

## ASX RELEASE



**For Immediate Release – 7 November 2019**

# **Ovoot Early Development Plan (OEDP) Extended Case Update to Pre-Feasibility Study (PFS) Mine Plan and Costs**

## **Highlights:**

**The updated OEDP PFS Extended Case delivers improved financial outcomes:**

- **Recent mining contractor quoted rates have reduced mine gate costs per tonne by 19% from US\$32.80/t down to US\$26.40/t over the life of mine.**
- **Lower mining costs and deferred capitalised waste removal delivers a 34% reduction in the required up-front capital investment from US\$47 million down to US\$31 million.**
- **Logistics costs based on current contractor quotes essentially re-confirm cost estimates provided in the PFS.**
- **C1 cash costs fall from US\$83/t to US\$76/t for coal delivered to the China border.**
- **The combination of the above amendments increases the OEDP's pre-tax NPV<sub>10</sub> to US\$878 million, a rise of US\$120 million with all other assumptions remaining constant. The pre-tax internal rate of return increases to 49.4%.<sup>1</sup>**
- **Aspire shareholders to vote on A\$33.5 million share placement to the Company's largest shareholder, Mr Tserenpuntsag, in Perth on 29 November 2019. Independent expert BDO has concluded that the placement "not fair but reasonable" to shareholders and the Non-Aligned Directors<sup>2</sup> continue to unanimously recommend that shareholders support the Placement to Mr. Tserenpunstag in the absence of a superior proposal.**

<sup>1</sup> Unless otherwise stated, all financial numbers in this announcement are in US\$ and are not subject to inflation or escalation factors. NPV and cashflow numbers quoted exclude contingencies. Mining and process engineering designs for the OEDP PFS were developed to support capital and operating estimates to an accuracy of +/- 25% and +/- 15% respectively. Key assumptions that the PFS is based are outlined in the 1 March 2019 ASX Announcement and in the body of this announcement. Aspire has concluded it has a reasonable basis for providing the forward looking statements in this announcement.

<sup>2</sup> Aspire Directors other than those nominated by Mr. Tserenpuntsag  
Aspire Mining Limited

Leading pure-play metallurgical coal project developer, Aspire Mining Limited (ASX: AKM, the **Company** or **Aspire**), is pleased to provide mine plan and cost updates for the Ovoot Early Development Plan (**OEDP**) Extended Case.

As announced on 28 February 2019 and 1 March 2019, the Company received the results of a PFS for the first-stage Ovoot Early Development Plan by first constructing a haul road able to deliver up to 4 million tonnes per annum (**Mtpa**) of coking coal to the nearest rail head at Erdenet.

As previously announced, delivery of the OEDP remains subject to receipt of the necessary approvals to complete the Definitive Feasibility Study (**DFS**) and proceed to construction and mining. The DFS continues to be delayed due to continuing delays in receiving these necessary approvals from the local community level to complete infill and other technical drilling required to complete the DFS. Notwithstanding these ongoing delays, the Company is progressing with other components of the DFS including updating mining costs, the mine schedule and logistics costs.

## Summary of Key OEDP PFS Extended Case Updates & Revised Outcomes

### 1. Updated Mine Plan

As reported in the June 2019 Quarterly Report, Aspire has optimised a rescheduled start-up mine plan whereby initial waste removal is deferred until years 2 and 3 of mining operations. Total mined volumes of waste and coal remain the same.

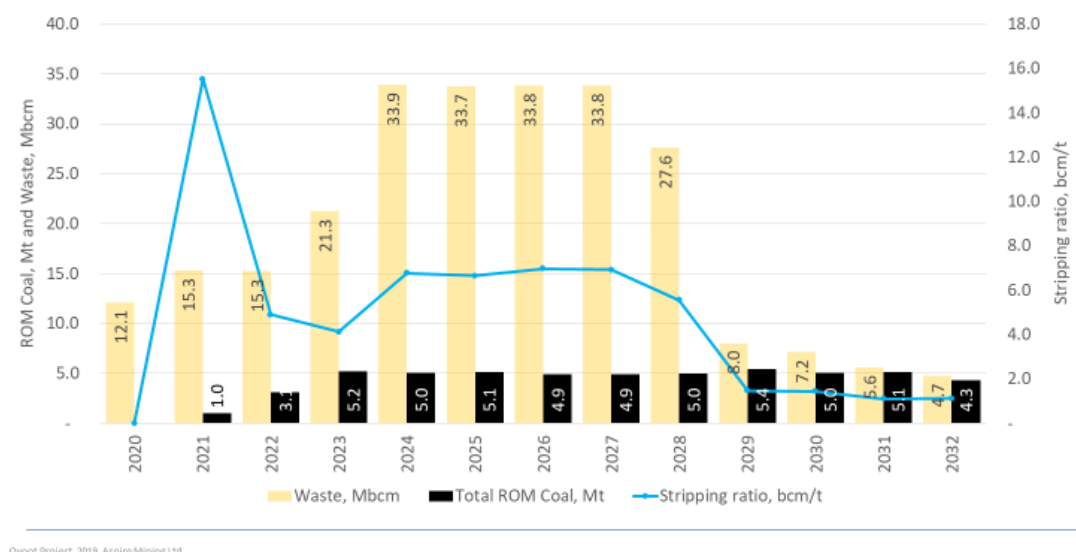


Figure 1 : Annual Mine Schedule.

### 2. Updated Operating Costs

The Company has provided the updated mine schedule to local mining contractors and received firm mining cost quotes. These quotes have been used in developing an updated financial model. All other assumptions used in the PFS have been maintained including yield assumptions and pricing. The Company is not aware of any new information that materially affects these other PFS inputs and assumptions.

The Company has used consultants to reassess current logistics cost estimates to a degree of accuracy of +/- 10%. These new estimates have essentially reconfirmed transport costs from the Ovoot Mine to the Mongolia/China border at Erlian. The marketing assumption that 100% of the production will be sold into China through the Erlian border has been maintained.

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

**Table 1 : Physical and operating cost assumptions.**

### 3. Updated Mine Pre Strip Estimates

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

The mine capital expenditure is made up of:

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

**Table 2: Summary Mine Capital**

Road capital expenditure estimates of US\$165 million remains subject to the final alignment approval and the completion of a definitive engineering study.

#### 4. Financial Impact of Updated Mine Plan and Costings

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

**Table 3 : OEDP Financial Outcomes**

The above financials assume a fixed US\$150/t coking coal sale price at the China\Mongolian border. Coking coal prices have reduced over the last three months with seaborne pricing for hard coking coal falling to US\$ 141/t CFR Jintang Port China (Metal Bulletin 1 November 2019). Domestic coking coal spot pricing based on SX Coal data is approximately US\$160 – US\$170/t net of VAT on a delivered basis which equates to US\$130 – US\$140/t at the China\Mongolia border.

The before tax NPV<sub>10</sub> and IRR sensitivities based on a range of prices demonstrate the robustness of the OEDP Extended Case as set out in the table below:

Price	US\$160/t	US\$150/t Assumed for OEDP PFS	US\$140/t	US\$130/t
Pre Tax NPV10	US\$1,066m	US\$878m	US\$672m	US\$466m
Pre Tax IRR	56.8%	49.4%	41.0%	32.2%

**Table 4 : OEDP Financial Outcomes across a range of prices**

While it is encouraging to see higher financial returns given lower forecast mining costs, further mine development is still subject to gaining local community support and execution of a Community Development Agreement.

## Community Benefits

The Company has completed detailed modelling of the community benefits of the OEDP based on the OEDP Extended Case and a fixed US\$150/t price. While the OEDP workforce will grow to 450, adding additional indirect employment opportunities for the OEDP Project to generate over 1200 new jobs with a total investment of US\$275 million. Taxes and fees payable by the project over its first 10 years of operations are expected to be over US\$850 million with US\$33 million going directly to the local community.

**Aspire's Executive Chairman David Paull commented:** *"The updates to the OEDP PFS demonstrate the value Aspire intends to deliver for all shareholders from Ovoot's first-stage development. Ovoot remains a world-class coking coal project and Aspire is committed to working with all levels of Mongolia's government and the community to achieve the necessary approvals for us to finalise the OEDP DFS. Having a Mongolian partner to help Aspire achieve our ambition of delivering substantial value for all shareholders is paramount and we are delighted with the ongoing support from our largest shareholder, Mr Tserenpuntsag. This is why Aspire's Non-Aligned Directors have unanimously recommended that Shareholders vote in favour of the \$33.5 million Share Placement to Mr Tserenpuntsag at our AGM in Perth on 29 November".*

**ENDS**

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## **Ovoot Coal Reserves and Resources**

The technical information and competent persons statements for the Ovoot Coal Reserves and Resources are reported in the Company's ASX announcements dated 2 November 2012, 31 July 2013 and 30 January 2014 (December 2013 Quarterly Activities Report) which are available to view on the Company's website and the ASX announcements platform. The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcements, and that all material assumptions underpinning the estimates continue to apply and have not materially changed.

## **OEDP Pre-Feasibility Coal Reserves**

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

## **Forward Looking Statements**

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

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

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

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

## **About Aspire Mining Limited**

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

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

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

## **About Northern Railways LLC**

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

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

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. CGGC has completed a Bankable Feasibility Study for the Erdenet-to-Ovoot Railway. A capacity guarantee from the operators of the Mongolian railway network is required by CGGC to progress further funding.