ASPIRE MINING LTD

ABN 46 122 417 243

# INTERIM FINANCIAL REPORT

## 31 DECEMBER 2012

# CORPORATE INFORMATION

## Directors

David McSweeney (Non-Executive Chairman)
David Paull (Managing Director)
Neil Lithgow (Non-Executive Director)
Mark Read (Non-Executive Director)
Andrew Edwards (Non-Executive Director)
Sado Demchigsuren Turbat (Non-Executive Director)
Ross Tromans (Non-Executive Director)

## Company secretary

Philip Rundell

## Registered office and Australian principal place of business

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SUBIACO WA 6008
Telephone: (08) 9287 4555
Fax: (08) 9388 1980
Email: info@aspiremininglimited.com

**Principal place of business Mongolia**
Sukbaatar District, 1st Khooro
Chinggis Avenue-8,
Atai Tower, 3RD Floor, Room 302
ULAANBAATAR

## Share register

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333

## Solicitors

Corrs Chambers Westgarth Lawyers
Level 15, Woodside Plaza
240 St Georges Terrace
PERTH WA 6000

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

## Bankers

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

## Auditors

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

*Mongolia*
Deloitte Onch LLC
6th Floor, Gurvan Gol Holding Company Building
Sukhbaatar District, 1st Horoo, Ulaanbaatar

## Securities Exchange Listing

AKM

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# DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2012. 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 interim period and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

| | |
|---|---|
| David McSweeney | Non-Executive Chairman |
| David Paull | Managing Director |
| Neil Lithgow | Non-Executive Director |
| Gan-Ochir Zunduisuren | Non-Executive Director (resigned 26 September 2012) |
| Tony Pearson | Non-Executive Director (resigned 6 November 2012) |
| Mark Read | Non-Executive Director |
| Andrew Edwards | Non-Executive Director |
| Sado Demchigsuren Turbat | Non-Executive Director (appointed 26 September 2012) |
| Ross Tromans | Non-Executive Director (appointed 30 November 2012) |

## Operating Results

The loss of the consolidated entity for the half-year after income tax was $4,854,946 (2011: $1,840,922) after write-off of exploration expenditure of $1,623,863 (2011: $82,528) incurred on projects other than the Ovoot Coking Coal Project and share based payments of $208,370, being the book value ascribed to Performance Rights issued in the period (2011: $nil).

## Review of Operations

The Company has four exploration projects in Mongolia, three of which are focussed on coking coal (Ovoot Coking Coal Project, Nuramt Coal Project, and Jilchigbulag Coal Project) and one focussed on iron ore (Zavkhan Iron Ore Project).

The Company decided to surrender the Western Australian Windy Knob tenements which were held in joint venture with ASX listed Emu Nickel NL, of which Aspire held a 49% interest.

## Ovoot Coking Coal Project (100%)

### Exploration Update

The Ovoot Coking Coal Project ("Ovoot Project") comprises three tenement areas spanning across 509km$^2$ including the current Coal Resource area, Hurimt and Zuun Del.

# DIRECTORS' REPORT

## Review of Operations (continued)

Exploration potential of the Ovoot Basin remains high following coal intersections at drill holes DH335 and ZD001 (refer Figure 1). Further exploration drilling across this 25 km open area between DH355 and ZD001 will be the subject of future exploration programmes.

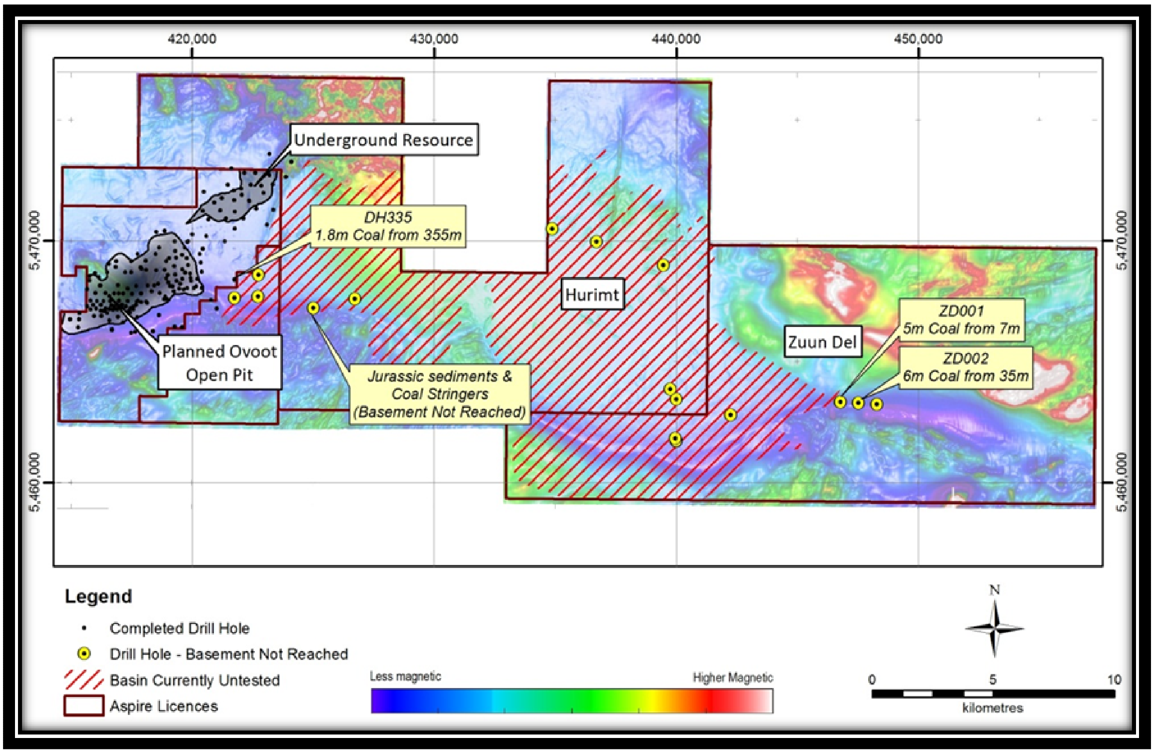


*Figure 1: Ovoot Project Basin*

### JORC Resource & Reserve Statement

During the period, the Company announced an upgrade to the Ovoot JORC Compliant Coal Resource now totalling 257 Mt (156Mt Measured, 86Mt Indicated, and 15Mt Inferred). Ovoot Coal Reserves were also updated during the period to 219Mt (refer Table 1).

| Reserves | Coal Reserve (adb) ROM Mt | Coal Reserve (arb, 2% Moisture) ROM Mt | Marketable Coal Reserve (arb,8.5% Moisture) Mt |
|---|---|---|---|
| Probable – Open Pit | 208 | 211 | 174 |
| Probable – Underground | 8 | 8 | 6 |
| **Total** | **216** | **219** | **180** |

*Table 1: Ovoot Coking Coal Project Reserve Estimate (Nov 2012)*

### Grant of Mining Licence

In August 2012, Aspire was awarded Mining Licence MV 017098 from the Mongolian Resource Authority covering 5,758 hectares of the Ovoot Project which includes the planned open pit and underground mining areas.

# DIRECTORS' REPORT

## Review of Operations (continued)

Aspire is investigating a small scale pre-rail, road based operation which could see up to 1 Mtpa Ovoot Project coking coal being hauled by road and placed on rail at Erdenet prior to commencement of the intended large scale project producing up to 12 Mt per annum.

### Pre-Feasibility Study Revision & Underground Mining Study

A Revised Pre-Feasibility Study ("PFS Revision") to that completed in May 2012, was received by the Company during the period. The PFS Revision was completed by Xstract Mining Consultants Pty Ltd ("Xstract") and based on an owner miner model, comprising a large scale open pit and underground mining operation (refer Figure 2).

The Ovoot Project is capable of delivering up to 14 Mtpa Run of Mine material ("ROM") from the open pit and 0.75 Mtpa ROM from the small underground operation over a 20 year Life of Mine ("LOM"). Under the PFS Revision, total marketable coal produced over LOM is 184Mt of quality coking coal which includes 5mt of inferred Coal Resources to be mined from the open pit.

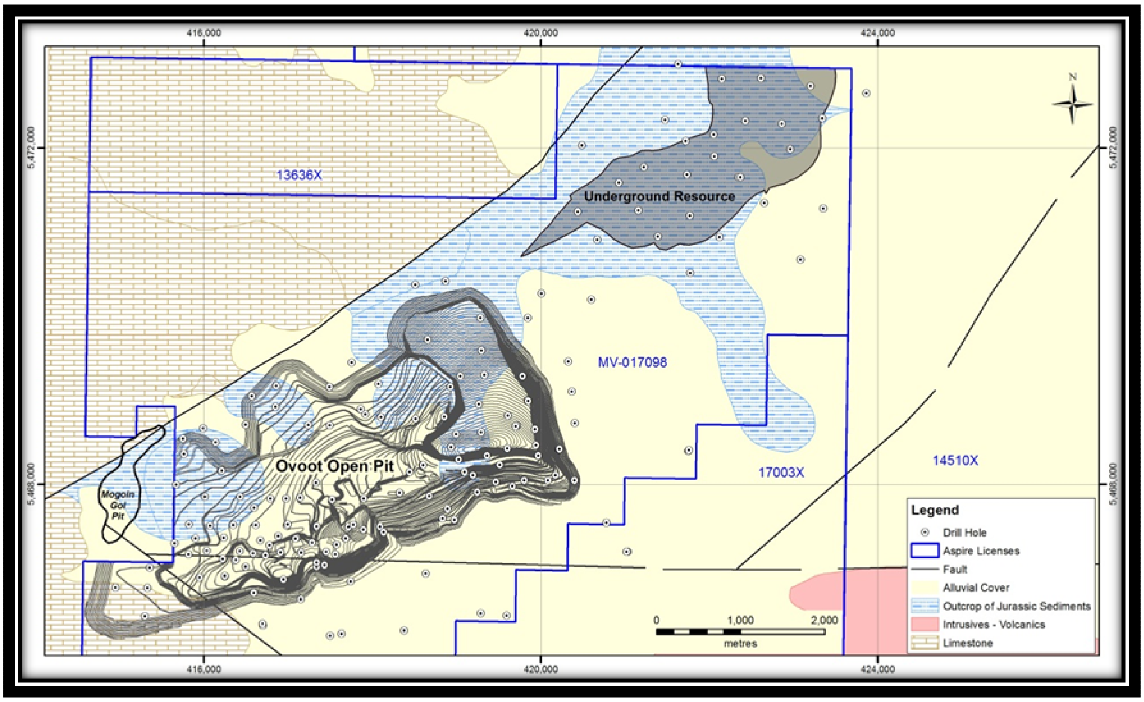


***Figure 2: Ovoot Coking Coal Project Revised Open Pit and Underground Coal Resource Area, Outline of Mining Licence***

The PFS Revision confirmed the robustness of the Ovoot Project as shown in its economics which highlights a low ex-mine gate operating cost of just US$36 per product tonne, net cash surplus after tax of US$8.3 billon[Note1], and $NPV_{12}$ of US$1.7 billion[Note2].

Note 1: Life of mine capital investment includes the Ovoot Project Stage 1 and Stage 2 capex estimates totalling US$1.2 Bn plus contingencies (of which US$528.1m is for the purchase of mining fleet), rail construction costs to connect the Ovoot Project to Point 'A ' (the Alternative Southern Alignment), capital expenditure for the underground mine, and maintenance capital required over LOM. Detailed breakdown of capex estimates can be reviewed in the Company Announcement dated 6 December 2012.
Note 2: Based on long term average coking coal price of US$200/t in 2012 real dollars and total LOM capex of US$2 Bn including open pit and underground, Phase 2 rail, maintenance and contingencies.

# DIRECTORS' REPORT

## Review of Operations (continued)

### Rail Infrastructure

Aspire's Mongolian rail infrastructure subsidiary, Northern Railways LLC ("Northern Railways"), is progressing the completion of a Revised Rail Pre-Feasibility Study ("RPFS Revision") over an alternative southern alignment identified by Calibre Rail as a superior alignment to that in the original Rail Pre-Feasibility Study competed in February 2012 (refer Figure 3). The RPFS Revision is expected to deliver lower capex and opex estimates for the Erdenet to Ovoot rail line ("Northern Rail Line") which will extend the Trans-Mongolian railway from its current terminus at Erdenet through to the Ovoot Project. The RPFS Revision is expected to be completed in the March 2013 Quarter.

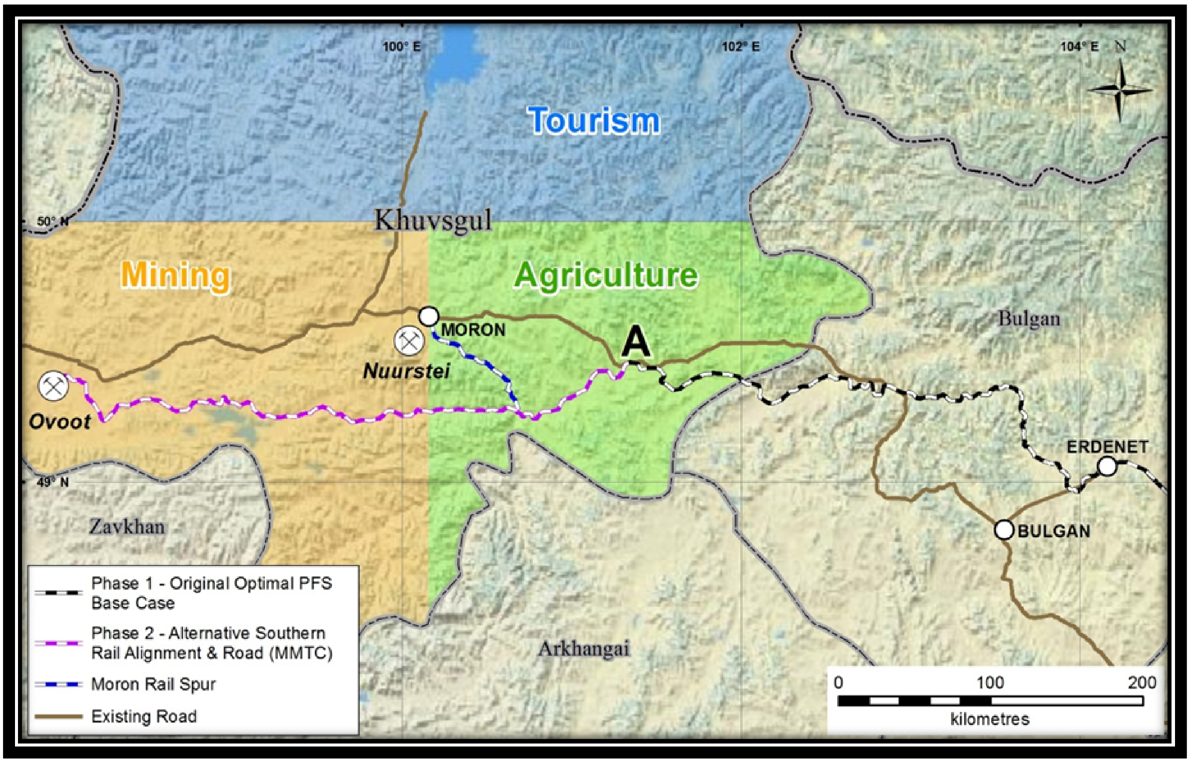


***Figure 3: Northern Railways Erdenet – Ovoot Rail Alignment***

### Noble Support for Ovoot Coking Coal Project Port and Rail Solutions

The Company concluded several Agreements in January 2013 (together the "Agreement") with the Noble Group ("Noble") covering a comprehensive package of initiatives to progress the development of the Ovoot Project by assisting to attain access to rail and port capacity, initial mine and rail pre-development funding and coal marketing.

Noble have agreed to offer support for Northern Railways to assist with pre-development expenditures associated with completing the necessary assessment required by the Government of Mongolia.

### Community Relations

Aspire completed its 2012 Scholarship programme granting scholarships to four students to commence their studies at a Mongolian University.

Donations from the Company made during the period saw both the completion of construction of the new Tsetserleg Hospital and renovations to the Mogoin Gol Health Clinic.

# DIRECTORS' REPORT

## Review of Operations (continued)

## Extension of SouthGobi Strategic Alliance

During the period, Aspire received confirmation of an extension to the Strategic Alliance with SouthGobi through to 12 February 2015.

SouthGobi is 57% owned by Turquoise Hill Resource Ltd (formerly Ivanhoe Mines Ltd) which in turn is 51% owned by Rio Tinto Limited.

Under the Strategic Alliance originally entered into in October 2010, SouthGobi will provide to Aspire:

- Technical and other assistance to further the development of the Ovoot Coking Coal Project;
- Assistance and advice in relation to governmental and regulatory issues; and
- Assistance with the sourcing of funding for the Northern Railways rail link from the Ovoot Project to connect with the trans-Mongolian Railway at Erdenet.

***Competent Persons Statement***

*In accordance with the Australian Securities Exchange requirements, the technical information contained in this announcement in relation to the JORC Compliant Coal Reserves and JORC Compliant Coal Resource for the Ovoot Coking Coal Project in Mongolia has been reviewed by Mr Ian De Klerk and Mr Kevin John Irving of Xstract Mining Consultants Pty Ltd.*

*The Coal Resources documented in this release are stated in accordance with the guidelines set out in the JORC Code, 2004. They are based on information compiled and reviewed by Mr. Ian de Klerk who is a Member of the Australasian Institute of Mining and Metallurgy (Member #301019) and is a full time employee of Xstract Mining Consultants Pty Ltd. He has more than 20 years' experience in the evaluation of coal deposits and the estimation of coal resources. Mr. de Klerk has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify him as a Competent Person as defined in the JORC Code, 2004. Neither Mr. de Klerk nor Xstract have any material interest or entitlement, direct or indirect, in the securities of Aspire Mining Limited or any companies associated with Aspire Mining Limited. Fees for work undertaken are on a time and materials basis. Mr. de Klerk consents to the inclusion of the Coal Resources based on his information in the form and context in which it appears.*

*The Coal Reserves documented in this release are stated in accordance with the guidelines set out in the JORC Code, 2004. They are based on information compiled and reviewed by Mr. Kevin Irving who is a Fellow of the Australasian Institute of Mining and Metallurgy (Member #223116) and is a full time employee of Xstract Mining Consultants Pty Ltd. He has more than 35 years' experience in the mining of coal deposits and the estimation of Coal Reserves and the assessment of Modifying Factors. Mr. Irving has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify him as a Competent Person as defined in the JORC Code, 2004. Neither Mr. Irving nor Xstract have any material interest or entitlement, direct or indirect, in the securities of Aspire Mining Limited or any companies associated with Aspire Mining Limited. Fees for work undertaken are on a time and materials basis. Mr. Irving consents to the inclusion of the Coal Reserves based on his information in the form and context in which it appears.*

*The technical information contained in this announcement in relation to the Ovoot Coking Coal Project in Mongolia has been reviewed by Mr Neil Lithgow – Non Executive Director for Aspire Mining Limited. Mr Lithgow is a Member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Lithgow consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*

## Corporate

### Movements of Board of Directors

During the period, the Aspire Board welcomed Mr Ross Tromans and Mr Sado Demchigsuren Turbat as Non-Executive Directors following the resignations of Mr Gan-Ochir Zunduisuren and Mr Tony Pearson.

Mr Tromans is an employee of Rio Tinto Services Limited, a subsidiary of Rio Tinto Plc, and currently serves as Chief Executive Officer and Executive Director of SouthGobi Resources Ltd ("SouthGobi"). Mr Tromans has approximately 30 years sales and marketing experience in Asian and North American coal and energy markets.

Mr Turbat currently serves as Managing Director of Behre Dolbear Mongolia LLC and as an honorary Member of the Mongolian Mining Association, Mr Turbat is a key figure in the development of the Mongolian mining industry policy and regulative framework.

# DIRECTORS' REPORT

## Corporate (continued)

**Capital and Cash at Bank**
The Company had 620,594,556 fully paid ordinary shares on issue at the end of the half-year (2011: 620,594,556 fully paid ordinary shares).

Cash and cash equivalents held by the consolidated entity at the end of the half-year was $10,078,803 (2011: $34,338,529).

**Significant Subsequent Events**

There have been no significant events subsequent to the reporting date requiring disclosure in this report, other than the implementation of the agreements in support of the Ovoot Coking Coal Project and completion of the placement with the Noble Group announced on the ASX on 10 January 2013 and 21 February 2013. The placement was for 35,000,000 shares at 8 cents per share to raise $2.8 million.

**Auditor's Independence Declaration**
Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 7 and forms part of this directors' report for the half-year ended 31 December 2012.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section.306(3) of the *Corporations Act 2001*.

**David Paull**
**Managing Director**
**14 March 2013**

HLB Mann Judd

Accountants | Business and Financial Advisers

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Aspire Mining Limited for the half-year ended 31 December 2012, 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 review; and

b) any applicable code of professional conduct in relation to the review.

**Perth, Western Australia**
**14 March 2013**

**W M CLARK**
**Partner, HLB Mann Judd**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

| | Note | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|---|
| Interest revenue | | 373,263 | 393,524 |
| Sundry income | | - | 18,174 |
| Profit on sale of tenements | | - | 88,219 |
| Exchange gains/(losses) | | (7,459) | 465,694 |
| Exploration expenditure | | (1,623,863) | (82,528) |
| Employee benefits expense | | (1,020,137) | (754,616) |
| Share based payments | 5 | (208,370) | - |
| Other expenses | | (2,356,619) | (1,966,319) |
| **Loss before income tax expense** | 2 | **(4,843,185)** | **(1,837,852)** |
| Income tax expense | | (11,761) | (3,070) |
| **Loss after tax** | | **(4,854,946)** | **(1,840,922)** |
| **Net loss for the period** | | **(4,854,946)** | **(1,840,922)** |
| **Other comprehensive income/(loss)** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Net change in the fair value of available-for-sale assets | | - | (16,000) |
| Exchange differences on translation of foreign operations | | (1,384,996) | (696,145) |
| **Other comprehensive loss for the period, net of tax** | | **(1,384,996)** | **(712,145)** |
| **Total comprehensive loss** | | **(6,239,942)** | **(2,553,067)** |
| Basic loss per share (cents per share) | | (0.78) | (0.32) |

The accompanying notes form part of these financial statements

## CONDENSED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2012

| | Note | Consolidated 31 Dec 2012 $ | Consolidated 30 June 2012 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 10,078,803 | 19,694,188 |
| Trade and other receivables | | 424,932 | 1,103,982 |
| Inventory | | 2,030 | - |
| **Total Current Assets** | | **10,505,765** | **20,798,170** |
| **Non-Current Assets** | | | |
| Exploration and evaluation expenditure | 3 | 38,066,760 | 34,513,551 |
| Property, plant and equipment | | 889,860 | 966,591 |
| Intangible asset | | 106,626 | 126,037 |
| **Total Non-Current Assets** | | **39,063,246** | **35,606,179** |
| **Total Assets** | | **49,569,011** | **56,404,349** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 1,062,495 | 1,881,752 |
| **Total Current Liabilities** | | **1,062,495** | **1,881,752** |
| **Non-current Liabilities** | | | |
| Finance lease | | 15,491 | - |
| **Total Non-current Liabilities** | | **15,491** | **-** |
| **Total Liabilities** | | **1,077,986** | **1,881,752** |
| **Net Assets** | | **48,491,025** | **54,522,597** |
| **Equity** | | | |
| Issued capital | 4 | 70,413,846 | 70,413,846 |
| Share based payments reserve | 5 | 921,552 | 838,903 |
| Currency translation reserve | | (1,846,861) | (461,865) |
| Accumulated losses | | (20,997,512) | (16,268,287) |
| **Total Equity** | | **48,491,025** | **54,522,597** |

The accompanying notes form part of these financial statements.

## CONDENSED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

| | Issued capital | Accumulated losses | Financial assets reserve | Share based payments reserve | Currency translation reserve | Total equity |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Balance at 1 July 2011 | **39,156,503** | **(11,030,544)** | **16,000** | **842,610** | **(669,658)** | **28,314,911** |
| Shares issued during the half-year | 32,861,056 | - | - | - | - | 32,861,056 |
| Options exercised | 25,000 | - | - | - | - | 25,000 |
| Transfer on exercise of options | 3,707 | - | - | (3,707) | - | - |
| Share issue expenses | (1,632,420) | - | - | - | - | (1,632,420) |
| Net change in fair value of available for sale assets | - | - | (16,000) | - | - | (16,000) |
| Exchange differences arising on translation of foreign operations | - | - | - | - | (696,145) | (696,145) |
| Loss for the period | - | (1,840,922) | - | - | - | (1,840,922) |
| **Balance at 31 December 2011** | **70,413,846** | **(12,871,466)** | **-** | **838,903** | **(1,365,803)** | **57,015,480** |
| **Balance at 1 July 2012** | 70,413,846 | (16,268,287) | - | 838,903 | (461,865) | 54,522,597 |
| Transfer on expiry of options | - | 125,721 | - | (125,721) | - | - |
| Performance rights issued | - | - | - | 208,370 | - | 208,370 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | (1,384,996) | (1,384,996) |
| Loss for the period | - | (4,854,946) | - | - | - | (4,854,946) |
| **Balance at 31 December 2012** | **70,413,846** | **(20,997,512)** | **-** | **921,552** | **(1,846,861)** | **48,491,025** |

The accompanying notes form part of these financial statements

## CONDENSED STATEMENT OF CASH FLOWS
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

| | Note | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|---|
| | | Inflows/(Outflows) | |
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (3,501,854) | (2,818,144) |
| Interest received | | 474,784 | 220,059 |
| Interest paid | | - | - |
| **Net cash used in operating activities** | | **(3,027,070)** | **(2,598,085)** |
| **Cash flows from investing activities** | | | |
| Payments for exploration and evaluation expenditure | | (6,014,530) | (6,381,533) |
| Payments for fixed assets | | (294,559) | (364,987) |
| Payment on behalf of related party | 6 | (50,264) | - |
| Proceeds from sale of available-for-sale assets | | - | 239,219 |
| **Net cash used in investing activities** | | **(6,359,353)** | **(6,507,301)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares (net of issue costs) | | - | 31,288,820 |
| **Net cash provided by financing activities** | | **-** | **31,288,820** |
| Net (decrease) / increase in cash held | | (9,386,423) | 22,183,434 |
| Cash and cash equivalents at the beginning of the period | | 19,694,188 | 12,021,339 |
| Effects of exchange rate fluctuations on cash held | | (228,962) | 133,756 |
| **Cash and cash equivalents at the end of the period** | | **10,078,803** | **34,338,529** |

The accompanying notes form part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The interim financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Aspire Mining Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

### Basis of preparation

The interim report has been prepared on a historical cost basis, except for the valuation of share based payments. Cost is based on the fair value of the consideration given in exchange for assets. The consolidated entity is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

### Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2012 and to share based payments made in the period.

### Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2012, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the consolidated entity's operations and effective for annual reporting periods beginning on or after 1 July 2012.

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 consolidated entity's business and, therefore, no change is necessary to consolidated entity accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the consolidated entity's business and, therefore, no change is necessary to consolidated entity accounting policies.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

## NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

| | Consolidated 31 December 2012 $ | Consolidated 31 December 2011 $ |
|---|---|---|
| The following expense items are relevant in explaining the financial performance for the half-year: | | |
| Accountancy and audit fees | 78,625 | 33,183 |
| Consultants' fees | 418,479 | 314,086 |
| Directors' fees | 416,628 | 354,892 |
| Insurance | 83,291 | 60,930 |
| Legal fees | 62,527 | 154,915 |
| Media and marketing | 202,446 | 135,035 |
| Rent & outgoings | 230,492 | 150,230 |
| Travel and accommodation | 174,213 | 276,824 |

## NOTE 3: EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated Six Months Ended 31 December 2012 $ | Consolidated Year Ended 30 June 2012 $ |
|---|---|---|
| Costs carried forward in respect of areas of interest in the following phases: | | |
| **Exploration and evaluation phase – at cost** | | |
| Balance at beginning of the period | 34,513,551 | 16,379,283 |
| • Expenditure incurred in the period | 6,542,130 | 18,500,523 |
| • Foreign exchange differences | (1,365,058) | (70,455) |
| • Expenditure written-off in the period | (1,623,863) | (295,800) |
| Total exploration and evaluation expenditure | **38,066,760** | **34,513,551** |

Exploration expenditure incurred on projects other than the Ovoot Coking Coal Project and associated infrastructure has been 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.

| | Consolidated 31 December 2012 $ | Consolidated 30 June 2012 $ |
|---|---|---|
| **Exploration and evaluation phase – by area of interest at cost** | | |
| • Ovoot Coking Coal Project | 36,655,150 | 32,561,054 |
| • Jilchigbulag | - | 1,097,282 |
| • Zavkhan | - | 261,957 |
| • Railway Evaluation | 1,411,610 | 593,258 |
| Total exploration and evaluation expenditure | **38,066,760** | **34,513,551** |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

### NOTE 4: ISSUED CAPITAL

| | Consolidated 31 December 2012 $ | Consolidated 30 June 2012 $ |
|---|---|---|
| *Ordinary shares* | | |
| Issued and fully paid | **70,413,846** | **70,413,846** |
| | No. | $ |
| *Movements in ordinary shares on issue* | | |
| 1 July 2012 | 620,594,556 | 70,413,846 |
| 31 December 2012 | **620,594,556** | **70,413,846** |

### NOTE 5: OPTIONS AND PERFORMANCE RIGHTS ON ISSUE

| | Consolidated 31 December 2012 No | Consolidated 30 June 2012 No |
|---|---|---|
| Options | | |
| Class A options exercisable at 5 cents per option before 12 February 2015 | 96,186,842 | 96,186,842 |
| Performance options exercisable at 5 cents per option before 12 February 2015 | 145,000,000 | 145,000,000 |
| Options exercisable at 5 cents per option before 31 December 2012 | - | 6,000,000 |
| Performance Rights | 6,480,000 | - |

Of the 6,480,000 Performance Rights, 4,500,000 were issued to directors and key management personnel.

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 multiplied by the probability that the vesting requirements will be met. 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 either on achievement of operational and strategic milestones for management personnel or tenure based for administrative employees and non-executive directors.

There is an expectation of employment and board stability and therefore the probability of achieving the tenure vesting requirement is considered to be 100%. The probabilities of achievement of the operational and strategic milestones have been considered individually and are assessed to be less than 100%.

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.

### NOTE 6: AMOUNT OWING BY RELATED PARTY

During the period, the Mongolian Taxation Authority assessed a taxation liability against a subsidiary of the Company that relates to the acquisition of that subsidiary and the Ovoot Coking Coal Project in February 2010. The assessment should have been against the vendor, the wife of a former director, and not the subsidiary. The vendor has agreed that the liability is with the vendor and will compensate the subsidiary.

There have been no other significant transactions with any related party subsequent to 30 June 2012.

### NOTE 7: SEGMENT REPORTING

Segment information is presented in the interim financial statements in respect of the consolidated entity's geographical segments, which are the primary basis for segment reporting. The consolidated entity operates in a single business segment, namely natural resources exploration.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets, interest income, corporate assets and corporate expenses.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

### NOTE 7: SEGMENT REPORTING (Continued)

The consolidated entity operated in two distinct geographical segments, Australia and Mongolia. These segments were determined based on the location of the consolidated entity's assets.

**Geographical segments**

| | Australia<br>$ | Mongolia<br>$ | Total<br>$ |
|---|---|---|---|
| Consolidated | | | |
| **31 December 2011** | | | |
| Segment income | 469,500 | 30,417 | 499,917 |
| Segment expenses | (1,509,547) | (828,222) | (2,337,769) |
| Segment income tax | - | (3,070) | (3,070) |
| Segment result | (1,040,047) | (800,875) | (1,840,922) |
| Loss from ordinary activities after related income tax expense | | | (1,840,922) |
| Segment assets | 33,923,062 | 24,671,481 | 58,594,543 |
| Segment liabilities | 573,979 | 1,005,084 | 1,579,063 |

| | Australia<br>$ | Mongolia<br>$ | Total<br>$ |
|---|---|---|---|
| Consolidated | | | |
| **31 December 2012** | | | |
| Segment income | 255,439 | 117,824 | 373,263 |
| Segment expenses | (2,400,140) | (2,816,308) | (5,216,448) |
| Segment income tax | - | (11,761) | (11,761) |
| Segment result | (2,144,701) | (2,710,245) | (4,854,946) |
| Loss from ordinary activities after related income tax expense | | | (4,854,946) |
| Segment assets | 9,644,443 | 39,924,568 | 49,569,011 |
| Segment liabilities | 648,529 | 429,457 | 1,077,986 |

### NOTE 8: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

### NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no significant events subsequent to the reporting date requiring disclosure in this report, other than the implementation of the agreements in support of the Ovoot Coking Coal Project and completion of the placement with the Noble Group announced on the ASX on 10 January 2013 and 21 February 2013. The placement was for 35,000,000 shares at 8 cents per share to raise $2.8 million.

# DIRECTORS' DECLARATION

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

1. The financial statements and notes thereto, as set out on pages 8 to 15, are in accordance with the Corporations Act 2001 including:

   a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year then ended.

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.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.

**David Paull**
**Managing Director**
**14 March 2013**

HLB Mann Judd

Accountants | Business and Financial Advisers

**INDEPENDENT AUDITOR'S REVIEW REPORT**
To the members of Aspire Mining Limited

**Report on the Condensed Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Aspire Mining Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year 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 half year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
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**Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au**

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Accountants | Business and Financial Advisers

*Matters relating to the electronic presentation of the reviewed half-year financial report*

This review report relates to the half-year financial report of the consolidated entity for the half-year ended 31 December 2012 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aspire Mining Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

**HLB MANN JUDD**
**Chartered Accountants**

WMClark

**Perth, Western Australia**
**14 March 2013**

**W M CLARK**
**Partner**