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## ASX RELEASE



**For Immediate Release – 31 July 2019**

# QUARTERLY REPORT Quarter Ended 30 June 2019

## Bringing the Ovoot Early Development Project into Production

- **The Ovoot Early Development Project (OEDP) Definitive Feasibility Study (DFS) continues to be the main focus of the Company's activities during the quarter. The DFS is to be completed before the end of calendar 2019 subject to local community and government approvals.**
- **Mongolian Mineral Reserve Council approved the Ovoot Reserves and the Ovoot Feasibility Study updated for the OEDP.**
- **New OEDP mine plan being developed to reduce waste pre-strip volumes and improve cashflow in the first two years.**
- **Local community engagement including public consultations ongoing. Approvals for groundwork at Ovoot required to progress hydrology and geotechnical studies.**
- **Analysis of an indicative bulk sample for Ovoot coking coal confirms excellent washability characteristics and the opportunity to produce a low ash product.**
- **Cooperation Agreement with Mongolian rail operator Ulaanbaatar Tumer Zam Joint Venture Stock Company (UBTZ) guarantees rail capacity for all OEDP coal transport.**
- **Process commenced to identify potential strategic funding partners to assist with debt and equity funding.**

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, is pleased to present its Quarterly Activities Report for the quarter ending 30 June 2019.

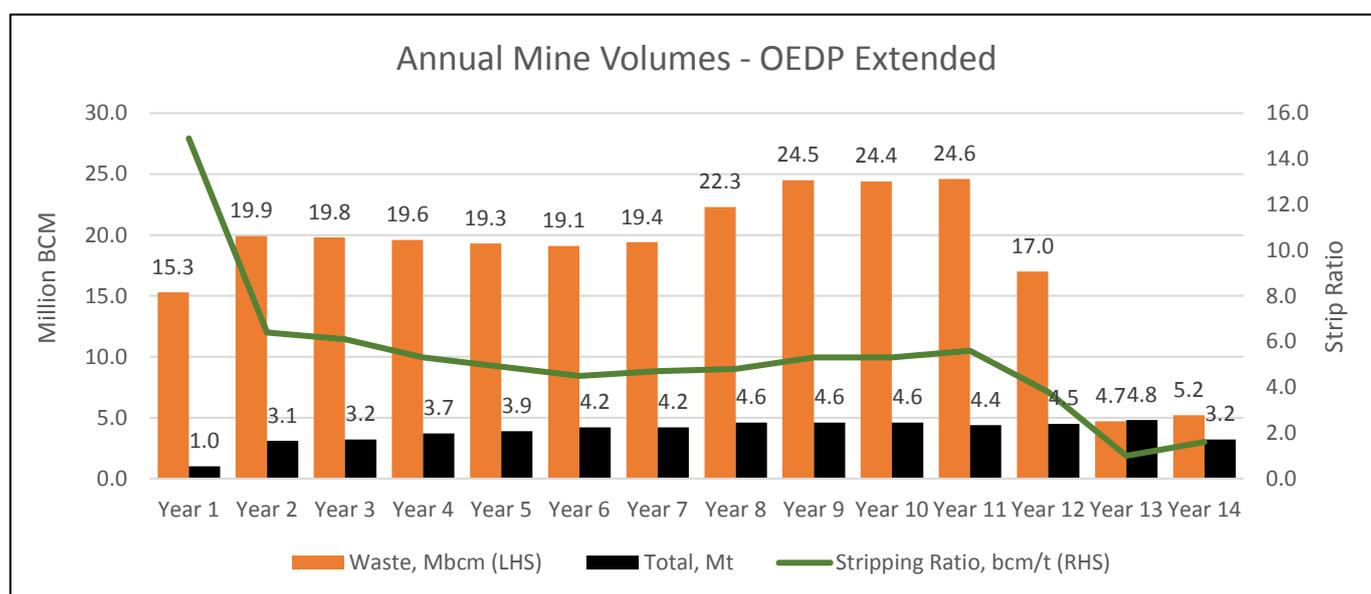
The Company currently wholly owns 100% of the large scale, world class Ovoot Coking Coal Project (**Ovoot Project**) and a 90% interest in the Nuurstei Coking Coal Project (**Nuurstei Project**), both located in northern Mongolia.

# Ovoot Early Development Project

## Mine Planning for Definitive Feasibility Study

During the quarter the Company reassessed the first 5 years of the OEDP Pre-Feasibility Study<sup>1</sup> Mine Plan and has identified a proposed staged waste removal strategy which is expected to result in a significantly shorter pre-strip period of 7 months (down from 12 months) to deliver 4.1 million tonnes of coal production in the first two years (including the 7 month pre strip period).

This proposed plan will be assessed as part of the ongoing OEDP Definitive Feasibility Study. This proposed new mine plan defers a significant amount of waste removal from years 1 and 2 into years 3 and later which will see a reduction in the cost of the pre strip and is expected to have a positive impact on the net present value of the OEDP. Total open pit volumes remain the same. The results of the PFS Extended Case previously reported in an announcement in March 2019 produced a pre-tax NPV (@ 10%) of US\$758 million and a pre-tax IRR of 44.5%.



**Figure 1: Revised Mine Plan to be Used for Definitive Feasibility Study**

The Company has recently obtained additional regional geological data which looks to support a structural reinterpretation of the various Ovoot seams. This reinterpretation would see a re-allocation of resource tonnages between the Lower and Upper Seams. This reallocation of tonnes could affect the open pit design and could potentially add mine life to the OEDP Open Pit Extended Case. This reinterpretation requires confirmatory drilling.

Geotechnical and hydrological drilling is required to bring the OEDP Extended case up to DFS status. The company is continuing to engage with local community leadership regarding mining and road approvals. The local communities have tied further on-site work to negotiations for a community benefits agreement which can be progressed now that the Ovoot Feasibility Study updated for the OEDP has been approved by Mongolian Mineral Reserve Council<sup>2</sup>.

<sup>1</sup> See ASX Announcement 28 February 2019 and 1 March 2019

<sup>2</sup> See ASX Announcement 27 May 2019

## **Underground Mine Extensions to the OEDP Open Pit**

The Company has also commenced a study in association with Xstract Mining Consultants Pty Ltd (**Xstract**) to look at underground mining extensions post completion of the OEDP Pit extensions. This will be based on continuing with the road-based transport of washed coking coal to Erdenet. This will be at a concept study level initially, progressing to pre-feasibility study level, targeting a production rate of at least 2 million tonnes per annum.

In 2012 Xstract prepared a pre-feasibility study level study to mine the Underground Resource to the North of the current open pit. Due to limited drilling data of the Underground Resource only one of the two seams present were included in a mine plan which saw 8 million tonnes mined from the Underground deposit over an 11 year period<sup>3</sup>.

## **Coal Handling and Preparation Plant**

During the quarter the company acquired a 300kg indicative bulk sample from the Mogoin Gol Mine adjacent to the Ovoot deposit that was used for sizing simulation and washability test work. Previous comparative analysis of Ovoot and Mogoin Gol coals indicate that Mogoin Gol represents the up-dip extension of the Ovoot Resource.

The sizing and washability work demonstrated high yield potential across all coal sizes for a low ash coal product. While additional work needs to be undertaken there is the potential to offer a washed coal product with substantially less than 10% ash product specification.

This data is being delivered to a short list of engineering firms for detailed design and construction quotes. Detailed front-end engineering and design work will require approximately 3 months.

## **Marketing**

During the quarter the Company and Noble Group commenced negotiations for an off-take agreement for up to 12 million tonnes of washed coking coal delivered to Erlian on the China border over a five year period, commencing upon first commercial production. Pricing will be benchmarked against prices quoted on the [sxcoal.com](http://sxcoal.com) web site for a number of brands including washed Mongolian hard coking coal and washed fat coking coals available in North East China adjusted for China internal logistics costs.

The above reflects Noble's rights to market 65% of all Ovoot Coking Coal for the first 20 years of production.

The Company is also currently in discussions for possible offtake for Russian customers. The volumes will likely be in the annual range of 500,000 to 700,000 tonnes per annum. Fat coal pricing currently quoted by the coal market researcher "Metal Expert" for Russian domestic sales delivered to the customer range between 9,000 to 11,000 roubles or US\$145 to US\$175/t based on current exchange rates. Prices will vary on point of delivery.

## **Logistics**

Key to the future development of the OEDP is the access to available rail capacity on the central Mongolian rail line from Erdenet to the China border at Erlian and the Russian border at Naushki. During the quarter and as announced on 27 May 2019, the Company signed an agreement with the rail operator UBTZ whereby UBTZ confirms guaranteed capacity on the central Mongolian rail line for OEDP production up to 4 million tonnes per annum for the life of the OEDP.

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<sup>3</sup> See ASX Announcement 6 December 2012



**Figure 2: Mr Igor Vasilievich Milostnykh, First Deputy Director of UBTZ, and Mr David Paull, Executive Chairman of Aspire Mining Limited, at the signing of the Cooperation Agreement**

During the quarter the Company visited Erlian on the China side of the China \ Mongolian border to confirm capacity and logistics service providers to enable transfer of Ovoot Coal onto Chinese gauge rail or directly onto trucks for delivery to customers. The visit confirmed that there is sufficient existing stockpile capacity to deal with the OEDP initial volumes and that service providers are planning expansions to accommodate growing OEDP volumes into the future.

This is important as it confirms that once the road alignment and road feasibility study is approved, product from the OEDP will have a clear path to market.

A separate study has been initiated to identify the quantity of coal rail wagons needed and how they will be sourced which is expected to be completed in the September 2019 Quarter. Options include rental agreements with the rail operator UBTZ, leasing and outright purchases.

### **Building Capacity**

The Company has signed a cooperation agreement with the Erdenet Technical Institute to provide a range of vocational training courses for earthmoving equipment operators. The first 10 students have commenced their courses in Erdenet.



**Figure 3: Initial Vocational Course Intake. (Left)**

The Company is planning to double the size of the next intake and expand the number of courses to include environmental sciences and plant operators.

### **Community Relations**

The Company continues to build its reputation in the local community that it operates in. During the quarter the company increased the number of local community liaison officers to 12.

The Company presented the Ovoot Development Project to the Tsetserleg soum khural (local community parliament) on 5 July. This presentation emphasised the steps being undertaken to complete the Definitive Environmental Impact Assessment and the associated environmental management plan.

The Company is producing a documentary film on the best practice in coal mining and beneficiation to be broadcast on local television stations to give the local community an appreciation of the scale of the Ovoot Development Project and benefits to the community.

### **Funding**

In the September 2019 Quarter, the Company along with its financial advisers will commence a process to identify and engage with potential strategic partners to assist with the debt and equity funding for the OEDP. The Company has identified a large number of potential partners who along with major shareholders, Mr Tserenpuntsag and Noble Group, can look to assist with finance and marketing and logistics.

### **Corporate**

On 20 June 2019 the company, along with other leading Mongolian mining companies including Oyu Tolgoi, Erdenet Copper, Terracom Resources and South Gobi Sands, signed a voluntary Code of Conduct committing to open and transparent responsible mining practices and developed by the Mongolian National Mining Association. (an English translation of the code of conduct has been placed on the Company's website [www.aspiremininglimited.com](http://www.aspiremininglimited.com).)

The Code of Conduct will require a structured annual report to local stakeholders, commitment to anti bribery policies, upholding the highest operational environmental standards and focusing on local training and capacity building.

On 31 May 2019, the first meeting of the newly convened Investment Advisory Group ("IAG") was held. This group has been invited by the Mongolian Minister of Mining to assist the Ministry in promoting Mongolia as an investment destination and to advise on changes to legislation that may impact the resources industry. The Company's Executive Chairman Mr David Paull has been confirmed as a member of the IAG along with chief executives of listed explorers, developers and miners including Oyu Tolgoi and Erdenes Tavan Tolgoi, the large government owned coal miner looking to complete an IPO later in the year.

## Cash Position

At 30 June 2019, the Aspire Group had A\$11.1 million cash at bank with no borrowings.

## Capital Structure

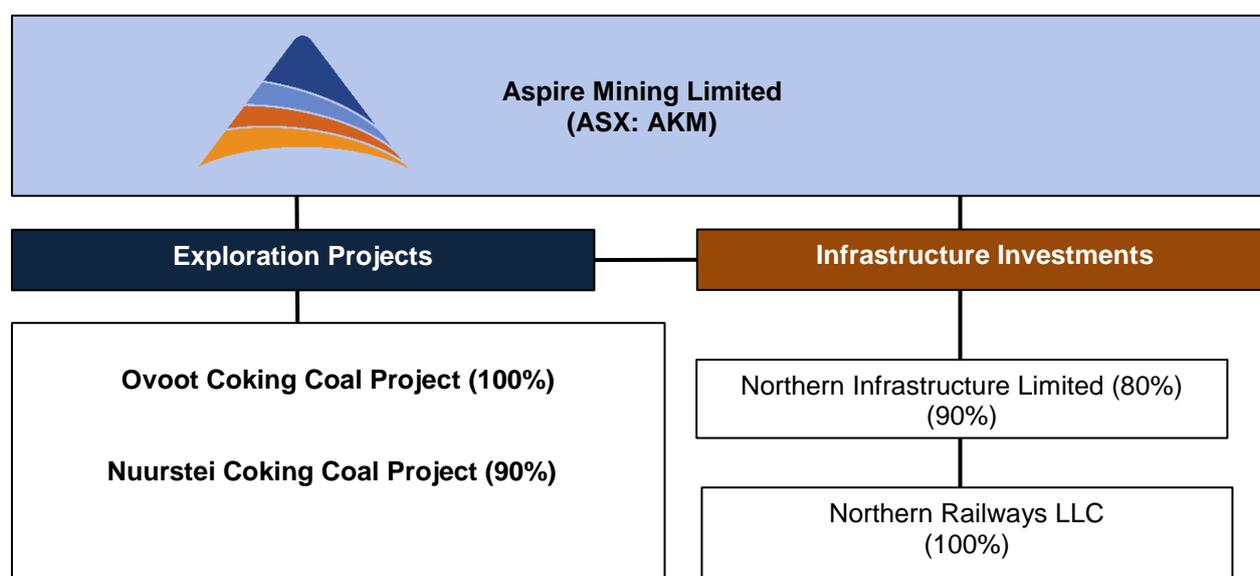
The securities on issue at 30 June 2019 are:

Security	No. on issue
Quoted Ordinary Shares	3,326,541,075
Unlisted Performance Rights	167,749,996
Listed Options (1.8c expiring 11 December 2019)	700,722,235

## Interests in mining and exploration tenements at 30 June 2019

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

## Group Investment Structure



## JORC Code 2012 Reserves and Resources

### Ovoot Coal Resources

JORC Code Resource	Ovoot Open Pit	Ovoot Underground	Total (Mt)
Measured	197.0	0.0	197.0
Indicated	46.9	25.4	72.3
Inferred	9.2	2.6	11.8
Total	253.1	27.9	281.0

### Ovoot Coal Reserves

JORC Code Reserves	Probable (Mt) (Arb, 2% moisture)	Total (Mt)	Marketable (Mt) (Arb, 9.5% moisture)
Open Pit	247	247	182
Underground	8	8	6
Total	255	255	188

The technical information and competent persons statements for the Ovoot Coal Reserves and Resources are reported in the Company's ASX announcements dated 2 November 2012, 31 July 2013 and 30 January 2013 (December 2013 Quarterly Activities Report) which are available to view on the Company's website and the ASX Announcements platform. The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcements, and that all material assumptions underpinning the estimates continue to apply and have not materially changed.

### Ovoot OEDP Reserves

The OEDP Reserves have been confirmed as:

Category	Coal Reserve (adb) ROM Mt	Coal Reserve Total Moisture 2.0% arb ROM Mt	ROM Coal adb Ash Content %	ROM Coal adb CSN%
Probable Ore Reserve Ore Open Pit OEDP	36.8	37.6	17.2	7.9
Probable Ore Reserve Open Pit OEDP Plus OEDP Extension	53.8	54.9	18.0	8.5

Category	Marketable Coal Reserve Total Moisture 10% arb Mt	Product Specification adb Ash Content %	Product Specification adb CSN%
Probable Product Reserve Ore Open Pit OEDP	32.2	10.5	8.5
Probable Product Reserve Open Pit OEDP Plus OEDP Extension	46.2	10.5	8.5

The technical information and competent persons statements for the OEDP Reserves are reported in the Company's ASX announcements dated 28 February and 1 March 2019 which are available to view on the Company's website and the ASX Announcements platform. The Company confirms that at this time it is not aware of any new information or data that materially affects the information included in the announcements, and that all material assumptions underpinning the estimates continue to apply and have not materially changed. On completion, the OEDP Definitive Feasibility Study will identify any new information, data or change to material assumptions used in the OEDP Pre-Feasibility Study.

### Nuurstei Coal Resources

JORC Code Resources	Mt	
Indicated	4.75	
Inferred	8.1	
Total (Mt)	12.85	

The technical information and competent persons statements for the Nuurstei Coal Resources is taken from the Company's ASX announcement dated 13 April 2016 which is available to view on the Company's website and the ASX Announcements platform. The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement, and that all material assumptions underpinning the estimates continue to apply and have not materially changed.

**- Ends -**

## **Forward Looking Statements**

This report contains forward-looking information which is based on the assumptions, estimates, analysis and opinions of management and engaged consultants made in light of experience and perception of trends, current conditions and expected developments, as well as other factors believed to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect.

Assumptions have been made by the Company regarding, among other things: the price of coking coal, the timely receipt of required governmental approvals, the accuracy of capital and operating cost estimates, the completion of a feasibility studies on its exploration and development activities, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used by the Company.

Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate.

Forward-looking information involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, the actual market price of coking coal, the actual results of current exploration, the actual results of future exploration, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the Company's publicly filed documents. Readers should not place undue reliance on forward-looking information.

## **About Aspire Mining Limited**

Aspire Mining Limited is on the ASX (ASX: AKM) and is the largest coal tenement holder in Mongolia's Northern provinces and is focused on identifying, exploring and developing quality coking coal assets.

Aspire is the 100% owner of the world class Ovoot Coking Coal Project (Ovoot Project) which is the second largest coking coal project by reserves in Mongolia.

The Company's Ovoot Early Development Project (OEDP) 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 OEDP is currently the subject of a Definitive Feasibility Study. Further expansion can occur following the construction of the Erdenet to Ovoot Railway being progressed by Aspire's subsidiary, Northern Railways LLC (Northern Railways).

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 two years from commencement of the rail construction.

### **About Northern Railways LLC**

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

The Erdenet to Ovoot Railway extends 547km 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 the Northern Rail Corridor through Mongolia, the subject of a trilateral program agreed by the Presidents of China, Russia and Mongolia. The Northern Rail Corridor through Mongolia is primarily aimed at improving trade by reducing regulation, improving capacity at borders and improving road and rail infrastructure to meet this increased demand for transport services. The Northern Rail 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 years concession by the Mongolian Government to build and operate the Erdenet to Ovoot Railway. Northern Railways is now progressing funding negotiations for the completion of the concession conditions precedent, other studies to support applications for licenses, permits and approvals, the EPC contract and railway construction.

In October 2017 Northern Railways entered into a binding contract with China Gezhouba Group (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. The Feasibility Study has been completed (refer ASX announcements 22 March 2018 and 4 June 2018). A capacity guarantee from the operators of the Mongolian railway network is required by CGGC to progress further funding.

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

#### **Corporate**

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