November 2017, 55,000,000 performance rights were issued to the nominee of David Paull, 101,800,000 performance rights were issued to Non-Executive Directors or their nominees, and 48,500,000 performance rights were issued to employees and qualified contractors on 8 May 2018. The performance milestones attaching to the performance rights are strategic. One of the six tranches vested and 34,216,671 ordinary shares issued on exercise on 13 July 2018 as the 30 day VWAP of the Company's Shares as traded on ASX was equal to or greater than A$0.02 by 30 June 2019. During the period, 3,333,333 Performance Rights were cancelled on termination of employment and 40,000,000 Performance Rights expired without vesting.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

The remaining performance rights will vest in five tranches if and when one or more of the remaining following five milestones are achieved:

1. if 80% or more of the initial issue of 1.8 cent AKMOA listed options are exercised on or before 11 December 2019.
2. If following a decision by the Company to mine the Nuurstei Project, or a Board approved equivalent project, the Company achieves production of a combined 500,000 tonnes per annum of washed hard coking coal by 31 December 2019.
3. if the Company achieves net profit after tax of at least $10 million by no later than 31 December 2019.
4. if the 30-day VWAP of the Company's Shares as traded on ASX is equal to or greater than A$0.03 by 30 June 2020.
5. if the 30-day VWAP of the Company's Shares as traded on ASX is equal to or greater than A$0.04 by 30 June 2021.

The performance rights are valued at the share price on grant date, being 1.2 cents for each of the performance rights issued to the Directors and 1.4 cents for each of the performance rights issued to the employees and contractors. The value of the Performance Rights is taken to the Share Based Payments Reserve progressively over the period the Performance Rights are expected to vest. The cumulative expense that will be recorded will equate to the Performance Rights that ultimately vest.

### NOTE 9: FINANCIAL INSTRUMENTS

The Directors consider that the carrying value of the financial assets and liabilities as recognised in the Condensed Statement of Financial Position approximate their fair values.

### NOTE 10: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

### NOTE 11: SEGMENT REPORTING

Segment information is presented in the interim financial statements in respect of the consolidated entity's geographical segments, which are the primary basis for segment reporting. The consolidated entity operates in a single business segment, namely natural resources exploration.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets, interest income, corporate assets and corporate expenses.

The consolidated entity operated in distinct geographical segments, Australia, Mongolia and Singapore. These segments were determined based on the location of the consolidated entity's assets and liabilities.

**Geographical segments**

| | **Australia** $ | **Mongolia** $ | **Singapore** $ | **Total** $ |
|---|---|---|---|---|
| **31 December 2018** | | | | |
| **Segment income** | 29,548 | 149,329 | - | 178,877 |
| **Segment result** | (1,320,325) | (2,183,293) | (155,645) | (3,659,263) |
| Segment interest income | 29,548 | 149,329 | - | 178,877 |
| Depreciation and amortisation | - | (48,254) | - | (48,254) |
| **Segment assets** | 12,165,472 | 40,506,808 | 1,653 | 52,673,933 |
| **Segment liabilities** | (313,580) | (291,958) | - | (605,538) |
| Capital expenditure | - | 1,411,325 | - | 1,411,325 |
| **Cash flow information** | | | | |
| Cash flows from operating activities | (1,094,038) | (1,977,464) | (182,845) | (3,254,347) |
| Cash flows from investing activities | 272,731 | (1,121,101) | - | (848,370) |
| Cash flows from financing activities | 11,994,924 | (6,469) | - | 11,988,455 |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 11: SEGMENT REPORTING (continued)

| | Australia<br>$ | Mongolia<br>$ | Singapore<br>$ | Total<br>$ |
|---|---|---|---|---|
| **31 December 2017** | | | | |
| **Segment income** | 6,671 | 1,864 | - | 8,535 |
| **Segment result** | (685,230) | (431,141) | (400,434) | (1,516,805) |
| Segment interest income | 6,671 | 1,864 | - | 8,535 |
| Depreciation and amortisation | - | (17,342) | - | (17,342) |
| **Segment assets** | 8,448,965 | 39,889,946 | 3,131 | 48,342,042 |
| **Segment liabilities** | 403,505 | 35,850 | 3,476,395 | 3,915,750 |
| Capital expenditure | - | 273,752 | - | 273,752 |
| **Cash flow information** | | | | |
| Cash flows from operating activities | (566,696) | (467,202) | (358,272) | (1,392,170) |
| Cash flows from investing activities | - | (363,112) | - | (363,112) |
| Cash flows from financing activities | 12,439,117 | - | - | 12,439,117 |

### NOTE 12: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the balance date, the results of the Ovoot Coking Coal Early Development Project (OEDP) Pre-Feasibility Study were announced.

There have been no other significant events subsequent to the reporting date requiring disclosure in this report.

# DIRECTORS' DECLARATION

In the opinion of the Directors of Aspire Mining Limited ('the company'):

1. The financial statements and notes thereto, are in accordance with the Corporations Act 2001 including:

    a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    b. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year then ended.

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.

**David Paull**
**Managing Director**
**13 March 2019**

**INDEPENDENT AUDITOR'S REVIEW REPORT**
To the members of Aspire Mining Limited

**Report on the Condensed Half-Year Financial Report**

*Conclusion*

We have reviewed the accompanying half-year financial report of Aspire Mining Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aspire Mining Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Directors' responsibility for the half-year financial report*

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**hlb.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**HLB Mann Judd**
**Chartered Accountants**

**N G Neill**
**Partner**

**Perth, Western Australia**
**13 March 2019**