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**Aspire Mining Limited**

ABN 46 122 417 243

**Annual Financial Report**

**30 June 2017**

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## CORPORATE INFORMATION

**ABN 46 122 417 243**

### Directors

Mr David McSweeney (Non-Executive Chairman)  
Mr David Paull (Managing Director)  
Mr Neil Lithgow (Non-Executive Director)  
Ms Hannah Badenach (Non-Executive Director)  
Mr Gan-Ochir Zunduisuren (Non-Executive Director)

### Company secretary

Mr Philip Rundell

### Registered office

69 Kewdale Road,  
WELSHPOOL WA, AUSTRALIA 6106

Telephone: (08) 9287 4555

Facsimile: (08) 9388 1980

Email: [info@aspiremininglimited.com](mailto:info@aspiremininglimited.com)

### Principal place of business

AUSTRALIA  
69 Kewdale Road,  
WELSHPOOL WA, AUSTRALIA 6106

MONGOLIA  
Sukhbaatar District, 1<sup>st</sup> Khooro  
Chinggis Avenue-8,  
Altai Tower, 3<sup>rd</sup> Floor, Room 302  
ULAANBAATAR

### Share Register

Security Transfer Australia Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153  
T: 1300 992 916  
F: +61 8 9315 2233  
E: [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)

### Solicitors

Corrs Chambers Westgarth Lawyers  
Brookfield Place Tower 2  
123 St Georges Terrace  
PERTH WA 6000

### Bankers

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

### Auditors

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

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

### Securities Exchange Listing

AKM

### Website

[www.aspiremininglimited.com](http://www.aspiremininglimited.com)

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## DIRECTORS' REPORT

Your Directors submit the annual financial report of the consolidated entity consisting of Aspire Mining Limited ("Aspire" or "Company") and the entities it controlled during the financial year ended 30 June 2017.

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 year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

|                          |                        |
|--------------------------|------------------------|
| Mr David McSweeney       | Non-Executive Chairman |
| Mr David Paull           | Managing Director      |
| Mr Neil Lithgow          | Non-Executive Director |
| Ms Hannah Badenach       | Non-Executive Director |
| Mr Gan-Ochir Zunduisuren | Non-Executive Director |

### Names, qualifications, experience and special responsibilities

#### Mr David McSweeney

##### Non-Executive Chairman

**Qualifications:** LLB, MAICD

Mr McSweeney is an experienced mining company executive who has worked in the resources sector for over 25 years. Over this period, Mr McSweeney has overseen the discovery of a number of gold, copper and iron ore deposits in Western Australia and Europe. As the founder and CEO of ASX listed Gindalbie Metals Ltd from 1994 to 2006, Mr McSweeney oversaw the discovery and development of two gold mining production centres and the discovery and outline of the development of the Karara iron ore mining centre in the midwest region of Western Australia. Mr McSweeney is the founding Director of Exco Resources Ltd and the founding Chairman of Avalon Minerals Ltd.

Mr McSweeney has had no other public company Directorships in the last three years.

#### Mr David Paull

##### Managing Director

**Qualifications:** B.Com, FSIA, MBA (Cornell)

Mr Paull has over 25 years' experience in resource business development and industrial minerals marketing. For the past 7 years, Mr Paull has been Managing Director of Aspire after being involved in the recapitalisation of the Company and redirection to targeting Mongolian coking coal assets.

Mr Paull was appointed as Executive Director of the Company on 12 February 2010 and as Managing Director on 1 July 2010.

Prior to joining Aspire, Mr Paull was active in public and private resource companies' and was previously Executive General Manager of Sons of Gwalia Limited, responsible for lithium and tantalum production.

Mr Paull has had no other ASX listed public company Directorships in the last three years. Mr Paull was appointed a Director of AIM listed Hunter Resources PLC on 28 December 2012 and remains a Director of that company.

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## **DIRECTORS' REPORT (continued)**

### **Names, qualifications, experience and special responsibilities (continued)**

#### **Mr Neil Lithgow**

##### **Non-Executive Director**

**Qualifications:** MSc, F.Fin, M.AusIMM

Mr Lithgow is a geologist by profession with over 25 years' experience in mineral exploration, economics and mining feasibility studies, covering base metals, coal, iron ore and gold.

Mr Lithgow is a member of the Australian Institute of Mining and Metallurgy and the Financial Services Institute of Australia.

Mr Lithgow has previously worked for Aquila Resources Limited and Eagle Mining Corporation NL and is currently a Non-Executive Director of Bauxite Resources Limited (appointed 15 May 2006). Mr Lithgow has had no other public company Directorships in the last three years.

#### **Ms Hannah Badenach**

##### **Non-Executive Director**

**Qualifications:** BA, LLB (Hons)

Ms Badenach is currently Executive Director Mongolia & Base Metals at Noble Resources Limited.

Ms Badenach is a lawyer, having practiced law for several years in Asia, including two years in Mongolia, starting in 2004 with Lynch & Mahoney.

Ms Badenach has experience in management and development within Mongolia. Ms Badenach was Managing Director of QGX Mongol LLC from 2006, where Ms Badenach was responsible for the general management of the company until it was sold in 2008.

Ms Badenach holds a Bachelor of Laws (Hons) and a Bachelor of Arts from the University of Tasmania.

Ms Badenach is also a Director of ASX listed and Mongolian focussed explorer, Xanadu Mines Limited (appointed 4 October 2011). Ms Badenach has had no other public company Directorships in the last three years.

#### **Mr Gan-Ochr Zunduisuren Non-Executive Director**

**Qualifications:** B.Eng, MSGF (Stern)

Mr Zunduisuren has over 15 years of experience in the resource sector including underground zinc mining, gold mining and mining business development in Mongolia and Canada. Mr Zunduisuren is a Managing Executive Director and co-founder of Altai Gold LLC, a mineral resources focused investment company, and was a key part of the syndicate that made the Ovoot Coking Coal project discovery.

Mr Zunduisuren has a Degree in Mining Engineering from the Mongolian University of Science and Technology and a MSc in Global Finance from NYU Stern School of Business and HKUST.

Mr Zunduisuren has had no other public company directorships in the last three years.

## DIRECTORS' REPORT (continued)

### Names, qualifications, experience and special responsibilities (continued)

#### Company Secretary

**Mr Philip Rundell**

**Company Secretary**

**Qualifications:** Dip BS (Accounting) CA

Mr Rundell has had over 25 years' experience as a Partner and Director of Coopers & Lybrand and Ferrier Hodgson, specialising in company reconstructions and corporate recovery. Mr Rundell has provided management accounting and company secretarial services to a number of listed companies.

### Interests in the Shares and Options of the Company and Related Bodies Corporate

As at the date of this report, the relevant interests of the current Directors in shares, options and rights of the Company are as follows:

| Directors                   | Number of Fully Paid Ordinary Shares | Number of Options over Ordinary Shares | Number of Performance Rights over Ordinary Shares |
|-----------------------------|--------------------------------------|--|---|
| Mr David McSweeney          | 19,466,962                           | 500,000                                | -   |
| Mr David Paull <sup>1</sup> | 14,252,792                           | 1,000,000                              | 8,000,000   |
| Mr Neil Lithgow             | 194,611,834                          | 10,000,000                             | -   |
| Mr Gan-Ochir Zunduisuren    | 41,292,203                           | -                                      | -   |
| Ms Hannah Badenach          | 750,000                              | -                                      | -   |

1. Mr David Paull is a Director of Red Island Resources Limited, a public unlisted company, which is a beneficial owner of 8,350,000 ordinary shares.

There were no options granted to Directors or management of the Company during or since the end of the financial year as part of their remuneration. During the 2017 financial year 8,000,000 performance rights were issued to David Paull and 5,500,000 performance rights granted to the Non-executive Directors. The 5,500,000 performance rights vested on 30 June 2017 and 5,500,000 ordinary shares were issued to the Non-executive Directors on 3 July 2017.

There are no unpaid amounts on the shares issued.

At the date of this report, unissued ordinary shares of the Company under option are:

| Type               | Expiry Date   | Exercise Price | Number of Shares |
|--------------------|---------------|----------------|------------------|
| Options            | 9 August 2018 | \$0.025        | 187,093,450      |
| Performance Rights | Various       | -              | 54,500,000       |
| Total              |               |                | 241,593,450      |

#### Dividends

No dividends have been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

#### Principal Activities

The principal activity of the Group during the year was the exploration for coal and progression of the approval process for the development and funding of a rail line in northern Mongolia.

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## DIRECTORS' REPORT (continued)

### Review of Operations

Aspire Mining Limited (ASX: AKM, **Aspire** or the **Company**) is a metallurgical coal and infrastructure company with assets located in Mongolia. It owns 100% interests in the Ovoot Coking Coal Project (**Ovoot Project**), the Jilchigbulag and the Myangan coal projects, a 90% interest in the Nuurstei Coking Coal Project (**Nuurstei Project**) and a 100% interest in the Erdenebulag coal project. The exercise of the option to acquire the remaining 45% interest in the Nuurstei Project to give 90% ownership was exercised prior to 30 June 2017 and effected post-balance date.

The Company continued to develop a near term potential production opportunity in the Nuurstei Coking Coal Project while also maintaining its option to develop the Ovoot Coking Coal Project with the successful commissioning of the Erdenet to Ovoot Railway.

While work on the flagship Ovoot Coking Coal Project was kept to a minimum, a substantial amount of activity was focused on the Nuurstei Coking Coal Project which presents as a potential near-term coking coal mine that does not require rail access.

During the year the Company initiated an independent conceptual mining study of the Nuurstei Project focused around the previously identified indicated resources. The study produced an indicative mine plan which was costed by a local experienced Mongolian mining contractor. Mining costs when combined with transport costs indicated a competitive delivered cost for a washed hard coking coal product into Northern China markets.

Bulk samples of indicative washed coking coal from Nuurstei were successfully tested by major steel works in Northern China.

A drilling programme was developed and costed that would provide additional samples for wash plant design as well as look to add to resources. A mining license has been applied for.

In June 2017 the Company exercised its option to acquire Noble Group's share of the Nuurstei Coking Coal Project. The Company's ownership of the project is now 90%.

Additional funding is now required to take the Nuurstei Coking Coal Project forward.

Significant work was undertaken on the Erdenet – Ovoot Railway Project through the year. The First Stage Feasibility Study was completed in January 2017 showing that the rail project was both technically and financially feasible.

In February the time period to complete the Final Rail Feasibility Study and other conditions precedent in the Erdenet to Ovoot Rail Concession Agreement was extended for a further 18 months to August 2018.

A letter of intent to fund up to 75% of the Erdenet to Ovoot Railway was received from China Development Bank in October 2016.

Work continues to identify a funding partner for Northern Railways to fund the Final Stage Feasibility Study.

### Review of financial conditions

At balance date, the Group had \$412,089 (2016: \$418,529) in cash assets which the Directors believe will require the Group to raise additional capital and/or obtain project finance to fund the development of the Ovoot Project, the Nuurstei Project and the Erdenet to Ovoot Railway. A placement was completed on 14 August 2017 and raised \$1.1 million. Further raisings or other means of funding will be required to complete the required evaluation and development activities to advance the coal and rail projects.

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## **DIRECTORS' REPORT (continued)**

### **Operating results for the year**

The Group made an operating loss after tax of \$4,883,519 for the year ended 30 June 2017 (2016: Loss \$2,312,480).

### **Significant changes in the state of affairs**

Since the previous Annual Financial Report and during the financial year there has been no significant change in the state of affairs of the Group.

### **Significant events after balance date**

As set out in Note 14 to the Financial Statements, pursuant to a Term Sheet between Noble Resources International Pte Ltd (NRIPL), Aspire, Logarta Limited and Coalridge Limited dated 26 May 2017 (effective from 13 June 2017), NRIPL and Aspire agreed various transactions and variations to loan facilities.

Other lenders also agreed to variations to loan facilities conditional on the transactions with NRIPL being completed.

The agreements between NRIPL and Aspire were subject to Aspire:

1. having its shareholders approve the transactions;
2. completion by Aspire of a Placement capital raising; and
3. obtaining legal advice that the increase in the Long Term Facility was secured under the Coalridge Security

A general meeting of the Company's shareholders held on 26 July 2017, the shareholders gave approval for the Company to:

1. exercise the ECJV Option to acquire the remaining 50% interest in the corporate entity that holds a 90% interest in the Nuurstei Coking Coal Project; and
2. make a public offer of its securities pursuant to a Prospectus issued under the Corporations Act to issue up to 200,000,000 fully paid ordinary shares in the Company at an issue price of \$0.02 per share, together with one attaching option for every share subscribed for exercisable at 2.5 Cents within 12 months from grant, to raise up to \$4,000,000 (exclusive of oversubscriptions) (Offer); and
3. satisfy the cash consideration payable to Noble Resources International Pte Ltd on the exercise of the ECJV Option of US\$1,000,000 by the issue of 66,666,667 shares and 66,666,667 options; and
4. satisfy loan interest of US\$625,068 due to Noble on 2 July 2017 through the issue of 41,671,200 shares and 41,671,200 options; and
5. satisfy amounts owing of US\$350,000 to two other lenders through the issue of 23,333,333 shares and 23,333,333 options; and
6. issue 10,000,000 shares to Xanadu Mines Limited if and when a Mining Licence is issued over the Nuurstei Project exploration area as part of the contracted acquisition consideration (Refer Notes 19 and 25 to the Financial Statements).

The Offer made pursuant to the Prospectus opened on 5 July 2017, closed on 14 August and raised A\$1.1 million before costs.

The shares and options subscribed for under the Placement Offer; the capitalisation of the loan principal; the capitalisation of the loan interest; and for the ECJV option exercise consideration were issued on 14 August 2017, 24 August 2017, 1 September 2017 and 1 September 2017 respectively.



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## **DIRECTORS' REPORT (continued)**

### **Significant events after balance date (continued)**

5,500,000 shares were issued to three Non-executive Directors on 3 July 2017 following exercise on the vesting of 5,500,000 performance rights on 30 June 2017.

Other than the above, there has not been any material matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

### **Likely developments and expected results**

The Group will continue to maintain the Ovoot Project, establish the viability of the Nuurstei Coking Coal Project and advance the requirements for the development of the Erdenet to Ovoot railway.

### **Risk management**

The Board is responsible for ensuring that risks are identified on a timely basis and that activities are aligned with the risks identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of the strategic plan which includes initiatives designed to meet stakeholder needs and expectations and to manage business risk.
- The implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

### **Corporate governance**

Details of the Company's Corporate Governance policies are contained within the Corporate Governance Plan adopted by the Board.

The Corporate Governance Statement for the year ending 30 June 2016 can be found on the Company's website at <http://www.aspiremininglimited.com>. The Corporate Governance Statement for the year ending 30 June 2017 will be available on the Company's website and the ASX announcements platform following announcement with the Company's Annual Report in October 2017.

### **Environmental legislation**

The Company is subject to significant environmental and monitoring requirements in respect of its natural resources exploration activities.

The Directors are not aware of any material breaches of these requirements during the year.

### **Indemnification and insurance of Directors and officers**

The Company has agreed to indemnify all the Directors and officers of the Group for any liabilities to another person (other than the Group or related bodies corporate) that may arise from their position as Directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. During the financial year the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

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## **DIRECTORS' REPORT (continued)**

### **Remuneration Report (audited)**

This report outlines the remuneration arrangements in place for the Key Management Personnel of the Company and its controlled entities for the financial year ended 30 June 2017, as follows:

|                          |                          |
|--------------------------|--------------------------|
| Mr David McSweeney       | (Non-Executive Chairman) |
| Mr David Paull           | (Managing Director)      |
| Mr Neil Lithgow          | (Non-Executive Director) |
| Ms Hannah Badenach       | (Non-Executive Director) |
| Mr Gan-Ochir Zunduisuren | Non-Executive Director   |

#### *Remuneration philosophy*

The performance of the Group depends upon the quality of the Directors and executives. The philosophy of the Group in determining remuneration levels is to:

1. set competitive remuneration packages to attract and retain high calibre employees;
2. link executive rewards to shareholder value creation; and
3. establish appropriate performance hurdles for variable executive remuneration.

Economic and other circumstances have meant that the non-executive Directors have not received fee payments from September 2015.

#### *Remuneration committee*

If appointed, the Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Director and the senior management team. Where a Remuneration Committee does not exist, its role is carried out by the Board of Directors.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

#### *Remuneration structure*

In accordance with best practice Corporate Governance, the structure of Non-Executive Director and executive remuneration is separate and distinct.

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## **DIRECTORS' REPORT (continued)**

### **Remuneration Report (audited) (continued)**

#### *Non-executive Director Remuneration*

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the General Meeting held on 19 August 2011 when shareholders approved an aggregate remuneration for Non-Executive Directors of up to \$600,000 per year.

If and when applicable, the Board may consider advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual remuneration review process.

Each Director is entitled to receive a fee for being a Director of the Company.

The remuneration of non-executive Directors for the year ended 30 June 2017 is detailed in the Remuneration of Key Management Personnel section of this report in Table 1.

The Non-Executive Directors agreed to a 10% reduction in their fees from 1 August 2012, a further 50% reduction from and including February 2015 and have not received fee payments from September 2015.

Following shareholder approval given at the 2016 Annual General Meeting held on 29 November 2016, 5,500,000 performance rights were issued to Non-executive Directors or their nominees. The performance milestones were tenure based and vested on 30 June 2017. The shares were issued on 3 July 2017 following the exercise of the performance rights.

#### *Senior manager and executive Director Remuneration*

Remuneration consists of fixed remuneration and performance rights (as determined from time to time).

The Executive Director has taken voluntary fee reductions from and including 1 August 2012 as outlined below.

#### *Fixed Remuneration*

Fixed remuneration is reviewed periodically by the Remuneration Committee or the Board. The process consists of a review of relevant comparative remuneration in the market and internally and where appropriate, external advice on policies and practices. The Committee and the Board has access to external, independent advice where necessary.

Fixed remuneration is paid in the form of cash payments.

The fixed remuneration component of the Group and the Company executive is detailed in Table 1.

#### *Employment Contracts*

The Company has a Consultancy Agreement with 2Rs Pty Ltd, a company associated with Mr David Paull (Agreement) effective as from 1 July 2010. Under the Agreement, as varied, Mr Paull is engaged by the Company to provide services to the Group in the capacity of Managing Director. The Consultancy Agreement continues unless terminated in accordance with the relevant provisions of the Service Agreement. The Services Agreement contains standard termination provisions under which the Group must give a minimum three months' notice of termination, or alternatively, payment in lieu of service.

The annual fee paid to 2Rs Pty Ltd commenced in 2010 at \$500,000 per annum but has there been intermittently reduced to \$216,000 per annum from 1 February 2015. The fee reductions were not performance based but taken voluntarily in line with market at the time.

**DIRECTORS' REPORT (continued)**  
**Remuneration Report (audited) (continued)**

The totals of remuneration paid to key management personnel of the company during the year are as follows and detailed in Table 1:

|                              | 2017<br>\$ | 2016<br>\$ |
|------------------------------|------------|------------|
| Short-term employee benefits | 216,000    | 238,250    |
| Post-employment benefits     | -          | -          |
| Share-based payments         | 388,234    | 40,130     |
|                              | 604,234    | 278,380    |

The \$216,000 is the agreed reduced annum entitlement of the Executive Managing Director, David Paull, and of which \$54,000 was accrued and not paid at 30 June 2017.

Share based payments is the gross accounting value of performance rights brought to account in accordance with accounting standards.

The shares, options and rights held by key management personnel in the year ended 30 June 2017 are detailed in Tables 2 to 4.

*Options*

During the year ended 30 June 2017, there were no options granted, vested or lapsed as part of Key Management Personnel remuneration.

*Performance Rights*

During the year ended 30 June 2015, 6,500,000 performance rights were issued to the nominee of the Managing Director. While a number of key milestones were achieved during 2016 and 2017, 2,500,000 of the performance rights expired unvested on 18 June 2017 and 4,000,000 performance rights expired unvested on 30 June 2017.

Despite the expiry of performance rights issued to the nominee of David Paull in previous financial years, under his managing directorship and by his efforts in those years and 2017, significant milestones for the benefit of the Company and its shareholders have been achieved. Those milestones are set out in the Review of Operations sections in this and the Company's previous Annual Financial Reports. The milestones achieved generally align with the milestones set by the Board for David Paull. In some circumstances the performance rights milestones have been achieved but after the vesting dates of the relevant performance rights (for example, the execution of a Rail Concession Agreement). Market and economic conditions have also not assisted in achievement of performance milestones.

Following from shareholder approval given at the 2016 Annual General Meeting held on 26 November 2016, 8,000,000 performance rights were issued to the nominee of David Paull and 5,500,000 performance rights were issued to Non-executive Directors or their nominees on 6 February 2017.

The performance milestones attaching to the performance rights issued to the Executive Director are both strategic and tenure based and if met, will vest during the next and subsequent financial years.

Of the 8,000,000 performance rights issued to the nominee of David Paull on 6 February 2017:

- (a) 6,000,000 shall vest on 30 September 2017; and
- (a) 2,000,000 shall vest if production has commenced on or before 30 June 2018 from a project in which the Company or one of its subsidiaries has at least a 50% direct or indirect ownership interest,

David Paull must be Managing Director of the Company at the time of satisfaction of the relevant milestones for the relevant performance rights to vest.

The performance milestones attached to the performance rights issued to the Non-executive Directors were tenure based and vested on 30 June 2017. The shares were issued on 3 July 2017 following the exercise of the performance rights by the Non-executive Directors.

**DIRECTORS' REPORT (continued)**  
**Remuneration Report (audited) (continued)**

**Remuneration of Key Management Personnel**

**Table 1: Key management personnel remuneration**

**Year ended 30 June 2017**

|                                 | Short term<br>employee<br>benefits | Post-<br>employment<br>benefits | Other                 | Total          | %                      |
|---------------------------------|------------------------------------|---------------------------------|-----------------------|----------------|------------------------|
|                                 | Salary &<br>Fees                   | Superannuation                  | Performance<br>Rights | \$             | Performance<br>Related |
| Mr David Paull <sup>1</sup>     | 216,000                            | -                               | 206,734               | 422,734        | 49                     |
| Mr David McSweeney <sup>2</sup> | -                                  | -                               | 82,500                | 82,500         | 100                    |
| Mr Neil Lithgow <sup>3</sup>    | -                                  | -                               | 66,000                | 66,000         | 100                    |
| Ms Hannah Badenach              | -                                  | -                               | -                     | -              | -                      |
| Mr Gan-Ochir Zunduisuren        | -                                  | -                               | 33,000                | 33,000         | 100                    |
| <b>Total</b>                    | <b>216,000</b>                     | <b>-</b>                        | <b>388,234</b>        | <b>604,234</b> | <b>64</b>              |

**Year ended 30 June 2016**

|                                 | Short term<br>employee<br>benefits | Post-<br>employment<br>benefits | Other                 | Total          | %                      |
|---------------------------------|------------------------------------|---------------------------------|-----------------------|----------------|------------------------|
|                                 | Salary &<br>Fees                   | Superannuation                  | Performance<br>Rights | \$             | Performance<br>Related |
| Mr David Paull <sup>1</sup>     | 216,000                            | -                               | 40,130                | 256,130        | 16                     |
| Mr David McSweeney <sup>2</sup> | 8,750                              | -                               | -                     | 8,750          | -                      |
| Mr Neil Lithgow                 | 6,750                              | -                               | -                     | 6,750          | -                      |
| Ms Hannah Badenach              | -                                  | -                               | -                     | -              | -                      |
| Mr Gan-Ochir Zunduisuren        | -                                  | -                               | -                     | -              | -                      |
| Mr Sado Demchigsuren Turbat     | 6,750                              | -                               | -                     | 6,750          | -                      |
| <b>Total</b>                    | <b>238,250</b>                     | <b>-</b>                        | <b>40,130</b>         | <b>278,380</b> | <b>14</b>              |

<sup>1</sup> Paid or issued to 2Rs Pty Ltd, a company associated with Mr David Paull.

<sup>2</sup> Paid or issued to D McSweeney Consulting Pty Ltd, a company associated with Mr David McSweeney.

<sup>3</sup> Issued to Spectral Investments Pty Ltd, a company associated with Mr Neil Lithgow.

**DIRECTORS' REPORT (continued)**  
**Remuneration Report (audited) (continued)**

**Key Management Personnel Equity Holdings**

**Table 2 - Fully Paid Ordinary Shares**

|                             | Balance at beginning of period | Purchased        | On exercise of options | Balance on appointment/ (resignation) | Balance at end of period |
|-----------------------------|--------------------------------|------------------|------------------------|---------------------------------------|--------------------------|
| <b>2017</b>                 |                                |                  |                        |                                       |                          |
| Mr David Paull <sup>1</sup> | 4,902,792                      | -                | -                      | -                                     | 4,902,792                |
| Mr David McSweeney          | 16,466,962                     | -                | -                      | -                                     | 16,466,962               |
| Mr Neil Lithgow             | 179,278,501                    | -                | 3,333,333              | -                                     | 182,611,834              |
| Ms Hannah Badenach          | 750,000                        | -                | -                      | -                                     | 750,000                  |
| Mr Gan-Ochir Zunduisuren    | 40,292,203                     | -                | -                      | -                                     | 40,292,203               |
| <b>Total</b>                | <b>241,690,458</b>             | <b>-</b>         | <b>3,333,333</b>       | <b>-</b>                              | <b>245,023,791</b>       |
| <b>2016</b>                 |                                |                  |                        |                                       |                          |
| Mr David Paull <sup>1</sup> | 4,486,792                      | 416,000          | -                      | -                                     | 4,902,792                |
| Mr David McSweeney          | 15,633,962                     | 833,000          | -                      | -                                     | 16,466,962               |
| Mr Neil Lithgow             | 179,278,501                    | -                | -                      | -                                     | 179,278,501              |
| Ms Hannah Badenach          | 750,000                        | -                | -                      | -                                     | 750,000                  |
| Mr Gan-Ochir Zunduisuren    | -                              | -                | -                      | 40,292,203                            | 40,292,203               |
| Mr Sado Demchigsuren Turbat | 3,166,109                      | -                | -                      | (3,166,109)                           | -                        |
| <b>Total</b>                | <b>203,315,364</b>             | <b>1,249,000</b> | <b>-</b>               | <b>37,126,094</b>                     | <b>241,690,458</b>       |

<sup>1</sup> Mr David Paull is a Director of Red Island Resources Limited, a public unlisted company which is the beneficial owner of 8,350,000 ordinary shares (2016: 8,350,000 ordinary shares).

**Table 3 - Performance rights exercisable at no consideration on achievement of tenure or other performance milestones**

|                             | Balance at beginning of period | Granted           | Exercised | Expired            | Balance on appointment/ (resignation) | Balance at end of period |
|-----------------------------|--------------------------------|-------------------|-----------|--------------------|---------------------------------------|--------------------------|
| <b>2017</b>                 |                                |                   |           |                    |                                       |                          |
| Mr David Paull              | 4,000,000                      | 8,000,000         | -         | (4,000,000)        | -                                     | 8,000,000                |
| Mr David McSweeney          | -                              | 2,500,000         | -         | -                  | -                                     | 2,500,000                |
| Mr Neil Lithgow             | -                              | 2,000,000         | -         | -                  | -                                     | 2,000,000                |
| Ms Hannah Badenach          | -                              | -                 | -         | -                  | -                                     | -                        |
| Mr Gan-Ochir Zunduisuren    | -                              | 1,000,000         | -         | -                  | -                                     | 1,000,000                |
| <b>Total</b>                | <b>4,000,000</b>               | <b>13,500,000</b> | <b>-</b>  | <b>(4,000,000)</b> | <b>-</b>                              | <b>13,500,000</b>        |
| <b>2016</b>                 |                                |                   |           |                    |                                       |                          |
| Mr David Paull              | 6,500,000                      | -                 | -         | (2,500,000)        | -                                     | 4,000,000                |
| Mr David McSweeney          | -                              | -                 | -         | -                  | -                                     | -                        |
| Mr Neil Lithgow             | -                              | -                 | -         | -                  | -                                     | -                        |
| Mr Mark Read                | -                              | -                 | -         | -                  | -                                     | -                        |
| Mr Sado Demchigsuren Turbat | -                              | -                 | -         | -                  | -                                     | -                        |
| Ms Hannah Badenach          | -                              | -                 | -         | -                  | -                                     | -                        |
| <b>Total</b>                | <b>6,500,000</b>               | <b>-</b>          | <b>-</b>  | <b>(2,500,000)</b> | <b>-</b>                              | <b>4,000,000</b>         |

**DIRECTORS' REPORT (continued)**  
**Remuneration Report (audited) (continued)**

**Key Management Personnel Equity Holdings (continued)**

**Table 4 – Options exercisable at 3 cents on or before 15 June 2017**

|                             | Balance at<br>beginning of<br>period | Purchased | Exercised          | Expired             | Balance on<br>appointment<br>(resignation) | Balance at<br>end of<br>period |
|-----------------------------|--------------------------------------|-----------|--------------------|---------------------|--|--------------------------------|
| <b>2017</b>                 |                                      |           |                    |                     |  |                                |
| Mr David Paull <sup>1</sup> | 1,250,000                            | -         | -                  | (1,250,000)         | -  | -                              |
| Mr David McSweeney          | 625,000                              | -         | -                  | (625,000)           | -  | -                              |
| Mr Neil Lithgow             | 50,000,000                           | -         | (3,333,333)        | (46,666,667)        | -  | -                              |
| Ms Hannah Badenach          | 375,000                              | -         | -                  | (375,000)           | -  | -                              |
| Mr Gan-Ochir Zunduisuren    | -                                    | -         | -                  | -                   | -  | -                              |
| <b>Total</b>                | <b>52,250,000</b>                    | <b>-</b>  | <b>(3,333,333)</b> | <b>(48,916,667)</b> | <b>-</b>                                   | <b>-</b>                       |
| <b>2016</b>                 |                                      |           |                    |                     |  |                                |
| Mr David Paull <sup>1</sup> | 1,250,000                            | -         | -                  | -                   | -  | 1,250,000                      |
| Mr David McSweeney          | 625,000                              | -         | -                  | -                   | -  | 625,000                        |
| Mr Neil Lithgow             | 50,000,000                           | -         | -                  | -                   | -  | 50,000,000                     |
| Ms Hannah Badenach          | 375,000                              | -         | -                  | -                   | -  | 375,000                        |
| Mr Sado Demchigsuren        |                                      |           |                    |                     |  |                                |
| Turbat                      | 375,000                              | -         | -                  | -                   | (375,000)                                  | -                              |
| <b>Total</b>                | <b>52,625,000</b>                    | <b>-</b>  | <b>-</b>           | <b>-</b>            | <b>(375,000)</b>                           | <b>52,250,000</b>              |

<sup>1</sup> Mr David Paull is a Director of Red Island Resources Limited, a public unlisted company, which was the beneficial owner of 125,000 options over ordinary shares (2016: 125,000 options over ordinary shares). Those options expired unexercised on 15 June 2017.

*Related Party Transactions*

In August 2016, the Company secured interim short term funding of US\$150,000 from Spectral Investments Pty Ltd, a company associated with the Director, Neil Lithgow, to assist with the funding of rail pre-development activities, including completion of the Erdenet to Ovoot Railway First Stage Feasibility Study.

The Short Term Loan Facility was for 12 months at an interest rate of 9% per annum and was drawn down in three tranches in August, October and December 2016. The loan was repayable on 17 August 2017. In the event that the loan was repaid, the lender was entitled to receive 110% of the face value of the loan. In the event that the loan was not repaid in 12 months, the loan could be converted at the lender's option to a royalty of US\$1.25\tonne of coking coal sold from the first 10 Mt of Ovoot Project production.

At 30 June 2017 the accrued interest and repayment fee on the loan with Spectral Investments Pty Ltd were US\$4,956 and US\$15,000, respectively.

Spectral Investments Pty Ltd agreed to accept shares and options on the same terms as the securities offered under a capital raising in satisfaction of the loan principal of US\$150,000. That capital raising was completed on 14 August 2017 and the shares and options issued to Spectral Investments Pty Ltd. All accrued interest and the repayment fee were paid on 17 August 2017 (refer Note 20).

In June 2017 Spectral Investments Pty Ltd made available to the Company a A\$250,000 short term interest free facility. That facility was fully drawn at 30 June 2017, was repaid by instalments in August 2017 and September 2017 and remains available to the Company.

**DIRECTORS' REPORT (continued)**  
**Remuneration Report (audited) (continued)**

*Related Party Transactions (continued)*

From August 2014, the Company's Perth corporate office was relocated to premises leased and occupied by a company associated with David Paull. Rent and outgoings are met by the Company on normal commercial terms.

**End of Remuneration Report**

**Directors' Meetings**

The number of meetings of Directors held during the year and those attended by each Director were as follows:

**Table 5 – Attendance at Director Meetings**

| <b>Director</b>          | <b>Director Meetings</b> |                           |
|--------------------------|--------------------------|---------------------------|
|                          | <b>Attended</b>          | <b>Eligible to Attend</b> |
| Mr David McSweeney       | 8                        | 8                         |
| Mr David Paull           | 8                        | 8                         |
| Mr Neil Lithgow          | 8                        | 8                         |
| Ms Hannah Badenach       | 5                        | 8                         |
| Mr Gan-Ochir Zunduisuren | 8                        | 8                         |

**Proceedings on behalf of the Company**

No person has applied to the court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under Section 237.

**Auditor Independence and Non-Audit Services**

Section 307C of the Corporations Act 2001 requires the Company's auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 15 and forms part of this Directors' report for the year ended 30 June 2017.

**Non-Audit Services**

No non-audit services were provided by the auditors during the year.

Details of the auditors' remuneration are set out in Note 22.

Signed in accordance with a resolution of the Directors.



**David Paull**  
**Managing Director**  
**Dated this 28 September 2017**





Accountants | Business and Financial Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Aspire Mining Limited for the year ended 30 June 2017, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia  
28 September 2017

A handwritten signature in blue ink, appearing to read 'Norman G. Neill'.

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

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017**

|   | Note | 2017<br>\$  | 2016<br>\$  |
|---|------|-------------|-------------|
| Other income  | 2(a) | 4,133       | 30,210      |
| Employee benefits expense                                 |      | (411,467)   | (489,762)   |
| Exploration and evaluation expenditure impaired           | 10   | (2,140,501) | (303,600)   |
| Recovery of exploration expenditure                       | 10   | 167,584     | 909,064     |
| Foreign exchange gain                                     |      | 13,702      | 50,075      |
| Interest expense  |      | (771,818)   | (626,118)   |
| Borrowing costs   |      | (304,921)   | -           |
| Share based payments                                      |      | (420,151)   | (40,130)    |
| Other expenses  | 2(b) | (1,014,854) | (1,950,169) |
| Loss before income tax expense                            |      | (4,878,293) | (2,420,430) |
| Income tax (expense)/benefit                              | 3    | (5,226)     | 107,950     |
| Net loss for the year                                     |      | (4,883,519) | (2,312,480) |
| Other comprehensive income                                |      |             |             |
| <i>Items that may be reclassified to profit and loss</i>  |      |             |             |
| Exchange differences on translation of foreign operations | 7    | (4,580,154) | 44,222      |
| Other comprehensive (loss)/income for the year net of tax |      | (4,580,154) | 44,222      |
| Total comprehensive loss                                  |      | (9,463,673) | (2,268,258) |
| Basic loss per share (cents per share)                    | 4    | (0.52)      | (0.25)      |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

|   | Note | 2017<br>\$        | 2016<br>\$        |
|---|------|-------------------|-------------------|
| <b>Current Assets</b>                           |      |                   |                   |
| Cash and cash equivalents                       | 8    | 412,089           | 418,529           |
| Trade and other receivables                     | 9    | 180,685           | 299,695           |
| <b>Total Current Assets</b>                     |      | <u>592,774</u>    | <u>718,224</u>    |
| <b>Non-Current Assets</b>                       |      |                   |                   |
| Deferred exploration and evaluation expenditure | 10   | 35,875,408        | 40,826,207        |
| Property plant and equipment                    | 12   | 189,145           | 284,171           |
| Intangible asset                                | 13   | -                 | 1,677             |
| <b>Total Non-Current Assets</b>                 |      | <u>36,064,553</u> | <u>41,112,055</u> |
| <b>Total Assets</b>                             |      | <u>36,657,327</u> | <u>41,830,279</u> |
| <b>Current Liabilities</b>                      |      |                   |                   |
| Trade and other payables                        | 11   | 1,440,179         | 543,200           |
| Borrowings                                      | 14   | 9,358,061         | -                 |
| <b>Total Current Liabilities</b>                |      | <u>10,798,240</u> | <u>543,200</u>    |
| <b>Non-Current Liabilities</b>                  |      |                   |                   |
| Borrowings                                      | 14   | -                 | 6,719,527         |
| <b>Total Non-Current Liabilities</b>            |      | <u>-</u>          | <u>6,719,527</u>  |
| <b>Total Liabilities</b>                        |      | <u>10,798,240</u> | <u>7,262,727</u>  |
| <b>Net Assets</b>                               |      | <u>25,859,087</u> | <u>34,567,552</u> |
| <b>Equity</b>                                   |      |                   |                   |
| Issued capital                                  | 6    | 80,200,207        | 79,865,150        |
| Reserves  | 7    | (6,881,040)       | (1,931,037)       |
| Accumulated losses                              | 7    | (47,460,080)      | (43,366,561)      |
| <b>Total Equity</b>                             |      | <u>25,859,087</u> | <u>34,567,552</u> |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

|   | Issued<br>Capital<br>\$ | Accumulated<br>losses<br>\$ | Foreign Currency<br>Translation Reserve<br>\$ | Share Based<br>Payments Reserve<br>\$ | Total Equity<br>\$ |
|---|-------------------------|-----------------------------|---|---------------------------------------|--------------------|
| <b>Balance at 1 July 2015</b>                                       | 79,900,851              | (41,054,081)                | (2,808,755)                                   | 793,366                               | 36,831,381         |
| Shares issued net of costs  | (35,701)                | -                           | -   | -                                     | (35,701)           |
| Performance rights expired  | -                       | -                           | -   | 92,630                                | 92,630             |
| Performance rights expired without vesting                          | -                       | -                           | -   | (52,500)                              | (52,500)           |
| Loss for the year   | -                       | (2,312,480)                 | -   | -                                     | (2,312,480)        |
| Exchange differences arising from translation of foreign operations | -                       | -                           | 44,222  | -                                     | 44,222             |
| <b>Balance at 30 June 2016</b>                                      | 79,865,150              | (43,366,561)                | (2,764,533)                                   | 833,496                               | 34,567,552         |
| Balance at 1 July 2016  | 79,865,150              | (43,366,561)                | (2,764,533)                                   | 833,496                               | 34,567,552         |
| Share issue net of costs  | 335,057                 | -                           | -   | -                                     | 335,057            |
| Performance rights value to account                                 | -                       | -                           | -   | 504,151                               | 504,151            |
| Performance rights expired without vesting                          | -                       | -                           | -   | (84,000)                              | (84,000)           |
| Transfer on expiry of options                                       | -                       | 790,000                     | -   | (790,000)                             | -                  |
| Loss for the year   | -                       | (4,883,519)                 | -   | -                                     | (4,883,519)        |
| Exchange differences arising from translation of foreign operations | -                       | -                           | (4,580,154)                                   | -                                     | (4,580,154)        |
| <b>Balance at 30 June 2017</b>                                      | 80,200,207              | (47,460,080)                | (7,344,687)                                   | 463,647                               | 25,859,087         |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017**

|   | Note | 2017<br>\$  | 2016<br>\$  |
|---|------|-------------|-------------|
| <b>Cash flows from operating activities</b>               |      |             |             |
| Interest received   |      | 3,940       | 33,210      |
| Payments to suppliers and employees                       |      | (1,189,322) | (2,456,374) |
| Income tax paid   |      | (5,226)     | -           |
| Interest paid   |      | (260,238)   | (320,056)   |
| Research and development tax incentives received          |      | -           | 107,950     |
| Net cash used in operating activities                     | 8    | (1,450,846) | (2,635,270) |
| <b>Cash flows from investing activities</b>               |      |             |             |
| Payments for exploration and evaluation expenditure       |      | (1,904,823) | (1,907,362) |
| Recovery of exploration expenditure                       |      | 167,584     | 909,064     |
| Proceeds from sale of property, plant and equipment       |      | -           | 26,586      |
| Purchase of non-current assets                            |      | -           | (13,424)    |
| Net cash used in investing activities                     |      | (1,737,239) | (985,136)   |
| <b>Cash flows from financing activities</b>               |      |             |             |
| Proceeds from issue of securities                         |      | 337,400     | -           |
| Costs of capital raising                                  |      | (2,343)     | (35,701)    |
| Proceeds from borrowings                                  |      | 2,852,303   | -           |
| Net cash provided/(used) by financing activities          |      | 3,187,360   | (35,701)    |
| Net decrease in cash and cash equivalents                 |      | (725)       | (3,656,107) |
| Cash and cash equivalents at the beginning of the year    |      | 418,529     | 4,036,016   |
| Effect of foreign exchange rate fluctuations on cash held |      | (5,715)     | 38,620      |
| <b>Cash and cash equivalents at the end of the year</b>   | 8    | 412,089     | 418,529     |

The accompanying notes from part of these financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) **Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Company is a listed public Company, incorporated in Australia and operating in Mongolia. The Group's principal activities are mineral exploration and evaluation, and progressing the approval process for the development of a railway in northern Mongolia.

#### (b) **Going concern**

The 30 June 2017 financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and discharge of its liabilities as and when they fall due, in the ordinary course of business. The Group does not generate revenues to fund operations and ongoing investment in exploration activities and other development activities. The ability of the Group to continue as a going concern is dependent on its ability to raise additional equity, complete farm in arrangements on exploration assets, or defer loan repayments.

The Group recorded a net loss of \$4,883,519 for the year ended 30 June 2017 (2016 net loss: \$2,312,380) and had a net working capital deficiency of \$10,202,466 inclusive of current loans of \$9,358,061 (30 June 2016: a net working capital surplus of \$175,024 exclusive of a non-current loan of \$6,719,527 due in March 2018) at balance date.

Based on the Group's cash flow forecast and notwithstanding the financing and balance sheet restructure detailed in the borrowings Note 14 and the post-balance date event Note 20, it is evident that the Group will need to access additional working capital in the coming 12 months to continue its activities.

The Directors are confident that the Company will be successful in raising additional funds through the issue of new equity, borrowings or sale of assets, should the need arise. The Directors are also aware that the Group has the option, if necessary, to divest an interest in its projects subject to identifying a buyer. Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report.

Should the Company be unsuccessful in raising additional funds, there is a material uncertainty which may cast significant doubt as to whether or not the Group will be able to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities as and when they fall due and in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

#### (c) **Adoption of new and revised standards**

##### **Changes in accounting policies on initial application of Accounting Standards**

In the year ended 30 June 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to the Group accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

#### (c) Adoption of new and revised standards (continued)

##### *Standards and interpretations in issue not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. Those which may have a significant to the Group are set out below. The Group does not plan to adopt these standards early.

##### *AASB 9 Financial Instruments (2014)*

AASB 9 (2014), published in December 2014, replaces the existing guidance AASB 9 (2009), AASB 9 (2010) and AASB 139 *Financial Instruments: Recognition and Measurement* and is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The new standard results in changes to accounting policies for financial assets and liabilities covering classification and measurement, hedge accounting and impairment. The Group has assessed these changes and determined that based on the current financial assets and liabilities held at reporting date, the Group will need to reconsider its accounting policies surrounding impairment recognition. The new impairment requirements for financial assets are based on a forward looking 'expected loss model' (rather than the current 'incurred loss model').

The Group does not expect a significant effect on the financial statements resulting from the change of this standard however the Group is in the process of evaluating the impact of the new financial instrument standard. The changes in the Group's accounting policies from the adoption of AASB 9 will be applied from 1 July 2018 onwards.

##### *AASB 15 Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. It replaces existing revenue recognition guidance, AASB 111 *Construction Contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*. AASB 15 is effective from annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks and rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The Group has commenced the process of evaluating the impact of the new standard on existing revenue streams and will first apply AASB 15 in the financial year beginning 1 July 2018.

##### *AASB 16 Leases*

AASB 16 replaces the current AASB 17 Leases standard. AASB 16 removes the classification of leases as either operating leases or finance leases- for the lessee - effectively treating all leases as finance leases. Most leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value obligation. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that also adopt AASB 15.

The Group does not expect a significant effect on the financial statements resulting from the change of this standard; this will however be dependent on the lease arrangements in place when the new standard is effective. The Group has commenced the process of evaluating the impact of the new lease standard.

No other new standards, amendments to standards and interpretations are expected to affect the Group's consolidated financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

**(d) Statement of Compliance**

The financial report was authorised for issue on 28 September 2017.

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

**(e) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of Aspire Mining Limited ("Company" or "Parent") and its subsidiaries as at 30 June each year (the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting (refer Note 1(o)).

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**(f) Critical accounting judgements and key sources of estimation uncertainty**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Share-based payment transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments are granted.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

**(f) Critical accounting judgements and key sources of estimation uncertainty (continued)**

*Exploration and evaluation costs carried forward*

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(w). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of the expectation that exploration costs incurred can be recouped through the successful development of the area (unless activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves). The estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditure incurred is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be impaired or written off through the statement of comprehensive income.

**(g) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Aspire Mining Limited.

**(h) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Interest income*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(i) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(j) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days. Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

#### (k) Derecognition of financial assets and financial liabilities

##### (i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### (ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (l) Foreign currency translation

The functional and presentation currency of Aspire Mining Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

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

**(l) Foreign currency translation (continued)**

The functional currency of the Mongolian incorporated subsidiaries, Khurgatai Khairkhan LLC, Northern Railways LLC, Ovoot Coal Mining LLC and Chilchig Gol LLC is Mongolian Tugriks (MNT), Ovoot Coking Coal Pte Ltd, Northern Railways Pte Ltd Northern Railways Holdings LLC and Northern Mongolian Railways Limited is USD.

As at the balance date the assets and liabilities of this subsidiary are translated into the presentation currency of Aspire Mining Limited at the rate of exchange ruling at the balance date and its statement of comprehensive income is translated at the average exchange rate for the year.

The exchange differences arising on the translation are taken directly to the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

**(m) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

#### (m) Income tax (continued)

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### (n) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (o) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

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

**(p) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(q) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

**(r) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the three (3) year estimated useful life of the assets.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*(i) Impairment*

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

#### (r) Property, plant and equipment (continued)

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item.

##### *(ii) Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

#### (s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

#### (t) Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. In valuing equity-settled transactions, account is taken of any performance conditions, and conditions linked to the price of the shares of Aspire Mining Limited (market conditions) if applicable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired, and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

**(t) Share-based payment transactions (continued)**

*Cash settled transactions:*

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

**(u) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(v) Earnings per share**

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for: costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(w) Exploration and evaluation**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- i) the rights to tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

**(x) Parent entity financial information**

The financial information for the parent entity, Aspire Mining Limited, disclosed in Note 23 has been prepared on the same basis as the consolidated financial statements, other than investments in subsidiaries are accounted for at cost.

**(y) Interest in joint venture and associates**

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is an arrangement where the parties have joint control of the arrangement and have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position and adjusted thereafter to recognise the Groups' share of the profit or loss in other comprehensive income. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in associate or joint venture. When necessary, the entire carrying amount if the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

#### (y) Interest in joint venture (continued)

Therefore, if a gain or loss recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit and loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and loss resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### NOTE 2: REVENUES AND EXPENSES

|   | 2017      | 2016      |
|---|-----------|-----------|
|   | \$        | \$        |
| <b>(a) Revenue</b>                      |           |           |
| Interest income                         | 4,133     | 30,210    |
|   | 4,133     | 30,210    |
| <b>(b) Other Expenses</b>               |           |           |
| Accounting and audit fees               | 83,831    | 148,472   |
| Amortisation and depreciation expense   | 44,936    | 75,881    |
| Company secretarial                     | 160,605   | 91,722    |
| Consultants and corporate costs         | 81,301    | 529,782   |
| Directors' fees                         | 216,000   | 248,130   |
| Insurance                               | 29,845    | 51,501    |
| Legal fees                              | 53,425    | 147,203   |
| Office and administration costs         | 48,431    | 85,380    |
| Share registry and listing expenses     | 44,335    | 39,070    |
| Profit on sale of plant and equipment   | -         | (29,632)  |
| Media, promotion and investor relations | 53,122    | 46,440    |
| Projects                                | -         | 151,191   |
| Rent and outgoings                      | 70,599    | 217,354   |
| Travel expenses                         | 109,036   | 130,032   |
| Other                                   | 19,388    | 17,643    |
|   | 1,014,854 | 1,950,169 |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 3: INCOME TAX**

**Income tax recognised in profit or loss**

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

|  | <b>2017</b>  | <b>2016</b>      |
|--|--------------|------------------|
|  | \$           | \$               |
| Accounting loss before tax                     | (4,878,293)  | (2,420,430)      |
| Income tax benefit calculated at 30%           | (1,463,488)  | (726,129)        |
| Accrued expenses                               | 106,030      | (27,844)         |
| Other non-deductible expenses                  | 162,163      | 201,655          |
| Deductions available over more than one year   | (113,222)    | (222,483)        |
| Exploration and tenement expenses              | 591,875      | 91,080           |
| Research and development tax incentive rebates | -            | (108,436)        |
| Income tax benefit not brought to account      | 721,868      | 684,207          |
| Income tax (benefit)/expense                   | <u>5,226</u> | <u>(107,950)</u> |
| Made up of:                                    |              |                  |
| Research and development tax incentive rebates | -            | (108,436)        |
| Income tax expense on Mongolian operations     | 5,226        | 486              |
| Income tax (benefit)/expense                   | <u>5,226</u> | <u>(107,950)</u> |

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

The Group has an unrecorded deferred tax asset of \$5,294,882 (2016: \$5,715,620) in respect to tax losses arising in Australia and \$3,082,923 (2016: \$3,196,935) in respect to tax losses arising in Mongolia, the tax benefit of which has not been brought to account and are available subject to confirmation of the same business test. The Group has an unrecorded deferred tax asset of \$254,226 (2016: \$317,083) relating to share issue and other costs, and unrecorded tax liabilities of \$1,781,246 (2016: \$1,743,458) relating to capitalised exploration and evaluation expenditure arising in Australia. The Group also has an unrecorded deferred tax asset of \$887,026 (2016: \$887,026) in respect to capital losses arising in Australia.

**NOTE 4: EARNINGS PER SHARE**

|   | <b>2017</b>     | <b>2016</b>     |
|---|-----------------|-----------------|
|   | Cents per share | Cents per share |
| <i>Basic loss per share:</i>  | (0.52)          | (0.25)          |
| Continuing operations   |                 |                 |
| The earnings and weighted average number of ordinary shares used in the basic earnings per share is as follows: |                 |                 |
| Earnings used in calculation of basic earnings per share  | (4,883,519)     | (2,312,480)     |
| Weighted average number of ordinary shares for the purpose of basic earning per share                           | 933,955,785     | 928,288,306     |

As losses have been incurred to date, no dilutive earnings per share has been disclosed.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 5: SEGMENT INFORMATION**

|   | Continuing operations |                |                 | Total        |
|---|-----------------------|----------------|-----------------|--------------|
|   | Australia<br>\$       | Mongolia<br>\$ | Singapore<br>\$ | \$           |
| <b>Year ended 30 June 2017</b>              |                       |                |                 |              |
| <b>Total segment revenue</b>                | 1,771                 | 2,362          | -               | 4,133        |
| <b>Segment net operating loss after tax</b> | (1,596,661)           | (2,657,758)    | (629,100)       | (4,883,519)  |
| Interest revenue                            | 1,771                 | 2,362          | -               | 4,133        |
| Depreciation and amortisation               | -                     | (44,936)       | -               | (44,936)     |
| <b>Segment assets</b>                       | 505,008               | 36,144,330     | 7,989           | 36,657,327   |
| <b>Segment liabilities</b>                  | (3,448,810)           | (24,200)       | (7,325,230)     | (10,798,240) |
| Capital expenditure during the year         | -                     | 1,769,637      | -               | 1,769,637    |
| <b>Cash flow information</b>                |                       |                |                 |              |
| Net cash flow from operating activities     | (824,256)             | (392,038)      | (234,552)       | (1,450,846)  |
| Net cash flow from investing activities     | -                     | (1,737,239)    | -               | (1,737,239)  |
| Net cash flow from financing activities     | 3,187,360             | -              | -               | 3,187,360    |
| <b>Year ended 30 June 2016</b>              |                       |                |                 |              |
| <b>Total segment revenue</b>                | 24,325                | 5,885          | -               | 30,210       |
| <b>Segment net operating loss after tax</b> | (1,208,843)           | (453,923)      | (649,714)       | (2,312,480)  |
| Interest revenue                            | 24,325                | 5,885          | -               | 30,210       |
| Depreciation and amortisation               | (7,185)               | (68,696)       | -               | (75,881)     |
| <b>Segment assets</b>                       | 419,862               | 41,392,217     | 18,199          | 41,830,279   |
| <b>Segment liabilities</b>                  | (114,563)             | (25,969)       | (7,122,195)     | (7,262,727)  |
| Capital expenditure during the year         | -                     | 2,021,212      | -               | 2,021,212    |
| <b>Cash flow information</b>                |                       |                |                 |              |
| Net cash flow from operating activities     | (1,337,110)           | (953,963)      | (344,197)       | (2,635,270)  |
| Net cash flow from investing activities     | -                     | (985,136)      | -               | (985,136)    |
| Net cash flow from financing activities     | (35,701)              | -              | -               | (35,701)     |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 6: ISSUED CAPITAL**

|                        | <b>2017</b>       | <b>2016</b>       |
|------------------------|-------------------|-------------------|
|                        | \$                | \$                |
| Ordinary shares        |                   |                   |
| Issued and fully paid  | 84,131,715        | 83,794,315        |
| Less share issue costs | (3,931,508)       | (3,929,165)       |
|                        | <u>80,200,207</u> | <u>79,865,150</u> |

Movements in ordinary shares on issue

|   | <b>No.</b>         | <b>\$</b>         |
|---|--------------------|-------------------|
| At 1 July 2015  | 928,534,971        | 79,900,851        |
| Share issue costs   |                    | (35,701)          |
| <b>At 1 July 2016</b>   | <u>928,288,306</u> | <u>79,865,150</u> |
| Shares issued at 3c on 6 October 2016 on exercise of options    | 50,000             | 1,500             |
| Shares issued at 3c on 21 December 2016 pursuant to a Placement | 7,283,332          | 218,500           |
| Shares issued at 3c on 21 December 2016 on exercise of options  | 3,333,333          | 100,000           |
| Shares issued at 3c on 6 February 2017 on exercise of options   | 50,000             | 1,500             |
| Shares issued at 3c on 24 May 2017 on exercise of options       | 50,000             | 1,500             |
| Shares issued at 3c on 15 June 2017 on exercise of options      | 480,000            | 14,400            |
| Share issue costs   |                    | (2,343)           |
| <b>At 30 June 2017</b>  | <u>939,534,971</u> | <u>80,200,207</u> |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 7: ACCUMULATED LOSSES AND RESERVES**

**Accumulated losses**

Movements in accumulated losses are as follows:

|  | 2017<br>\$   | 2016<br>\$   |
|--|--------------|--------------|
| Balance at beginning of financial year | (43,366,561) | (41,054,081) |
| Net loss for the year                  | (4,883,519)  | (2,312,480)  |
| Transfer on expiry of options          | 790,000      | -            |
| Balance at end of financial year       | (47,460,080) | (43,366,561) |

**Reserves**

|  | Foreign currency translation<br>reserve<br>\$ | Share Based<br>Payments Reserve<br>\$ | Total<br>\$ |
|--|---|---------------------------------------|-------------|
| At 30 June 2015                        | (2,808,755)                                   | 793,366                               | (2,015,389) |
| Currency translation<br>differences    | 44,222  | -                                     | 44,222      |
| Issue of performance rights            | -   | 92,630                                | 92,630      |
| Performance rights expired             | -   | (52,500)                              | (52,500)    |
| At 30 June 2016                        | (2,764,533)                                   | 833,496                               | (1,931,037) |
| Currency translation<br>differences    | (4,580,154)                                   | -                                     | (4,580,154) |
| Issue of performance rights            | -   | 504,151                               | 504,151     |
| Performance rights expired<br>unvested | -   | (84,000)                              | (84,000)    |
| Transfer on expiry of options          | -   | (790,000)                             | (790,000)   |
| At 30 June 2017                        | (7,344,687)                                   | 463,647                               | (6,881,040) |

**Nature and purpose of reserves**

*Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

*Share based payments reserve*

The share based payments reserve is used to record the value of equity instruments issued to Directors, employees and qualifying contractors as part of their remuneration.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 7: ACCUMULATED LOSSES AND RESERVES (continued)**

**Nature and purpose of reserves (continued)**

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

|  | <b>2017</b><br>No. | <b>2017</b><br>Weighted<br>average<br>exercise<br>price | <b>2016</b><br>No. | <b>2016</b><br>Weighted<br>average<br>exercise<br>price |
|--|--------------------|---|--------------------|---|
| Outstanding at the beginning of the year | 188,912,500        | 0.03  | 188,912,500        | 0.03  |
| Granted during the year                  | -                  | -   | -                  | -   |
| Exercised during the year                | (3,963,333)        | 0.03  | -                  | -   |
| Expired during the year                  | (184,949,167)      | 0.03  | -                  | -   |
| Outstanding at the end of the year       | -                  | -   | 188,912,500        | 0.03  |
| Exercisable at the end of the year       | -                  | -   | 188,912,500        | 0.03  |

There are no unexercised options at 30 June 2017. 187,093,450 exercisable at 2.5 cents per share were issued post-balance date (see Note 20).

The number and details of the options unexercised at 30 June 2016 was:

| Number      | Grant date | Expiry date | Exercise price \$<br>per option | Fair value at grant<br>date \$ per option |
|-------------|------------|-------------|---------------------------------|---|
| 188,912,500 | 15/06/2015 | 15/06/2017  | 0.03                            | 0.01                                      |

*Performance Rights*

The value of the Performance Rights is based on the number of performance rights granted multiplied by the prevailing share price at the date of the grant of the performance rights. The number of performance rights issued and the prevailing Share price are known variables.

The vesting requirements applicable to the issued performance rights are based on achievement of operational and strategic milestones.

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.

The number of Performance Rights unexercised at 30 June 2017 are:

|  | <b>2017</b><br>No. | <b>2016</b><br>No. |
|--|--------------------|--------------------|
| Outstanding at the beginning of the year | 44,000,000         | 6,500,000          |
| Granted during the year                  | 20,000,000         | 40,000,000         |
| Expired during the year                  | (4,000,000)        | (2,500,000)        |
| Outstanding at the end of the year       | 60,000,000         | 44,000,000         |
| Exercisable at the end of the year       | 60,000,000         | 44,000,000         |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 7: ACCUMULATED LOSSES AND RESERVES (continued)**

The performance milestones for 5,500,000 performance rights to Non-executive Directors or their nominees on 6 February 2017 were tenure based and vested on 30 June 2017, were exercised and the shares issued on 3 July 2017.

The performance milestones for 6,500,000 performance rights issued to employees and eligible contractors are tenure based and will vest on 30 September 2017.

The performance milestones attaching to the performance rights issued to the Executive Director are both strategic and tenure based and if met:

- (a) 6,000,000 shall vest on 30 September 2017; and
- (a) 2,000,000 shall vest if production has commenced on or before 30 June 2018 from a project in which the Company or one of its subsidiaries has at least a 50% direct or indirect ownership interest,

The vesting requirements applicable to 40,000,000 performance rights issued to a consultant are based on execution of a Concession Agreement to build and operate the Ovoot to Erdenet Northern Railway and provision by 31 December 2018 of an offer to fund 70% of the funding required to build the railway. No expense has been recognised as currently there is no expectation that the funding performance milestone will be met.

**NOTE 8: CASH AND CASH EQUIVALENTS**

|                          | <b>2017</b>    | <b>2016</b>    |
|--------------------------|----------------|----------------|
|                          | \$             | \$             |
| Cash at bank and on hand | 357,089        | 363,529        |
| Short term deposit       | 55,000         | 55,000         |
|                          | <u>412,089</u> | <u>418,529</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

All cash was available for use and no restrictions were placed on the use of it at any time during the period, other than the short term deposit of \$55,000 (2016: \$55,000) is on deposit as cash backed security against a business use credit card limit and office rental. \$40,000 of the \$55,000 became unrestricted on 26 August 2017.

**Reconciliation of loss for the year to net cash flows from operating activities**

|  | <b>2017</b>        | <b>2016</b>        |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| Loss for the year                                    | (4,883,519)        | (2,312,480)        |
| Change in net assets and liabilities:                |                    |                    |
| Change in trade and other receivables                | 174,220            | 116,035            |
| Changes in trade and other payables                  | 834,151            | 30,187             |
| Profit on sale of property, plant and equipment      | -                  | (29,632)           |
| Amortisation and depreciation expense                | 44,936             | 75,881             |
| Share based payments                                 | 420,151            | 40,130             |
| Exploration expenditure impairment net of recoupment | 1,972,917          | (605,464)          |
| Foreign exchange (gain)/loss                         | (13,702)           | 50,073             |
| Net cash used in operating activities                | <u>(1,450,846)</u> | <u>(2,635,270)</u> |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 9: CURRENT TRADE AND OTHER RECEIVABLES**

|                   | <b>2017</b>    | <b>2016</b>    |
|-------------------|----------------|----------------|
|                   | \$             | \$             |
| GST recoverable   | 13,252         | 22,172         |
| Prepayments       | 130,237        | 169,854        |
| Accrued interest  | 281            | 89             |
| Other receivables | 36,915         | 107,580        |
|                   | <u>180,685</u> | <u>299,695</u> |

**NOTE 10: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE**

|  | <b>2017</b>       | <b>2016</b>       |
|--|-------------------|-------------------|
|  | \$                | \$                |
| Costs carried forward in respect of:   |                   |                   |
| <b>Exploration and evaluation phase – at cost</b>                                |                   |                   |
| Balance at beginning of year   | 40,826,207        | 39,089,179        |
| Expenditure incurred, net of cost recoveries                                     | 1,769,637         | 1,994,821         |
| Impairment of exploration and evaluation expenditure                             | (1,972,917)       | (303,600)         |
| Foreign exchange loss  | (4,747,519)       | 45,807            |
| Total exploration and evaluation expenditure                                     | <u>35,875,408</u> | <u>40,826,207</u> |
| Total expenditure incurred and carried forward in respect of specific projects - |                   |                   |
| Ovoot Coking Coal Project  | 34,309,364        | 39,370,027        |
| Nuurstei Coking Coal Project   | 1,566,044         | 1,456,180         |
| Northern Railways evaluation   | -                 | -                 |
| Total exploration and evaluation expenditure                                     | <u>35,875,408</u> | <u>40,826,207</u> |

Exploration expenditure incurred on projects other than the Ovoot Coking Coal Project and Nuurstei Coking Coal 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.

As Northern Railways LLC does not currently have in place the funding to build and operate the railway, the Group has impaired the evaluation expenditure incurred.

**NOTE 11: TRADE AND OTHER PAYABLES (CURRENT)**

|                        | <b>2017</b>      | <b>2016</b>    |
|------------------------|------------------|----------------|
|                        | \$               | \$             |
| Trade payables         | 141,544          | 112,405        |
| Accrued expenses       | 134,074          | 42,941         |
| Borrowing fees payable | 260,230          | -              |
| Corporate credit card  | 5,043            | 146            |
| Interest payable       | 899,288          | 387,708        |
|                        | <u>1,440,179</u> | <u>543,200</u> |

Trade payables and accrued expenses are normally settled on 30 day terms.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 11: TRADE AND OTHER PAYABLES (CURRENT) (Continued)**

Of the interest payable of \$899,288 at 30 June 2017, the Company had agreed with Noble Resources International Pte Ltd that interest of \$813,309 would be converted to equity subject to shareholder approval and completion of a capital raising to the satisfaction of the company. The shareholders approved the transaction at a general meeting held on 26 July 2017 and the capital raising was completed on 9 August 2017 (refer to Note 20). The securities were allotted to Noble Resources International Pte Ltd on 1 September 2017.

**NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

|                                  | Leasehold<br>Improvements<br>\$ | Plant &<br>Equipment<br>\$ | Furniture<br>& Fittings<br>\$ | Office<br>Equipment<br>\$ | Motor<br>Vehicles<br>\$ | Total<br>\$ |
|----------------------------------|---------------------------------|----------------------------|-------------------------------|---------------------------|-------------------------|-------------|
| <b>Year ended 30 June 2017</b>   |                                 |                            |                               |                           |                         |             |
| Carrying value at 1 July 2016    | 235,916                         | 16,751                     | 748                           | 2,916                     | 27,840                  | 284,171     |
| Depreciation charge for the year | (18,045)                        | (6,316)                    | (490)                         | (1,273)                   | (17,423)                | (43,547)    |
| Exchange rate movement           | (42,987)                        | (2,983)                    | (130)                         | (517)                     | (4,862)                 | (51,479)    |
| Carrying value at 30 June 2016   | 174,884                         | 7,452                      | 128                           | 1,126                     | 5,555                   | 189,145     |
| 30 June 2017                     |                                 |                            |                               |                           |                         |             |
| Cost                             |                                 |                            |                               |                           |                         | 947,955     |
| Accumulated depreciation         |                                 |                            |                               |                           |                         | (758,810)   |
| Net carrying amount              |                                 |                            |                               |                           |                         | 189,145     |
| <b>Year ended 30 June 2016</b>   |                                 |                            |                               |                           |                         |             |
| Carrying value at 1 July 2015    | 255,479                         | 9,736                      | 1,558                         | 9,875                     | 48,623                  | 325,271     |
| Additions                        | -                               | 18,411                     | -                             | 3,011                     | -                       | 21,422      |
| Depreciation charge for the year | (22,104)                        | (11,403)                   | (832)                         | (10,043)                  | (21,468)                | (65,850)    |
| Exchange rate movement           | 2,541                           | 7                          | 22                            | 73                        | 685                     | 3,328       |
| Carrying value at 30 June 2016   | 235,916                         | 16,751                     | 748                           | 2,916                     | 27,840                  | 284,171     |
| 30 June 2016                     |                                 |                            |                               |                           |                         |             |
| Cost                             |                                 |                            |                               |                           |                         | 947,955     |
| Accumulated depreciation         |                                 |                            |                               |                           |                         | (663,784)   |
| Net carrying amount              |                                 |                            |                               |                           |                         | 284,171     |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 13: INTANGIBLE ASSET

|   | Exploration<br>Software |
|---|-------------------------|
|   | \$                      |
| <b>Year ended 30 June 2017</b>                                  |                         |
| At 1 July 2015, net of accumulated amortisation and impairment  | 1,677                   |
| Amortisation for the year                                       | (1,389)                 |
| Exchange rate movement  | (288)                   |
| At 30 June 2016, net of accumulated amortisation and impairment | -                       |
| At 30 June 2016   |                         |
| Cost  | 196,822                 |
| Accumulated amortisation  | (196,822)               |
| Net carrying amount   | -                       |
| <b>Year ended 30 June 2016</b>                                  |                         |
| At 1 July 2015, net of accumulated amortisation and impairment  | 9,877                   |
| Additions   | 1,696                   |
| Amortisation for the year                                       | (10,031)                |
| Exchange rate movement  | 135                     |
| At 30 June 2015, net of accumulated amortisation and impairment | 1,677                   |
| At 30 June 2015   |                         |
| Cost  | 196,822                 |
| Accumulated amortisation  | (195,145)               |
| Net carrying amount   | 1,677                   |

### NOTE 14: BORROWINGS

In January 2013, Noble Resources International Pte Ltd (NRIPL) confirmed its support for the development for the Ovoot Coking Coal Project by a series of agreements with the Company and/or certain of its subsidiaries. The agreements were implemented on 21 February 2013 and included a Facility Agreement to provide a US\$5m loan on commercial terms to assist with rail pre-development expenditures (Long Term Facility). The Long Term Facility Agreement was entered into on 21 February 2013 and drawdowns of US\$3 million and US\$2 million were made on 10 May 2013 and 8 July 2013, respectively. 50% of the Company's ownership interest in the ECJV is provided as security. In March 2016, the Company agreed with NRIPL that the repayment date be extended to 15 March 2018 and in June 2017 the repayment date was again extended to 17 August 2019 (see Note 20).

In August 2016, the Company secured interim short term funding of US\$2 million from a group of four investors, including NRIPL for US\$1.5 million and three other substantial shareholders of the Company for US\$0.5 million, to fund rail pre-development activities, including completion of the Erdenet to Ovoot Railway First Stage Feasibility Study. The Short Term Loan Facility was for 12 months at an interest rate of 9% per annum and was drawn down in three tranches in August, October and December 2016. The loan was repayable on 17 August 2017. In the event that the loan was repaid, the lenders were entitled to receive 110% of the face value of the loan. In the event that the loan was not repaid in 12 months, the loan could be converted at the lender's option to a royalty of US\$1.25/tonne of coking coal sold from the first 10 Mt of Ovoot Project production.

In June 2017, the Company secured an interest free short term facility of \$250,000 from a substantial shareholder of the Company to fund working capital.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 14: BORROWINGS (continued)**

|                                     | <b>2017</b>      | <b>2016</b>      |
|-------------------------------------|------------------|------------------|
|                                     | <b>\$</b>        | <b>\$</b>        |
| <b>Current borrowings</b>           |                  |                  |
| Long term facility                  | 6,505,758        | -                |
| Short term facilities               | 2,852,303        | -                |
| <b>Total Current Borrowings</b>     | <u>9,358,061</u> | <u>-</u>         |
| <b>Non-Current borrowings</b>       |                  |                  |
| Long term facility                  | -                | 6,719,527        |
| <b>Total Non-Current Borrowings</b> | <u>-</u>         | <u>6,719,527</u> |

The separation of the borrowing facilities is shown in the above table. The classification between current and non-current is determined by the repayment date at balance date.

However, pursuant to a Term Sheet between NRIPL, Aspire, Logarta and Coalridge dated 26 May 2017 (effective from 13 June 2017), NRIPL agreed with Aspire that:

1. Aspire will issue 41,671,200 shares and 41,671,200 options to NRIPL or its nominee on the same terms and conditions as the shares and options issued pursuant to a Placement capital raising to be undertaken by Aspire in lieu of the interest of US\$625,068 due on the US\$5 million Long Term Facility that would otherwise have been due and payable on 2 July 2017.
2. Aspire will issue 66,666,667 shares and 66,666,667 options to Logarta or its nominee on the same terms and conditions as the shares and options issued pursuant to the Placement in lieu of the US\$1 million consideration payable by Aspire on exercise its option to acquire the remaining 50% of the ECJV. In addition to the US\$1 million consideration, Aspire will pay Noble a royalty in respect to future production of saleable coking coal from the Nuurstei Coking Coal Project.
3. NRIPL will provide Aspire with an additional US\$1.65 million under the Long Term Facility to meet the US\$1.5 million principal (and an additional 10% repayment fee of US\$150,000) provided to the Aspire under the "Short Term Facility that was to expire on 17 August 2017.
4. Aspire will meet the interest on the Short Term Facility on 17 August 2017.
5. Aspire will allow NRIPL to secure the increase in the indebtedness of US\$1.65 million against the current security held against the 50% interest in Coalridge.
6. Interest payments on the US\$6.65 million will be due on 17 February 2018 and then at six monthly intervals to expiry of the Long Term Facility on 17 August 2019.
7. The interest rate on the increased Long Term Facility will increase from 9% to 10.45%.
8. Noble's marketing rights will increase from 60% to 65% of Ovoot Coking Coal Project coal sales.

The agreements between Noble and Aspire were subject to Aspire:

1. having its shareholders approve the transactions;
2. completion by Aspire of a Placement capital raising; and
3. obtaining legal advice that the increase in the Long Term Facility was secured under the Coalridge Security

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 14: BORROWINGS (continued)**

All conditions precedent were satisfied by Aspire and all transactions completed. All other obligations under Short Term Facility were met by the Company on the 17 August 2017 due date.

Separately but contingent on completion of the transactions with NRIPL, two or three of the other lenders under the Short Term Facility also agreed in June 2017 to convert their Short Term Loan principal to equity in the Company. On 24 August 2017 the securities were issued to the applicable lenders.

Refer to Note 20 for further details.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 14: BORROWINGS (continued)**

A summary and comparative of the loan facilities before and after the aforementioned transactions is provided in the following table:

|                                       | <b>At 30 June 2017<br/>Balance Date</b> | <b>Post Balance Date Transaction</b> | <b>Post Balance Date<br/>after satisfaction of<br/>conditions<br/>precedent,<br/>payment and/or<br/>issue of securities</b> |
|---------------------------------------|---|--------------------------------------|---|
| <b>Long Term Loan Facility</b>        |   |                                      |   |
| Principal                             | US\$5,000,000                           | Increase from Short Term Facility    | US\$6,650,000   |
| Lender:                               |   |                                      |   |
| Noble Resources International Pte Ltd | US\$5,000,000                           | Increase from Short Term Facility    | US\$6,650,000   |
| Interest rate per annum               | 9%                                      | Varied                               | 10.45%  |
| Next interest due date                | 2 July 2017                             | Varied                               | 17 February 2018  |
| Interest at due date                  | US\$625,058                             | Securities issued in satisfaction    |   |
| Repayment Date                        | 18 March 2018                           | Varied                               | 17 August 2019  |
| Security                              | Share mortgage over 50% in Coalridge    | No change                            | Share mortgage over 50% in Coalridge  |
| <b>Short Term Loan Facilities</b>     |   |                                      |   |
| Principal                             | US\$2,000,000                           | Satisfied by the following:          | Nil   |
| Lenders:                              |   |                                      |   |
| Noble Resources International Pte Ltd | US\$1,500,000                           | Taken to Long Term Facility          | Nil   |
| Bat-Erdene Khabdaasan                 | US\$200,000                             | Securities issued in satisfaction    | Nil   |
| Greatland Investments Limited         | US\$150,000                             | Paid in cash                         | Nil   |
| Spectral Investments Pty Ltd          | US\$150,000                             | Securities issued in satisfaction    | Nil   |
| Repayment Fee 10%                     |   |                                      |   |
| Noble Resources International Pte Ltd | US\$150,000                             | Taken to Long Term Facility          | Nil   |
| Bat-Erdene Khabdaasan                 | US\$20,000                              | Paid in cash                         | Nil   |
| Greatland Investments Limited         | US\$15,000                              | Paid in cash                         | Nil   |
| Spectral Investments Pty Ltd          | US\$1,500                               | Paid in cash                         | Nil   |
| Interest rate per annum               | 9%                                      |                                      | N/a   |
| Security                              | None                                    |                                      | N/a   |
| Next interest due                     | 17 August 2017                          | Paid in cash                         | N/a   |
| Repayment Date                        | 17 August 2017                          |                                      | N/a   |
| Principal                             | A\$250,000                              |                                      | A\$250,000  |
| Lender                                |   |                                      |   |
| Spectral Investments Pty Ltd          |   |                                      |   |
| Interest                              | Nil                                     |                                      |   |
| Amount drawn                          | A\$250,000                              |                                      | Nil   |
| Repayment Date                        | By agreement                            |                                      |   |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 15: FINANCIAL INSTRUMENTS**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. None of the Group's entities are subject to externally imposed capital requirements. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings. Working capital, cash and cash equivalents and capital requirements are reviewed by the Board on a regular basis.

|                           | <b>2017</b>       | <b>2016</b>      |
|---------------------------|-------------------|------------------|
|                           | \$                | \$               |
| Financial assets:         |                   |                  |
| Receivables               | 50,448            | 129,841          |
| Cash and cash equivalents | 412,089           | 418,529          |
|                           | <u>462,537</u>    | <u>548,370</u>   |
| Financial liabilities:    |                   |                  |
| Trade and other creditors | 1,440,179         | 543,200          |
| Borrowings                | 9,358,061         | 6,719,527        |
|                           | <u>10,798,240</u> | <u>7,262,727</u> |

The following table details the expected maturities for the Group's non-derivative financial assets. These have been drawn up based on contractual maturities of the financial assets except where the Group anticipates that the cash flow will occur in a different period.

|                                       | Weighted<br>average<br>effective<br>interest rate | Less than 1<br>month | 1 – 3<br>Months | 3 months –<br>1 year | 1 – 5<br>years | 5+ years |
|---------------------------------------|---|----------------------|-----------------|----------------------|----------------|----------|
|                                       | %   | \$                   | \$              | \$                   | \$             | \$       |
| <b>2017</b>                           |   |                      |                 |                      |                |          |
| Non-interest bearing                  |   | 319,560              | -               | -                    | -              | -        |
| Variable interest rate<br>instruments | 0.09  | 87,977               | -               | -                    | -              | -        |
| Fixed interest rate<br>instruments    | 2.10  | -                    | 55,000          | -                    | -              | -        |
|                                       |   | <u>407,537</u>       | <u>55,000</u>   | -                    | -              | -        |
| <b>2016</b>                           |   |                      |                 |                      |                |          |
| Non-interest bearing                  |   | 163,665              | -               | -                    | -              | -        |
| Variable interest rate<br>instruments | 0.09  | 329,705              | -               | -                    | -              | -        |
| Fixed interest rate<br>instruments    | 2.00  | -                    | 55,000          | -                    | -              | -        |
|                                       |   | <u>493,370</u>       | <u>55,000</u>   | -                    | -              | -        |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 15: FINANCIAL INSTRUMENTS (continued)

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

|                                    | Weighted average<br>effective interest<br>rate | Less than 1<br>month | 1 – 3<br>Months  | 3 months –<br>1 year | 1 – 5<br>years   | 5+<br>years |
|------------------------------------|--|----------------------|------------------|----------------------|------------------|-------------|
|                                    | %  | \$                   | \$               | \$                   | \$               | \$          |
| <b>2017</b>                        |  |                      |                  |                      |                  |             |
| Non-interest bearing               | -  | 1,354,197            | 85,982           | -                    | -                | -           |
| Variable interest rate instruments | -  | -                    | -                | -                    | -                | -           |
| Fixed interest rate instruments    | 9%   | -                    | 2,852,303        | 6,505,758            | -                | -           |
|                                    |  | <u>1,354,197</u>     | <u>2,948,285</u> | <u>6,505,758</u>     | <u>-</u>         | <u>-</u>    |
| <b>2016</b>                        |  |                      |                  |                      |                  |             |
| Non-interest bearing               | -  | 155,492              | -                | 387,708              | -                | -           |
| Variable interest rate instruments | -  | -                    | -                | -                    | -                | -           |
| Fixed interest rate instruments    | 9%   | -                    | -                | -                    | 6,719,527        | -           |
|                                    |  | <u>155,492</u>       | <u>-</u>         | <u>387,708</u>       | <u>6,719,527</u> | <u>-</u>    |

### NOTE 16: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk
- Market risk

This note presents the information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks as summarised below. The Group's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Group. The Group also has other financial instruments such as receivables and creditors which arise directly from its operations. For the years ended 30 June 2017 and 2016, it has been the Group's policy not to trade in financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 16: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (a) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

#### (b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Other than the facilities referred to in Note 14, the Group did not have any undrawn facilities at its disposal as at balance date.

#### (c) Interest rate risk management

The Group is exposed to interest rate risk as the Group deposits the bulk of the Group's cash reserves in term deposits with the National Australia Bank ("NAB"). The risk is managed by the Group by maintaining an appropriate mix between short term and medium-term deposits. The Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

#### Interest rate sensitivity

At 30 June 2017, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

|                                 | <b>2017</b> | <b>2016</b> |
|---------------------------------|-------------|-------------|
| Change in Loss                  | \$          | \$          |
| Increase in interest rate by 1% | 880         | 3,297       |
| Decrease in interest rate by 1% | (880)       | (3,297)     |
| Change in Equity                |             |             |
| Increase in interest rate by 1% | 880         | 3,297       |
| Decrease in interest rate by 1% | (880)       | (3,297)     |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 16: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (d) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies hence exposures to exchange rate fluctuations arise. The Group does not manage these exposures with foreign currency derivative products. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

|                   | Liabilities |           | Assets |         |
|-------------------|-------------|-----------|--------|---------|
|                   | 2017        | 2016      | 2017   | 2016    |
|                   | \$          | \$        | \$     | \$      |
| US Dollars        | 10,362,896  | 7,122,049 | 9,100  | 42,090  |
| Mongolian Tugriks | 23,266      | 22,335    | 77,243 | 246,706 |

#### Foreign currency sensitivity analysis

The Group is exposed to US Dollar (USD) and Mongolian Tugrik currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit and equity where the Australian Dollar weakens against the respective currency. For a strengthening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and equity and the balances below would be negative.

|   | 2017        | 2016      |
|---|-------------|-----------|
|   | \$          | \$        |
| 10% Increase                                  |             |           |
| Profit/(loss) and equity – US dollar exposure | 941,254     | 823,564   |
| Profit/(loss) and equity – Mongolian Tugrik   | (4,907)     | (22,219)  |
| 10% Decrease                                  |             |           |
| Profit/(loss) and equity – US dollar exposure | (1,150,422) | (566,746) |
| Profit/(loss) and equity – Mongolian Tugrik   | 5,997       | 22,704    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 16: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (e) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or value of the holdings of financial instruments. The Group is exposed to movements in market interest rates on short term deposits. The Group does not have short or long term debt with variable interest rates, and therefore this risk is minimal. The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

The carrying value of the financial assets and liabilities in the financial statements approximates their fair value.

### NOTE 17: COMMITMENTS

#### Remuneration Commitments

The Group has entered into remuneration commitments with all the Directors and other key management personnel of the Group which were in effect throughout the financial year. The Group also employs consultants who are contracted under standard consultancy rates.

#### Exploration Commitments

The Group had certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

|   | 2017    | 2016      |
|---|---------|-----------|
|   | \$      | \$        |
| Within a year                                     | 294,487 | 332,941   |
| Later than one year but not later than five years | 390,875 | 1,217,332 |

#### Investment Consideration Commitments

Pursuant to the initial acquisition of the 50% interest in Coalridge Limited that owns the Ekhgoviin Chuluu Joint Venture ("ECJV") that has a 90% interest in the Nuurstei Coking Coal Project (Nuurstei Project) (see Note 25) and Aspire's agreement to issue:

1. 10 million shares in Aspire to the vendor upon the ECJV entering into an agreement to undertake feasibility studies on the Nuurstei Project area or upon the Mineral Resource Authority of Mongolia granting a mining license over all or part of the Nuurstei Project area; and
2. a further 5 million shares in Aspire in the event that 30 million tonnes of JORC compliant resources are identified in the Nuurstei Project area.

The expectation is that that a mining licence will be granted in the short term. So as to not use the annual 15% available share issue capacity, the shareholders agreed at the general meeting held on 26 July 2017 to the issue of the 10 million shares on grant of the mining licence.

### NOTE 18: DIVIDENDS

The Directors of the Group have not declared any dividend for the year ended 30 June 2017.

### NOTE 19: CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2017.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

A set out in Note 14, pursuant to a Term Sheet between Noble Resources International Pte Ltd (NRIPL), Aspire, Logarta Limited and Coalridge Limited dated 26 May 2017 (effective from 13 June 2017), NRIPL and Aspire agreed various transactions and variations to loan facilities.

Other lenders also agreed to variations to loan facilities conditional on the transactions with NRIPL being completed.

The agreements between NRIPL and Aspire were subject to Aspire:

1. having its shareholders approve the transactions;
2. completion by Aspire of a Placement capital raising; and
3. obtaining legal advice that the increase in the Long Term Facility was secured under the Coalridge Security

A general meeting of the Company's shareholders held on 26 July 2017, the shareholders gave approval for the Company to:

1. exercise the ECJV Option to acquire the remaining 50% interest in the corporate entity that holds a 90% interest in the Nuurstei Coking Coal Project; and
2. make a public offer of its securities pursuant to a Prospectus issued under the Corporations Act to issue up to 200,000,000 fully paid ordinary shares in the Company at an issue price of \$0.02 per Share, together with one attaching option for every Share subscribed for exercisable at 2.5 Cents within 12 months from grant, to raise up to \$4,000,000 (exclusive of oversubscriptions) (**Offer**); and
3. satisfy the cash consideration payable to Noble Resources International Pte Ltd on the exercise of the ECJV Option of US\$1,000,000 by the issue of 66,666,667 shares and 66,666,667 options; and
4. satisfy loan interest of US\$625,068 due to Noble on 2 July 2017 through the issue of 41,671,200 shares and 41,671,200 options; and
5. satisfy amounts owing of US\$350,000 to two other lenders through the issue of 23,333,333 shares and 23,333,333 options; and
6. issue 10,000,000 shares to Xanadu Mines Limited if and when a Mining Licence is issued over the Nuurstei Project exploration area as part of the contracted acquisition consideration.

The Offer made pursuant to the Prospectus opened on 5 July 2017, closed on 14 August and raised A\$1.1 million before costs.

The shares and options subscribed for under the Placement Offer; the capitalisation of the loan principal; the capitalisation of the loan interest; and for the ECJV option exercise consideration, were issued on 14 August 2017, 24 August 2017, 1 September 2017 and 1 September 2017 respectively.

5,500,000 shares were issued to three Non-executive Directors following exercise on the vesting of 5,500,000 performance rights on 30 June 2017.

Other than the above, there has not been any material matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 21: DIRECTORS AND EXECUTIVE DISCLOSURES**

The totals of remuneration paid to key management personnel of the company during the year are as follows:

|                              | <b>2017</b>    | <b>2016</b>    |
|------------------------------|----------------|----------------|
|                              | \$             | \$             |
| Short-term employee benefits | 216,000        | 238,250        |
| Post-employment benefits     | -              | -              |
| Share-based payments         | 388,234        | 40,130         |
|                              | <u>604,234</u> | <u>278,380</u> |

The \$216,000 is the agreed reduced annum entitlement of the Executive Managing Director, David Paull, and of which \$54,000 was accrued and not paid at 30 June 2017.

Share based payments is the gross accounting value of performance rights brought to account in accordance with accounting standards.

*Related Party Transactions*

In August 2016, the Company secured interim short term funding of US\$150,000 from Spectral Investments Pty Ltd, a company associated with the Director, Mr Neil Lithgow, to assist with the funding of rail pre-development activities, including completion of the Erdenet to Ovoot Railway First Stage Feasibility Study.

The Short Term Loan Facility was for 12 months at an interest rate of 9% per annum and was drawn down in three tranches in August, October and December 2016. The loan was repayable on 17 August 2017. In the event that the loan was repaid, the lender was entitled to receive 110% of the face value of the loan. In the event that the loan was not repaid in 12 months, the loan could be converted at the lender's' option to a royalty of US\$1.25/tonne of coking coal sold from the first 10 Mt of Ovoot Project production.

At 30 June 2017 the accrued interest and repayment fee on the loan with Spectral Investments Pty Ltd were US\$4,956 and US\$15,000, respectively.

Spectral Investments Pty Ltd agreed to accept shares and options on the same terms as the securities offered under a capital raising in satisfaction of the loan principal of US\$150,000. That capital raising was completed on 14 August 2017 and the shares and options issued to Spectral Investments Pty Ltd. All accrued interest and the repayment fee were paid on 17 August 2017 (refer Note 20).

In June 2017 Spectral Investments Pty Ltd made available to the Company a \$250,000 short term interest free facility. That facility was fully drawn at 30 June 2017, was repaid by instalments in August 2017 and September 2017 and remains available to the Company.

**NOTE 22: AUDITOR'S REMUNERATION**

The auditor of Aspire Mining Limited is HLB Mann Judd.

|   | <b>2017</b>   | <b>2016</b>   |
|---|---------------|---------------|
|   | \$            | \$            |
| <i>Amounts received or due and receivable by HLB Mann Judd for:</i> |               |               |
| An audit or review of the financial reports                         | 40,750        | 40,550        |
| Other services  | -             | -             |
|   | <u>40,750</u> | <u>40,550</u> |

The auditor of Khurgatai Khairkhan LLC, its direct subsidiaries and Northern Railways LLC is KPMG.

|  | <b>2017</b>   | <b>2016</b>   |
|--|---------------|---------------|
|  | \$            | \$            |
| <i>Amounts received or due and receivable by KPMG:</i> |               |               |
| An audit or review of the financial reports            | 40,277        | 55,129        |
| Other services   | -             | -             |
|  | <u>40,277</u> | <u>55,129</u> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 23: PARENT ENTITY DISCLOSURES

#### *Financial position*

|                         | 2017             | 2016             |
|-------------------------|------------------|------------------|
|                         | \$               | \$               |
| <b>Assets</b>           |                  |                  |
| Current assets          | 505,008          | 419,862          |
| Non-current assets      | 5,937,487        | 5,811,526        |
| Total assets            | <u>6,442,495</u> | <u>6,231,388</u> |
| <b>Liabilities</b>      |                  |                  |
| Current liabilities     | 3,448,811        | 114,563          |
| Non-current liabilities | -                | -                |
| Total liabilities       | <u>3,448,811</u> | <u>114,563</u>   |
| <b>Net assets</b>       | <u>2,993,684</u> | <u>6,116,825</u> |
| <b>Equity</b>           |                  |                  |
| Issued capital          | 80,200,207       | 79,865,150       |
| Reserves                | 463,647          | 833,496          |
| Accumulated losses      | (77,670,170)     | (74,581,821)     |
| Total equity            | <u>2,993,684</u> | <u>6,116,825</u> |

#### *Financial performance*

|  | Year ended<br>30 June 2017 | Year ended<br>30 June 2016 |
|--|----------------------------|----------------------------|
|  | \$                         | \$                         |
| Operating loss for the year                          | (3,878,349)                | (2,452,487)                |
| Transfer on expiry of options and performance rights | 790,000                    | -                          |
| Total comprehensive loss                             | <u>(3,088,349)</u>         | <u>(2,452,487)</u>         |

#### **Parent Company Capital Commitments and Contingent Liabilities**

The parent entity currently has no capital commitments for the acquisition of property, plant and equipment.

See Notes 19, 20 and 25 for obligations of Aspire to issue securities.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 24: SUBSIDIARIES

The consolidated financial statements include the financial statements of Aspire Mining Limited and the subsidiaries noted in the following table:

| Name                                | Country of incorporation | % Equity Owned |      | Investment  |             |
|-------------------------------------|--------------------------|----------------|------|-------------|-------------|
|                                     |                          | 2017           | 2016 | 2017        | 2016        |
| Khurgatai Khairkhan LLC             | Mongolia                 | 100%           | 100% | -           | -           |
| Ovoot Coal Mining LLC               | Mongolia                 | 100%           | 100% | -           | -           |
| Chilchig Gol LLC                    | Mongolia                 | 100%           | 100% | -           | -           |
| Ovoot Coking Coal Pte Ltd           | Singapore                | 100%           | 100% | \$9,428,158 | \$9,428,158 |
| Northern Railways LLC               | Mongolia                 | 90%            | 100% | -           | -           |
| Northern Railways Holdings LLC      | Mongolia                 | 90%            | 90%  | \$136,230   | 136,230     |
| Northern Railways Pte Ltd           | Singapore                | 90%            | 90%  | 1           | 1           |
| Northern Mongolian Railways Limited | British Virgin Islands   | 90%            | 90%  | \$97,408    | \$97,408    |

Aspire Mining Limited is the ultimate Australian parent entity and ultimate parent of the Group. Transactions between these parties involved the provision of funding for operations. As at 30 June 2017 and before impairment, amounts of \$42,746,425 (2016: \$41,576,772), \$11,033,671 (2016: \$10,864,386), \$138,409 (2016: \$138,409), \$1,250,348 (2016: \$1,231,868) and \$8,348 (2016: \$6,608) were owed by Khurgatai Khairkhan LLC, Ovoot Coking Coal Pte Ltd, Northern Railway Holdings LLC, Northern Railways Pte Ltd, and Northern Mongolian Railways Limited to the parent entity, respectively. The loans have been impaired.

### NOTE 25: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On 13 June 2014, Ovoot Coking Coal Pte Ltd (OCC), 100% owned subsidiary of Aspire, acquired the 50% interest held by Xanadu Limited (Xanadu) in Coalridge Limited. Noble Group retained its 50% ownership. Coalridge Limited owns the entities that operate the Ekhgoviin Chuluu Joint Venture ("ECJV"). The ECJV currently has a 90% interest in the Nuurstei Coking Coal Project ("Nuurstei Project") in Northern Mongolia.

Aspire has exercised its option to acquire Noble's 50% interest for a consideration of US\$1 million and a royalty from production sufficient to discharge the loan owed to Noble by the ECJV. It has been agreed with Noble and approved by the Company's shareholders (See Note 20) that the initial US\$1 million be satisfied by the Company by the issue of 66,666,667 shares and 66,666,667 options. Those securities were issued to Noble Resources International Pte Ltd on 1 September 2017.

The loan owed to Xanadu by Coalridge Limited (which has been fully provisioned) has been assigned to Aspire. Aspire has agreed to issue 10 million shares in Aspire to Xanadu upon the ECJV entering an agreement to undertake feasibility studies in the Nuurstei Project area or upon the Mineral Resource Authority of Mongolia granting a mining license over all or part of the Nuurstei Project area. Aspire has agreed to issue a further 5 million shares in Aspire in the event that 30 million tonnes of JORC compliant resources are identified in the Nuurstei Project area.

An application for a mining license on part of the Nuurstei Project area has been made but is yet to be granted. On grant expected in the 2018 financial year, the 10,000,000 shares will be issued to Xanadu.

In April 2015, Ekhgoviin Chuulu LLC paid US\$201,500 to the minority shareholder in Blackrock LLC for Ekhgoviin Chuulu LLC to increase its interest in the ECJV from 60% to 90%. A further US\$200,000 is to be paid to the minority vendor on the grant of a mining license over all of the Nuurstei Project area. The minority interest of 10% will be free carried through to production.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 25: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)**

| <b>Financial position</b>                                   | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|
|   | \$          | \$          |
| Investment in jointly controlled entity                     | 1           | 1           |
| Impairment for losses incurred in jointly controlled entity | (1)         | (1)         |
|   | -           | -           |

**Exploration Commitments**

The ECJV has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

|   | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|
|   | \$          | \$          |
| Within a year                                     | 20,439      | 50,710      |
| Later than one year but not later than five years | 28,551      | 109,652     |

**NOTE 26: NON-CONTROLLING INTEREST**

As part of the agreements with Noble Resources International Pte Ltd, following the grant of the Erdenet to Ovoot Railway concession, Noble Resources International Pte Ltd was entitled to exercise its option to acquire a 10% ownership of Northern Railways. Noble Group exercised that option in September 2015. The exploration and evaluation expenditure incurred on the Erdenet to Ovoot Railway has in previous years been, and will continue to be, impaired and as a result, the non-controlling interest has no value.

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## DIRECTORS' DECLARATION

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

1. The financial statements and notes of the Group are in accordance with the Corporations Act 2001 including:
  - a. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year then ended; and
  - b. complying with Accounting Standards and Corporations Regulations 2001.
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.
3. The financial statements and notes are in accordance with International Financial Standards issued by the International Accounting Standards Board.
4. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

This declaration is signed in accordance with a resolution of the Board of Directors.



**David Paul**  
**Managing Director**  
**28 September 2017**





Accountants | Business and Financial Advisers

## INDEPENDENT AUDITOR'S REPORT

To the members of Aspire Mining Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Aspire Mining Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Material uncertainty related to going concern*

We draw attention to Note 1(b) in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

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| Key Audit Matter   | How our audit addressed the key audit matter   |
|--|--|
| <p><b>Deferred exploration and evaluation expenditure</b><br/>(Note 10 in the annual financial report)</p> | <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group capitalises acquisition costs of rights to explore as well as subsequent exploration and evaluation expenditure and applies the cost model after recognition.</p> <p>Our audit focussed on the Group’s assessment of the carrying amount of the capitalised exploration and evaluation asset. We considered this to be a key audit matter because this is one of the significant assets of the Group. There is a risk that the capitalised expenditure no longer meets the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.</p> <p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>▪ We obtained an understanding of the key processes associated with management’s review of the exploration and evaluation asset carrying values;</li> <li>▪ We considered the Directors’ assessment of potential indicators of impairment;</li> <li>▪ We obtained evidence that the Group has current rights to tenure of its area of interest;</li> <li>▪ We tested a sample of exploration expenditures to see that it met requirements for capitalisation;</li> <li>▪ We examined the exploration budget for 2017/18 and discussed with management the nature of planned ongoing activities;</li> <li>▪ We examined the disclosures made in the financial report.</li> </ul> |

*Information other than the financial report and auditor’s report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2017, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Report on the Remuneration Report**

*Opinion on the remuneration report*

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Aspire Mining Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

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

A handwritten signature in blue ink that reads 'Norman G Neill'.

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

**Perth, Western Australia**  
**28 September 2017**