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## ASX RELEASE

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### **Aspire MD talks about development progress at Ovoot**

Aspire Mining Limited (ASX: AKM, the “**Company**” or “**Aspire**”) is pleased to provide its shareholders with a progress update, by way of a video interview with Aspire’s Managing Director, David Paull, following recent Company announcements in relation to commercialisation activities for its wholly owned Ovoot Coking Coal Project (“**Ovoot Project**”) located in northern Mongolia.

The video interview conducted by Finance News Network (“**FNN**”) can be viewed by accessing the below link:

<https://www.finnewsnetwork.com.au/MediaCenter/MediaCenter.aspx?Site=FNN309>

A transcript of the interview is provided below.

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#### **Transcription of Finance News Network Interview with Aspire Mining Limited (ASX: AKM) Managing Director, David Paull**

**Lelde Smits:** Hello I’m Lelde Smits for the Finance News Network and joining me today from Mongolian focused coking coal developer, Aspire Mining Limited (ASX:AKM) is its Managing Director, David Paull. David welcome to FNN.

**David Paull:** Thank you.

**Lelde Smits:** Aspire Mining’s wholly-owned Ovoot Coking Coal Project has achieved a number of milestones over the past few months. Could you detail the highlights?

**David Paull:** Yes certainly. We’ve had a increase in our reserves, we’ve increased it some 40 million tonnes and increased our mine life to around 21 years<sup>1</sup>. So it’s a very significant project. It’s actually the second largest<sup>2</sup> in the country of Mongolia, the largest project being Tavan Tolgoi which the Government currently owns. And that’s actually the second most important item we’ve identified, is that we have this terrific ability to blend our coal with non-coking coals from Tavan Tolgoi<sup>3</sup>. So we’ve actually become very important to the country. I think it’s a very important thing to understand. We’ve got the second largest coal deposit, the only large coal deposit in the north of the country. And we’ve also found ourselves to be very valuable to the development of Tavan Tolgoi.

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<sup>1</sup> Refer ASX Announcement dated 31 July 2013 for full JORC Compliant Coal Resource and Reserve Statement and Competent Persons Statement.

<sup>2</sup> Based on Mongolian project coking coal reserves.

<sup>3</sup> Refer ASX Announcement dated 29 July 2013. Ovoot coking coal when blended on a 50:50 basis with non-coking coal samples taken from Tavan Tolgoi, resulted in a blended coking coal product.

The third most important thing I think is an understanding of the value of our coal in the Chinese market. It's a deep market; it uses around 100 million tonnes per annum of fat coal<sup>4</sup>, which is the type of coking coal that we would produce<sup>5</sup>. The Chinese have been using this coal for many years to blend, to upgrade coals and we've demonstrated this with Tavan Tolgoi. They've been doing it for 100 years and that's why this particular coal is attractive.

**Lelde Smits:** Now the Company recently announced a significant reduction in CAPEX from about half a billion dollars to US\$144 million. What were the reasons behind cutting costs and how will you achieve the savings?

**David Paull:** Well, every company is obviously looking to reduce capital, so it's a very important tick in this climate. We're fortunate to be able to identify these savings and I guess it goes back to those previous successes we've had over the last few months. We were able to identify in the resource, a significant amount of what we call bypass coal, that's coal that doesn't need to be washed and goes directly to customers<sup>6</sup>. That's in the first few years and that's important, because it means you don't have to build as much washing capacity, in the first few years. So that's one saving in capital.

Two - we looked at how we could develop the planned railway directly to the Ovoot project itself, without having an interim phase where you had to have a long haul road. By delivering the railway directly to Ovoot at day one, we were able to drop another US\$100 million of capital off the road. I guess the other point to note is that rail is one third the cost of transport to road. So we could reduce our costs through having rail directly to the mine site to start with, and that offset to a degree the higher costs from using a mining contractor.

**Lelde Smits:** And David, how do you see the mine capital being funded?

**David Paull:** There are three sources of funding we can identify right now. One is with the mining contractor itself<sup>7</sup>, because a large portion of that US\$144 million is a pre-strip to get down to the top of coal. The next part is the wash plants themselves and we've identified potential export credit agency<sup>8</sup> supported funding, for between US\$40 and US\$50 million to fund all of that capital. So that would be obviously a major tick. And the third source is the Noble Group, they're currently 15 percent shareholders and we have an existing working capital facility with them<sup>9</sup>.

**Lelde Smits:** Now Aspire's development strategy relies heavily on the construction of the Northern Rail Line, the extension of the Trans-Mongolian Railway from Erdenet to Ovoot. How are these plans progressing and what levels of interest are there in the railway?

**David Paull:** Look there's considerable interest in the railway, mainly because it's a well-developed project; it's one that's development ready. And the Mongolian Government's certainly looking for new projects to boost economic growth in the country. We've got it to pre-feasibility study stage and we're, as I said, ready for development. We'll now, once we get a rail concession and various Government approvals to construct, we'll then entertain EPC contract proposals. And we're looking for those proposals that give us tied funding as well. That can come from export credit agencies or development banks. We have identified and have held early discussions with several suitable international EPC Infrastructure Contractors and even some potential financiers for Northern Railways. These initial

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<sup>4</sup> Shanxi Fenwei Energy Consulting, China Coal Resource.

<sup>5</sup> Refer ASX Announcement dated 18 February 2013.

<sup>6</sup> Refer ASX Announcement dated 13 August 2013.

<sup>7</sup> In preliminary discussion with two international mining contractors.

<sup>8</sup> Letters Of Intent received by Deutsche Bank and BHF Bank. Refer Announcement dated 13 August 2013.

<sup>9</sup> Working capital facility nominal value is for US\$20million which would be used to support an initial mining operation. Refer ASX Announcements dated 10 January and 13 August 2013.

discussions can be further progressed once we receive the grant of a rail concession, which we are happy with the reception and progress of this so far<sup>10</sup>.

We also have as another source of funding, the Noble Group who has agreed to fund up to 10 per cent of the total capital of the project<sup>11</sup>. So that combined with export credit agency and development bank money, could contribute between 50 and 70 percent of the total funding package<sup>12</sup>.

**Lelde Smits:** So David if we consider both the Ovoot project and the Northern Rail Line. What does the timeline look like for both these projects?

**David Paull:** Well the critical path for us is the railway. So if we're able to achieve a rail concession and a funding package by the end of 2013, we could be in production in 2017. That's an aggressive target, but it's certainly one that's possible<sup>13</sup>. From the mine site point of view, a mine could be created within 18 months of turning soil. So for us, it's really a three-year construction window for rail which drives our timeline.

**Lelde Smits:** There are many perceptions about Mongolia; one is that Aspire will be forced to take a discount at the China border. Could you explain the situation regarding sales in China and what Aspire is doing to reduce the risk?

**David Paull:** There is certainly something called the Mongolian coal discount, and it's driven by a couple of factors. One is that most of the coal shipped from Mongolia is unwashed. So there's no product quality, no product quality control, no brand you could market, so that inherently means a discount. And the other factor is that the infrastructure defines the market area where coal ends up. So it's a very small area that you can actually access, so therefore, there is this coal discount.

For us, we're in the north of the country and we have a decision point. Once we access the Trans-Mongolian Railway, we can either go north or south and therefore, that provides us with a degree of negotiability. We can negotiate pricing, infrastructure costs etc. with that optionality. And I think the optionality is something that our Mongolian competitors in the south, just don't have.

**Lelde Smits:** And what about the Trans Mongolian Railway - does it have the capacity to handle the Company's volumes?

**David Paull:** It does have capacity heading north into Russia, because there're very little Mongolian products heading north along the line. There is limited capacity heading south at the moment, but there are certainly plans in place for significant expansions of that railway. There's pressure not just from the Northern Rail Line and Ovoot Coking Coal Project, but certainly from other iron ore projects in the north for increased capacity. And another important point to make is that increased capacity means lower tariffs.

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<sup>10</sup> Refer Quarterly Activities Report for period ending June 2013. Aspire is currently in discussions with the Mongolian Ministry of Roads and Transport.

<sup>11</sup> Refer ASX Announcement dated 10 January 2013. Noble have an option to acquire 10% equity in Northern Railways LLC.

<sup>12</sup> Total rail capex estimate if US\$1.3billion to be sourced by Northern Railways LLC. Refer ASX announcement dated 10 April 2013.

<sup>13</sup> Timing of grant for a rail concession is dependent on the Government of Mongolia and outside of the control of Aspire Mining. Refer section "About Aspire" at the end of this announcement for further commentary.

**Lelde Smits:** Mongolia's political situation is often in the headlines, along with Rio Tinto's (ASX:RIO) Oyu Tolgoi copper and gold mine. How does Aspire fit into this environment and what is your view on the country's approach to foreign investment?

**David Paull:** Sure. Look I know Mongolia gets a bad rap perception-wise for foreign investment, particularly all the news around the Oyu Tolgoi development and investment agreement. That's a pretty specific unique situation, the Government does own 34 per cent of Oyu Tогоi and is contributing partner for what is a massive, massive project.

For us, look we're 100 per cent owned. As I mentioned earlier in the interview, we've identified a way for us to 100 per cent fund our development<sup>14</sup>. So we're in quite a different situation. For us, we find that the Government and the economy of Mongolia are very dependent on foreign direct investment. And that's a good thing, because it means they need to attract it and create an environment to attract it.

**Lelde Smits:** And David, how important is the development of the Ovoot project and Northern Rail Line to the people of Mongolia?

**David Paull:** It's very important, because the Ovoot project is in the north of the country and that's an area that has not had any resource development at all. All the developments you hear about in Mongolia are all in the south. So that's very important, there're a lot of people that live up in that part of the world as well, which would benefit. Most of the investment relating to our project of course, is relating to a railway which will support it. Now the railway will be there long after the mine is finished. It's a long term piece of infrastructure, it'll benefit the people in the area, it'll benefit agriculture, tourism and manufacturing. So it's a multi-faceted benefit for the country.

**Lelde Smits:** Finally David, what is Aspire Mining hoping to achieve over the next 12 months?

**David Paull:** One is to continue building momentum within the marketplace for our coal<sup>15</sup>. We've had a terrific start; we're looking to continue with that. Rail is then very important for us – initially a rail concession from the Government, which provides all the approvals and permit packages that we need. And then towards the end of this year, discussing with the potential EPC contractors to build and include a funding package associated with that. If we can start putting that away, I think there would be enormous value seen for our current shareholders. And then after that, it's really an exciting period of pushing towards construction and development.

**Lelde Smits:** David Paull, thank you for the update on Aspire Mining.

**--Ends--**

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<sup>14</sup> Based on initial mine development for US\$144million. Refer ASX Announcement dated 13August 2013.

<sup>15</sup> Non-binding MOU's for purchase up to 5.6Mtpa of Ovoot coking coal have been signed with potential Chinese customers. Refer ASX Announcement dated 10 July 2013. It is Aspire's intention to convert these non-binding MOU's into binding MOU's once clarity on the grant of a rail concession is received. Other interest for the potential purchase of Ovoot coking coal is being followed up with potential customers located in Eastern Europe, Japan, Korea, Taiwan and China.

## About Aspire Mining Limited

Aspire is listed on the ASX (Code: AKM) and owns 100% of the Ovoot Coking Coal Project in northern Mongolia. Aspire completed a Pre-Feasibility Study (PFS) for the Ovoot Project in May 2012, a PFS Revision in December 2012 and was granted its Mining Licence in August 2012. Aspire is targeting first production of 5Mtpa at the Ovoot Project in 2017 subject to funding, approvals, licenses and construction of rail infrastructure. Aspire's wholly owned subsidiary Northern Railways LLC is currently continuing to progress the development of railway which will connect the Ovoot Project directly to the existing Mongolian rail network.

Aspire's development timeline for its Ovoot Project relies primarily on i) the provision of a rail concession and other approvals from the Government of Mongolia for Northern Railways to build-own-operate the Northern Rail Line, connecting the Ovoot Project to the Trans-Mongolian Railway at Erdenet; and ii) financing of the Northern Rail Line. The timing with respect to the grant of a rail concession is outside of the control of Aspire Mining. Certain activities to further progress the Ovoot Project and Northern Rail Line development, and which will follow the grant of the rail concession, include the completion of bankable feasibility studies to support definitive financing negotiations. The Company's development timeline to achieve first production by 2017 is indicative and contingent on the grant of a rail concession by the end of 2013.

## About Northern Railways LLC

Northern Railways LLC is the Mongolian registered rail infrastructure subsidiary of Aspire Mining Limited, established as the entity to focus on developing railway infrastructure in northern Mongolia.

Northern Railways is in charge of the advancement of an extension to the existing Trans-Mongolian Railway of approximately 595 kilometers from the current terminus at Erdenet through to the Ovoot Coking Coal Project ("**Northern Rail Line**"), thereby connecting the northern Mongolian Khuvsgul, Bulgan, and Orkhon provinces to the existing Trans-Mongolian rail network. In accordance with Mongolian National Rail Policy, the multi-user rail line will be available for the transport of bulk materials, agricultural and general freight and passengers from the region to export markets including China, Russia and seaborne markets.

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