



## **ASX RELEASE**

**For Immediate Release – 30 July 2018**

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

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

- A revised drilling plan and budget has been prepared focusing on conversion of resources from inferred to indicated at Nuurstei. Budget now reduced to US\$1 million for 44 holes for a total of 5,200 metres.
- Community relations activities continued during the quarter with priority given to one-on-one visits with family groups adjacent to Nuurstei.
- A heritage survey conducted on the Nuurstei mining license showed that drilling or future mining operations will not impact burial sites in the region.
- Bulk sample of indicative coking coal returned outstanding coke oven performance results.
- Mining continued on the adjacent mining license to Nuurstei with access to coking coal now established. First coal from the site is expected to be purchased and delivered to the Erdenet rail terminal in the near term. A fixed price coal sales contract has been entered into for the first 90,000 tonnes.
- Weighbridge commissioned to support coal purchases and sales.

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

- Feasibility Study for Ovoot to Erdenet Railway re-confirms previous capital cost of US\$1.25bn plus contingency. Attractive rates of return achievable with competitive rail tariffs.
- Several important events occurred during the June Quarter to encourage trade and infrastructure investment between Russia, China and Mongolia:
  - An agreement was signed between Russia and Mongolia agreeing amongst other things to discounted rail tariffs for Mongolian coal exports through the Russian rail system.
  - The leaders of Russia, China and Mongolia held their regular annual meeting on the sidelines of the Shanghai Cooperation Organisation Conference in June 2018 and confirmed support for One Belt One Road Projects through Mongolia.

- **A Memorandum of Understanding was entered into between the Russian Federation's Tuva Republic and Northern Railways LLC to work together to support a future rail connection between the Ovoot Rail Project and the Tuvan Capital of Kyzyl.**
- **In July 2018 the Mongolian Parliament approved important amendments to the Mongolian National Rail Policy that confirm the Northern Rail Corridor extension from Erdenet – Ovoot – Arts Suuri (On Russia -Mongolia border).**

Aspire Mining Limited (ASX: AKM, **Aspire**, or the **Company**), focussed on the exploration and development of metallurgical coal assets in Mongolia and the rail infrastructure required to bring production from these assets to market, is pleased to present its Quarterly Activities Report for the quarter ending 30 June 2018.

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

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

The Company is working with local communities to keep them fully and accurately informed of the Nuurstei Project. Development activities have been re-worked with drilling to more directly meet the objectives of conversion of existing Inferred Resources into Indicated Resources. This has reduced the number of required holes to 44 for a total of 5,200 metres. The Company intends to restart drilling activities once community relations activities have gained sufficient coverage of the local community.

The Company has employed Sustainability LLC to complete a local community survey with the aim of providing information on the community attitude and level of community understanding of the Nuurstei Project in particular. This work and the Community Relations meetings being undertaken over the last few weeks will enable a good basis for negotiation of the Cooperation Agreements that will be needed to be agreed with local provinces and soums prior to the commencement of mining. This will also help in understanding the social benefits to the community with employment and training opportunities.

The Company has completed an independent and comprehensive cultural and archaeological assessment of the Nuurstei Project. This assessment has shown that anticipated mining activities would not impact identified cultural sites of significance in the region. The Company will look to carve out unnecessary land areas to the north and west of the Nuurstei coal deposit from the granted mining license areas and establish a care and management regime for these sites once mining commences.

The Nuurstei DEIA (Definitive Environmental Impact Assessment) has commenced. This will be a key Feasibility Study document and will be able to be completed once the wash plant design and selection has been completed and the mine plan approved.

Separately, the Mongolian Resource Authority (MRAM) has approved the Mongolian resource model and development plan for Nuurstei during the quarter as required once the Mining License was issued. MRAM has also issued a letter confirming that there are no competing land use applications for the Nuurstei Mining lease.

During the June Quarter, the Company received the results of an indicative Nuurstei coal bulk sample. The coal sample was put through a pilot scale coke oven in Brisbane Australia in order to provide a full

product specification. The results were exceptional and clearly puts the coal in the category of prime hard coking coal.

### **Coal Purchases and Sales**

The Company has agreed to purchase raw coal from the Mongolian Government Agency which owns and operates a coal mine adjacent to the Nuurstei Project. Mining has commenced and access to coking coal seams has been established.

The strategy is to use this coal as a proof of concept to test logistics and cost assumptions to be used in the Nuurstei Project Feasibility Study. Transport of this raw coal is along existing road and rail facilities for the delivery to export markets in China, Russia and potentially, Korea and Japan.

The Company has commissioned a weighbridge to provide tonnage assessment of coal purchased and a sales agreement has been entered into for a fixed price for the first 90,000 tonnes. Under the purchase contract the Company is assisting the Mongolian Government Agency by prepaying for coal that will be supplied over the coming quarters.

The Company has secured access to lease 20 rail wagons and has an option to acquire a further 20 wagons which will be sufficient to cover the requirement to deliver 15,000 tonnes per month of coking coal.

The Nuurstei Project Feasibility Study will be able to be finalised once the drilling results have been received and resource models updated.

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

Northern Railways LLC (**Northern Railways**), Aspire's Mongolian rail infrastructure subsidiary, is responsible for activities associated with the construction and commercialisation of the 547 km Erdenet to Ovoot Railway in northern Mongolia. The Erdenet to Ovoot Railway is a part of Mongolian Rail Policy included in the "Northern Rail" Economic Corridor, an initiative to establish an international economic corridor between China and Russia through Mongolia and supported by all three Governments to facilitate trade between the three nations and the wider Asian and European economies.

### **Feasibility Study Confirms Attractive Economics on Conservative Freight Volumes.**

While the review of the Erdenet to Ovoot Railway Feasibility Study is ongoing, the Company was able to update the market during the quarter with the key findings.

The Construction cost came in at 8.0 Bn Rmb before a 10% contingency allowance. At current Rmb : USD exchange rates this equates to approximately US\$1.25 bn, equivalent to previous prefeasibility study estimates.

Based on an assumed rail tariff of US\$3.4c/tkm the rail project has a:

- 8% after tax IRR and a 13.6% after tax return on equity.
- Equity NPV after tax at an 8% rate of return is US\$276m
- Net cash generated to equity after tax over the 30 year concession term totals US\$2.75bn.

The cost to use the rail from the Ovoot Coking Coal Project mine to Erdenet would cost US\$18.70 per tonne for the 547 km trip.

For further detail please refer to the Company's announcement on 4 June 2018.

The volume estimates underpinning the Feasibility Study do not include transit freight volumes from Russia or China.

The construction time has been assumed at 48 months assuming an early summer start to construction.

Key parts of the Feasibility Study are now being translated into Mongolian in preparation for submission into the Ministry of Roads and Transport for analysis and approval.

### **Further Support for Rail Corridor**

The June Quarter saw some significant advances for the Erdenet to Ovoot Rail Project and the Northern Rail Corridor:

- In early July, the Mongolian Parliament approved a number of significant amendments to the 2010 National Rail Policy. In 2014 the Government at the time approved amendments to this policy which included amongst other initiatives the extension of rail from Erdenet – Ovoot – Arts Suuri (on the Russian border with Mongolia). The Mongolian Parliament has now ratified these amendments.
- In May 2018 during an official visit of the Governor of the Russian Federation's Tuva Province, a Memorandum of Understanding was signed supporting a future rail connection between the Tuvan capital of Kyzyl and the Erdenet to Ovoot Railway as a means to boost trade and economic development between Russia and Mongolia.
- After a number of years of negotiation, Russia and Mongolia signed off on a rail cooperation agreement to enhance trade and transit freight within the two countries. This will allow Mongolian coal exports to access discounts on rail freight tariffs of up to 66% thereby making Mongolian exports via Russian Far East Ports a competitive proposition notwithstanding the long distances involved. Being located in the north of the Country Aspire's coking coal assets are well located to take advantage of these new Russian rail tariffs.
- In a televised interview during the Tuvan delegation's visit to Mongolia, the Mongolian Minister for Roads and Transport, Mr Bat-Erdene, noted that both the Russian and Mongolian Rail Ministries had discussed the Northern Rail Line that is anticipated to connect Ovoot to the Tuvan capital of Kyzyl. In the interview he noted that Mongolia and Russia will cooperate to export Russian coal to the South from Kyzyl through Ovoot and Russia will cooperate to see the export of Mongolian coal east to Far Eastern Ports and west to Europe.
- In early June on the sidelines of the annual Shanghai Cooperation Organisation Conference held this year in Qingdao China, the leaders of Russia, China and Mongolia met to discuss boosting tri-lateral cooperation on trade and supporting enabling infrastructure. The meeting amongst other things supported the expansion of the Mongolian central rail line to cope with expected demand pressures with container based transit freight traffic increasing 2.7 times in 2017.

## Corporate

### Cash Position

At 30 June 2018, Aspire had A\$7.5 million cash at bank.

### Debt Position

At 30 June 2018, the Company had a fully drawn US\$2.4m debt facility with Noble Group expiring on 19 August 2019. An Agreement is in place that should China Gezhouba Group provide additional funding for Northern Railways LLC, Noble Group will convert an additional US\$1m of the current debt facility into a further equity interest in Northern Railways LLC. Should China Gezhouba Group not take up its option to invest in Northern Railways, Aspire has the right to convert the US\$1m in debt owing to Noble into equity in Aspire anytime before 19 August 2019.

### Appointment of Advisor

The Company has appointed Argonaut Securities (Asia) Limited as a financial advisor to provide strategic advice. Unless varied by the parties, the engagement is for six months on normal commercial terms.

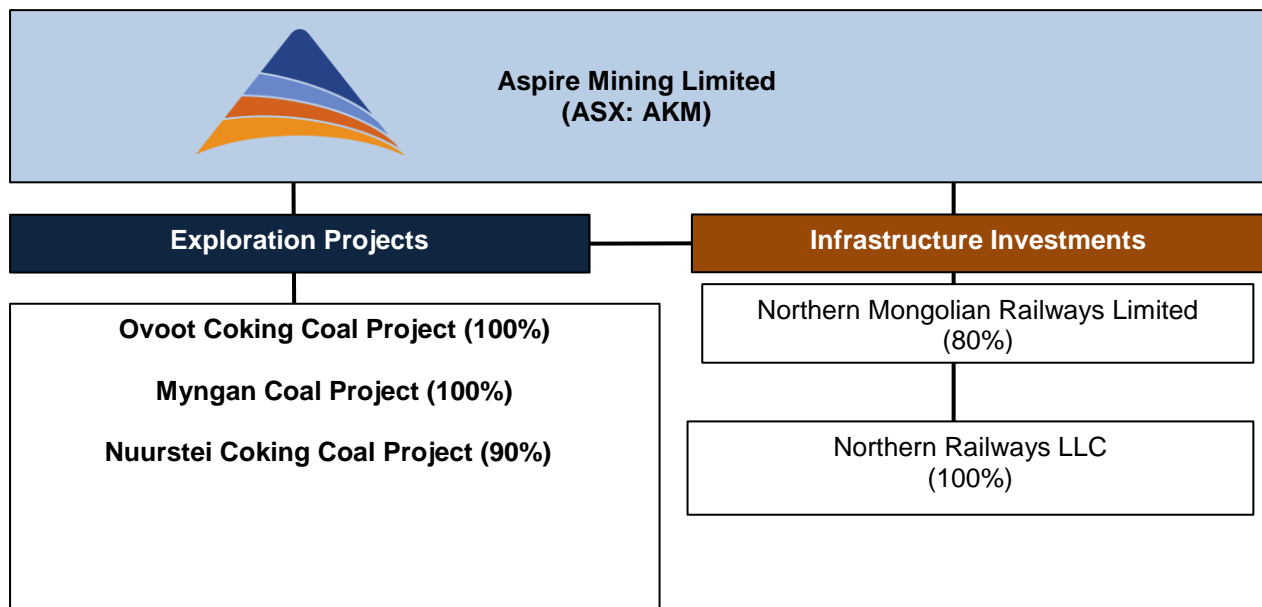
### Capital Structure at 30 June 2018

| Security   | No. on issue  |
|--|---------------|
| Quoted Ordinary Shares                                       | 2,529,223,526 |
| Unlisted Performance Rights                                  | 250,550,000   |
| Unlisted Options (2.5c expiring August and 1 September 2018) | 187,093,450   |
| Listed Options (1.8c expiring 11 December 2019)              | 688,786,052   |

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

| Tenement                            | Location | Attributable Equity |
|-------------------------------------|----------|---------------------|
| <b>Ovoot</b><br>MV017098<br>017003X | Mongolia | 100%<br>100%        |
| <b>Hurimt</b><br>14510X<br>14637X   | Mongolia | 100%<br>100%        |
| <b>Myngan</b><br>17922X             | Mongolia | 100%                |
| <b>Nuurstei</b><br>MV-020941        | Mongolia | 90%                 |

## Group Investment Structure



**-Ends-**

**Forward-looking statements:** This announcement contains certain “forward-looking statements”. The words “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan”, “consider”, “foresee”, “aim”, “will” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on capital expenditure, operating expenditure and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Aspire and Northern Railways.

### **About Aspire Mining Limited**

Aspire Mining Limited is listed on the ASX (ASX: AKM) with mining and exploration licences in Mongolia’s Northern provinces and is focused on identifying, exploring and developing quality coking coal assets.

### ***Ovoot Coking Coal Project (100%)***

Aspire is also the owner of the world class Ovoot Coking Coal Project (Ovoot Project). The full realisation of the Ovoot Project is dependent on the construction of the Erdenet to Ovoot Railway which is being progressed by Northern Railways LLC (Northern Railways). However, road based transport options for Ovoot coal are being investigated as part of the pre rail development activities.

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

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

The close proximity of the Nuurstei Project to existing infrastructure (town, road, rail and services) provides an excellent opportunity to assess the economics of a road-based operation prior to the construction completion of the Erdenet to Ovoot Railway.

Depending on the further analysis of the results of the intended 2018 drilling program, future positive economic studies, funding and the grant of necessary approvals and licenses, the Nuurstei Project could commence a road based production operation and in future access the Erdenet to Ovoot Railway.

### **About Northern Railways LLC**

Northern Railways LLC (Northern Railways) is a Mongolian registered rail infrastructure company mandated to pursue the development of the Erdenet to Ovoot Railway, and is supported by a consortium consisting of Aspire Mining, China Gezhouba Group Construction International Ltd (CGGC) and subsidiaries of Fortune 500 listed China Railway Construction Corporation – China Railway 20 Bureau Group Corporation (CR20G) and China Railway First Survey & Design Institute (FSDI).

The Erdenet to Ovoot Railway extends 547 km between the town of Erdenet to Aspire's Ovoot Project, which connects northern Mongolia to China and international markets. In accordance with Mongolian National Rail Policy, the Erdenet to Ovoot Railway is a multi-user rail line and will be available for the transport of bulk materials, agricultural and general freight from the region to export markets including China, Russia and seaborne markets.

The Erdenet to Ovoot Railway will play an important part in the establishment of a new Northern Rail Economic Corridor through Mongolia, the subject of a trilateral programme agreed by the governments of China, Russia and Mongolia. This Economic Corridor through Mongolia links closely with Chinese policies to establish a New Silk Road to improve Euro-Asian trade, and Russia's policy of establishing a Euro-Asian economic zone.

In August 2015, Northern Railways was granted an exclusive 30 year concession by the Mongolian Government to build and operate the Erdenet to Ovoot Railway. Northern Railways is now awaiting the required funding to complete all remaining conditions precedent for the Rail Concession including secured access to funding.

In October 2017 Northern Railways entered into a binding contract with China Gezhouba Group Corporation (CGGC) to complete the Bankable Feasibility Study for the Erdenet to Ovoot Railway and provide CGGC with an opportunity to fund Northern Railways LLC to complete the rail concession and funding conditions precedent for additional equity in Northern Railways LLC..

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

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

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