

**Aspire Mining Limited**

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## ASX RELEASE



**For Immediate Release – 29 January 2020**

## QUARTERLY REPORT

### Quarter Ended 31 December 2019

- **End of quarter cash balance of \$42.2 million provides the Company with an excellent base to progress towards funding and commencing the Ovoot Early Development Project (“OEDP”).**
- **Progress made toward obtaining approvals for road connection to Erdenet and completing fieldwork for the OEDP Definitive Feasibility Study.**
- **On 11 November 2019 the Company released an update to the OEDP Pre-Feasibility Study Extended Case based on lower contract mining costs from quotes received. C1 cash costs to the China border reduced from \$83\ tonne to US\$76\ tonne over the life of mine.**
- **At the 29 November 2019 Annual General Meeting the Company’s shareholders overwhelmingly approved, amongst other matters, the \$33.5 million placement and \$2.75 million option exercise to Aspire’s major substantial shareholder, Mr. Tserenpuntsag Tserendamba.**
- **The placement and option exercise increased Mr Tserenpuntsag’s shareholding from 27.5% to 52.5%, and along with the appointment of Mr Achit Darambazar as Managing Director, repositions the Company as a “Mongolian” company listed on ASX as it seeks to advance the OEDP.**

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

During the quarter, the company spent \$0.5 million on progressing the development of the OEDP.

### Revised OEDP Pre-Feasibility Study

In the September quarter, the Company engaged with a number of mining contractors and received quotes which were modelled into the OEDP mine plan. These results were reported on 11 November 2019 and showed a 19% reduction in mine gate costs per tonne of product from US\$32.80 down to US\$26.40 on a life of mine basis.

The lower estimated mining contract rates and modifications to the start-up mine plan also resulted in a lower amount of capitalised pre-stripping costs, down from US\$47 million to US\$31 million.

Restated OEDP Prefeasibility results and comparison with the OEDP Extended Case is presented below.

	Average Annual	PFS Extended Case	Updated PFS Extended Case
<b>Physicals</b>			
Waste Mined (M Bcm)	19.7	253.6	253.6
Strip Ratio (Bcm/t coal) (incl. pre-strip)		4.7	4.7
Coal Mined (Mt)	4.6	53.8	53.8
Average Yield (10% moisture)		86%	85%
Coal sold (net of 2% loss) (Mt)	4.0	45.2	44.7
Life of Mine		12.5 years	12.5 years
<b>Operating Costs (US\$)</b>			
Mining \$/t		33	26
Trucking \$/t		32	32
Rail + Border Charges- \$/t		18	18
C1 Cash Costs \$/t		83	76
Total Cash Costs \$/t		102	97

*Table 1: Physical and operating cost assumptions.*

### Updated Mine Pre-Strip Estimates

The updated mining schedule when combined with the current mining contractor cost quotes, results in a deferral of waste removal tonnes and a significant reduction in the capitalised waste removal cost before commercial sustainable production can commence. The capitalised waste removal has reduced from US\$47 million to US\$31 million, a reduction of US\$16 million.

The mine capital expenditure is made up of:

Item (US\$)	PFS Extended Case	Updated PFS Extended Case
CHPP Plant	37	37
Onsite infrastructure	10	10
Offsite terminals and blending facility	16	16
<b>Mine Processing and Infrastructure</b>	<b>63</b>	<b>63</b>
Waste Pre-stripping	47	31
<b>Total Mine Capital</b>	<b>110</b>	<b>94</b>

*Table 2: Summary Mine Capital*

### Financial Impact of Updated Mine Plan and Costings

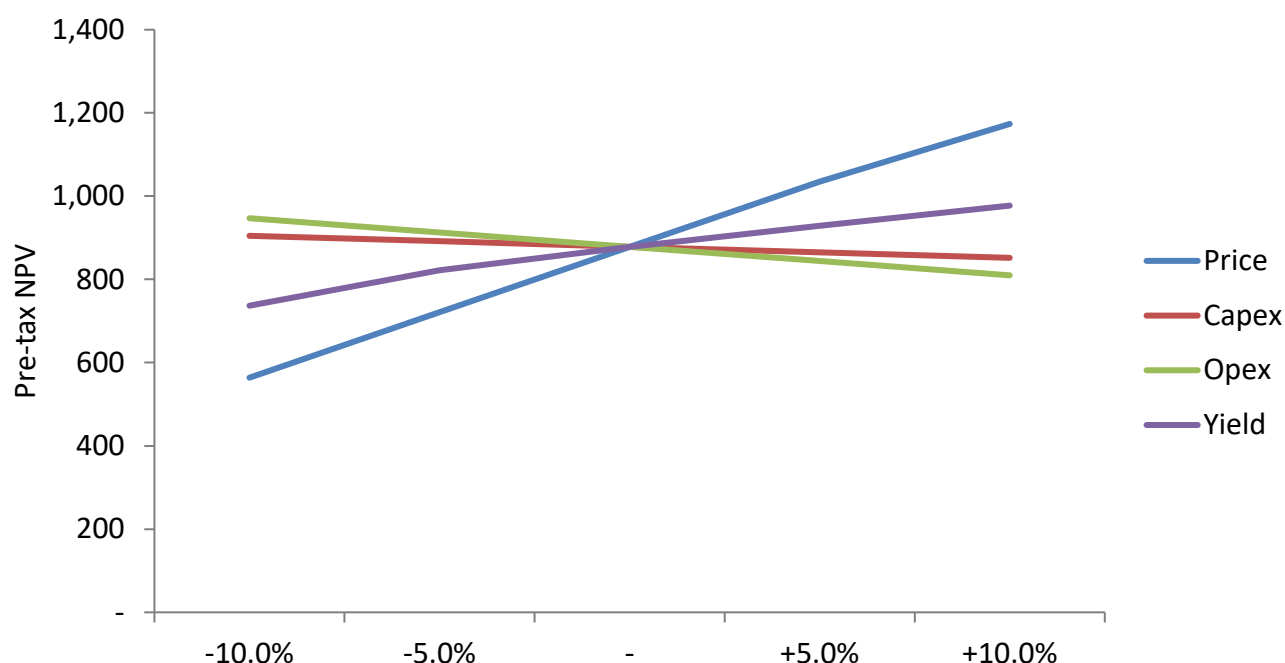
		PFS Extended Case	Updated PFS Extended Case
<b>Financial Assumptions</b>			
Coking Coal Price (net received price to Erlian border)		150	150
Exchange Rates: MNT:USD		2600	2600
Rmb:USD		6.8	6.8
Royalties: Mongolian		6.5%	6.5%
Marketing and China Border Cost US\$/t		8.6	10.0
EBITDA		\$2.2bn	\$2.4bn
<b>Capital Investment</b>			
Mine: Establishment		\$110m	\$94m
Maintenance		\$1mpa	\$1mpa
Road: Establishment		\$165m	\$165m
Maintenance		\$2mpa	\$2mpa
Pre-tax net present value (10%)		\$758m	\$878m
Internal Rate of Return (Pre-tax)		44.5%	49.4%
Payback (commencing first full year of production)		24 months	26 months

*Table 3: OEDP Financial Outcomes*

For further information regarding the Updated PFS for the Extended Case, please refer to the announcement made on 11 November 2019.

## Sensitivity analysis

The net price received is the most sensitive assumption in the achievement of the assessed returns. The before tax NPV<sub>10</sub> and IRR sensitivities based on a range of prices, capital expenditure, operating expenditure and yield demonstrate the robustness of the OEDP Extended Case as set out in the table below:



**Figure 1: Key OEDP Updated Extended Case Pre-tax NPV Sensitivities**

Sensitivity	-10.0%	-5.0%	-	+5.0%	+10.0%
Price	564	721	878	1,035	1,174
Capex	905	892	878	865	852
Opex	947	913	878	844	810
Yield	737	822	878	929	977

**Table 4: Pre-tax OEDP Updated Extended Case NPV<sub>10</sub> Sensitivities (US\$m)**

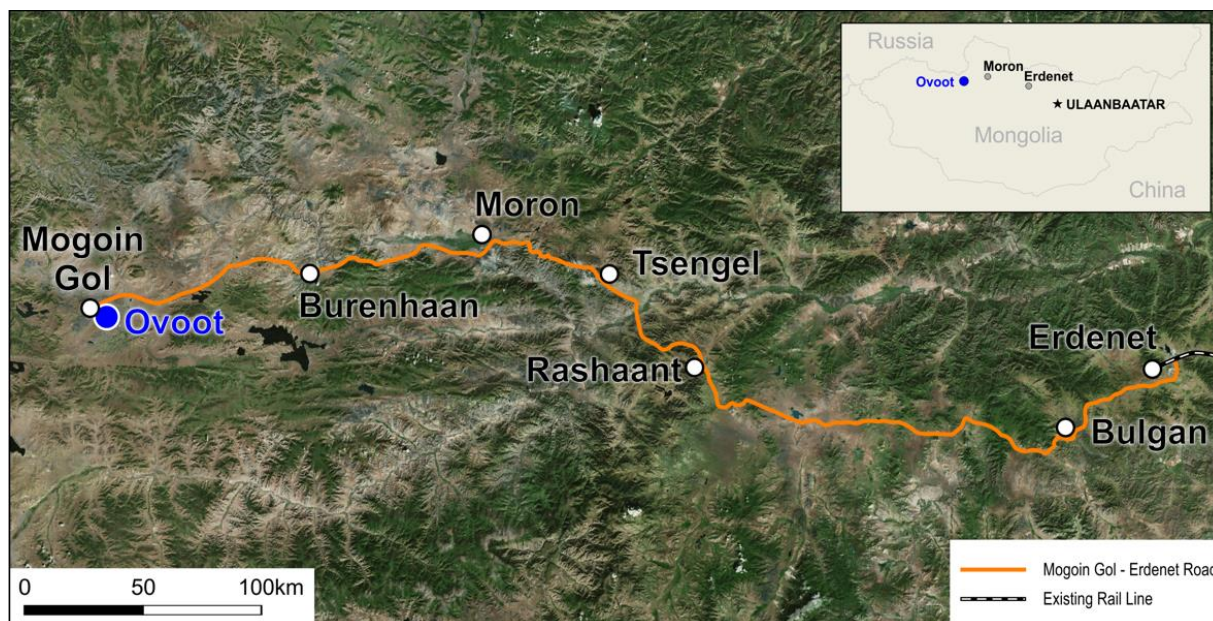
As previously reported, results from geotechnical and hydrological drilling are required to bring the OEDP Extended Case up to DFS status. The company is continuing to engage with local community leadership regarding mining and road approvals. The local communities have tied further on-site work to negotiating a Community Benefits Agreement which is being progressed.

During the quarter, the local soum administration conducted a poll throughout the community to measure the level of support for a responsible mining industry being developed. The results indicated a majority of participants supported the development of the industry, principally due to the job and training opportunities it will create and the contributions it will make to local infrastructure.

The Company has now recommenced the Definitive Environmental Impact Assessment which will be required to be completed before any site activities can begin.

### Road Connection: Ovoot to Erdenet

In addition to development of the mine, a 560 kilometre special purpose road needs to be constructed between the Ovoot mine and the nearest rail head at the city of Erdenet. During the quarter, the Khuvsgul airmag approved its medium term road master plan which includes the Ovoot to Erdenet special purpose road. This now opens the way for the Company to directly negotiate with local soums on approvals. These approvals are required in order for the road feasibility study to be completed.



*Figure 2: Proposed Road Path*

### Marketing

During the quarter, the Company signed a Non-Binding Memorandum of Understanding (MOU) with Sinosteel Engineering and Equipment Co Ltd (Sinosteel MECC). The MOU covers potential trade and EPC (Engineering Procurement and Construction) based funding opportunities for the OEDP.

Sinosteel MECC operates its own coking coal trading platform and can also offer potential funding instruments such as coal presales and/or a streaming funding facility.

### Northern Railways LLC

The time for completing the conditions precedent for the 30 year Concession for the Erdenet to Ovoot Railway Project expires in February 2020. The Company and the Government of Mongolia are in discussions regarding an extension to this time period to allow for resolution of the preferred alignment and further discussions with additional users.

## Corporate

At the Company's Annual General Meeting held on 29 November 2019, shareholders voted overwhelmingly in favour of accepting a \$33.5 million placement in Aspire by major shareholder, Mr Tserenpuntsag, at 2.1 cents (or 21 cents given the 1 for 10 share consolidation completed on 5 December 2019). Shareholders also approved Mr Tserenpuntsag's exercise of options at 1.8 cents (or 18 cents post consolidation) raising an additional \$2.75 million. Post the placement, exercise of options and securities consolidation, the major shareholders of Aspire at 31 December 2019 are:

Beneficial Shareholder	Number of Shares	% Interest
Mr Tserempuntsag Tserendamba	266,380,470	52.47%
Noble Group	66,401,757	13.49%
Mr Neil Lithgow	23,727,851	4.82%

## Board and Management Changes

Mr Achit – Erdene Darambazar, an existing Non-Executive Director of the Company was appointed Managing Director on 5 December 2019. Mr David Paull will transition from Executive to Non- Executive Chairman in March 2020.

Executive Director Mr Gan-Ochir Zunduirsuren stepped down from the Board on 5 December 2019 as foreshadowed in the Explanatory Statement to the Notice of the Annual General Meeting. By mutual agreement, he will step down from his technical management role in March 2020.

Non-Executive Director Mr Alex Passmore also stepped down from the Board on 5 December 2019 as foreshadowed in the Explanatory Statement to the Notice of the Annual General Meeting.

On 25 October 2019, the Company announced that it had appointed Mr Sam Bowles as the Company's Chief Operating Officer, commencing March 2020.

Subsequent to the end of the Quarter, Executive Director Mr Boldbaatar Batamgalan has requested that he relinquish executive duties but will remain as a Non-Executive Director.

## Cash Position

At 31 December 2019, the Aspire Group had A\$42.2 million cash at bank with no borrowings.

## Capital Structure

At the Company's Annual General Meeting held on 29 November 2019, shareholders approved a 1 for 10 consolidation of the Company's issued capital. The consolidation occurred on 5 December 2019.

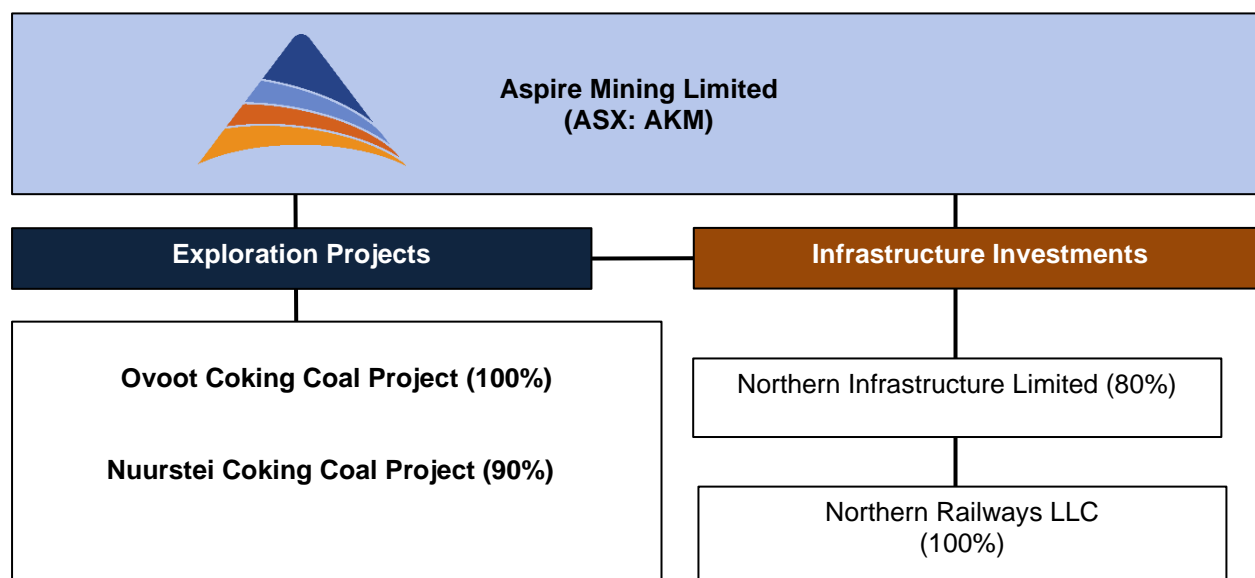
All listed AKMOA Options not exercised on or before 11 December 2019 were cancelled. Performance Rights that had a milestone associated with exercise of the AKMOA Options lapsed and were also cancelled. The securities on issue at 31 December 2019 were<sup>1</sup>:

Security	No. on issue
Quoted Ordinary Shares	507,636,985
Unlisted Performance Rights	12,220,001 <sup>1</sup>

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



<sup>1</sup> 6,110,004 of the 12,220,001 Performance Rights were cancelled on 1 January 2020



## 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 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.

### 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**

Leading pure-play metallurgical coal project developer Aspire Mining Limited (ASX: AKM) is the 100% owner of the world-class Ovoot Coking Coal Project.

Aspire is targeting early production of washed coking coal from a first-stage development of the Ovoot Project, known as the Ovoot Early Development Plan (OEDP). The OEDP is focused on a truck and rail operation to deliver up to 4Mtpa to end markets in China and Russia. Operational expansion can occur following the construction of the Erdenet-to-Ovoot Railway, which is being progressed by Aspire's subsidiary, Northern Railways LLC.

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

## **About Northern Railways LLC**

Northern Railways LLC is a Mongolian-registered rail infrastructure company, mandated to pursue the development of the 547km Erdenet-to-Ovoot Railway, and supported by a consortium comprising Aspire Mining, China Gezhouba Group (CGGC) 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.

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.

## **About Mr Tserenpuntsag**

Mr Tserenpuntsag is a well-regarded and highly successful Mongolian entrepreneur with strong bipartisan political connections across all levels of Mongolia's government. Mr Tserenpuntsag's business interests are spread across the food & beverage, information and communication technology (ICT), health & recreation and construction sectors. He founded Gem International, a beverage producer, in 1999 and has since gone on to found other leading Mongolian companies. In the beverage sector, these businesses include Gem Khujirt and GN Beverages while in the ICT sector he has created market leaders Mongolia Gemnet, DDish-TV and Kewiko.

Mr Tserenpuntsag was a cornerstone investor in Aspire's \$15 million financing package completed in December 2018, invested a further \$36.25 million in December 2019 and is committed to assisting the Company with securing the necessary permits and funding to deliver the OEDP.

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

#### **Corporate**

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