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# Ovoot Coking Coal Project

## Presentation to Mines & Money, Hong Kong



20 March 2013

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•**Effect of rounding:** A number of figures, amounts, percentages, estimates, calculations of value and fractions in this document are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this document.

# Company Snapshot – Corporate Structure



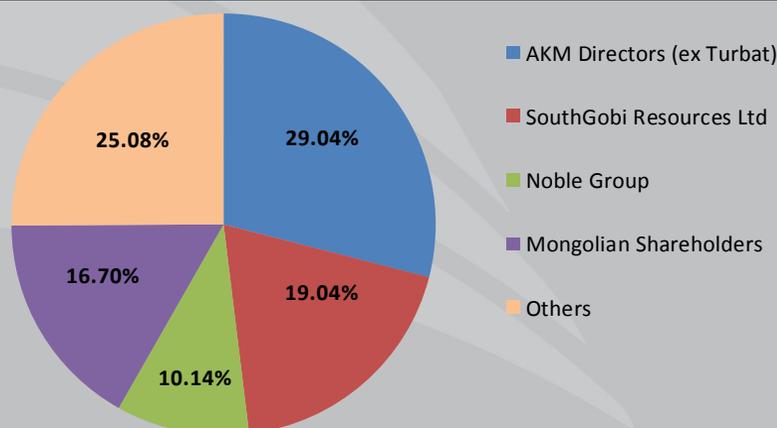
## Capital Structure (ASX:AKM)

		Undiluted	Diluted
Share Price (5 Mar 13)	\$	0.096	0.096
Shares Outstanding	m	655.6	963.1
<b>Market Capitalisation</b>	<b>\$m</b>	<b>62.9</b>	<b>92.5</b>
Options and Performance Rights on Issue	m	247.7	
<b>Net Cash</b>	<b>\$m</b>	<b>12.9<sup>1</sup></b>	<b>24.9<sup>2</sup></b>
<b>Enterprise Value</b>	<b>\$m</b>	<b>50.0</b>	<b>67.6</b>

<sup>1</sup> As of 31 Dec 2012 and including \$2.8m received through placement to Noble Group in February 2013

<sup>2</sup> Includes cash from options exercisable at 5c.

## Ownership (Fully Diluted)



## Board of Directors

- **David McSweeney** (Non-Exec Chairman) – lawyer by training and has over 20 years experience in the resources sector ranging from exploration to project management, project finance, commercial and legal structuring and corporate development.
- **David Paull** (Managing Director) – over 20 years experience in resource business development and industrial minerals marketing. Recently has been involved with working on private equity and seed capital opportunities in the biofuels, transport services and resource sectors.
- **Neil Lithgow** (Non-Exec Director) – has been working on private equity and seed capital opportunities in the biofuels, transport services and resource sectors.
- **Ross Tromans** (Non-Exec Director) – a current employee of Rio Tinto, as well as CEO and President of SouthGobi Resources Limited. He has over 30 years sales and marketing experience in the coal and energy sector, covering Asian and North American markets.
- **Sado Demchigsuren Turbat** (Non-Exec Director) – has over 12 years of experience in the resource sector in Mongolia and is a key resource person on Mongolian mining industry policy and regulative framework.
- **Mark Read** (Non-Exec Director) – immediate past CEO and Managing Director of ASX listed coal engineering and technology company Sedgman Ltd where he was responsible for an overseas expansion in emerging high-grade coal regions including Mongolia and Mozambique.
- **Andrew Edwards** (Non-Exec Director) – recently retired senior partner with PricewaterhouseCoopers spanning 35 years. As Managing Partner of the Perth practice Andrew was responsible for leading its Advisory business.
- **Phil Rundell** (Company Secretary) – a former Partner of a big 4 accounting firm and is now a sole practitioner Chartered Accountant specialising in providing company secretarial, compliance, accounting and reconstruction services

# Significant Mongolian Coal Projects



# An Update on the Investment Climate in Mongolia



## Foreign Investment Law

- Oct 12: The Mongolian Minister for Economic Development announced that the Foreign Investment Law would be considered for **revision** in particular the **threshold triggering Government approval for foreign investment** would increase.
- Dec 12: President Ts. Elbegdorj has **publically confirmed** that:
  - Mongolia's implementation of the revised law has "made Mongolia's investment environment unfavourable" and
  - Mongolia "should not turn our back to foreign investors"
- Mar 13: On March 7<sup>th</sup> Mr Luvsanvandan Bold, the Mongolia Foreign Minister was quoted as saying that the threshold for Parliamentary approval of a foreign investment in a strategic entity would be increased to 1 trillion tugrik (~ US\$715m). **"...there will be changes in the law in the near future so that the international community and investors will be happy"**.

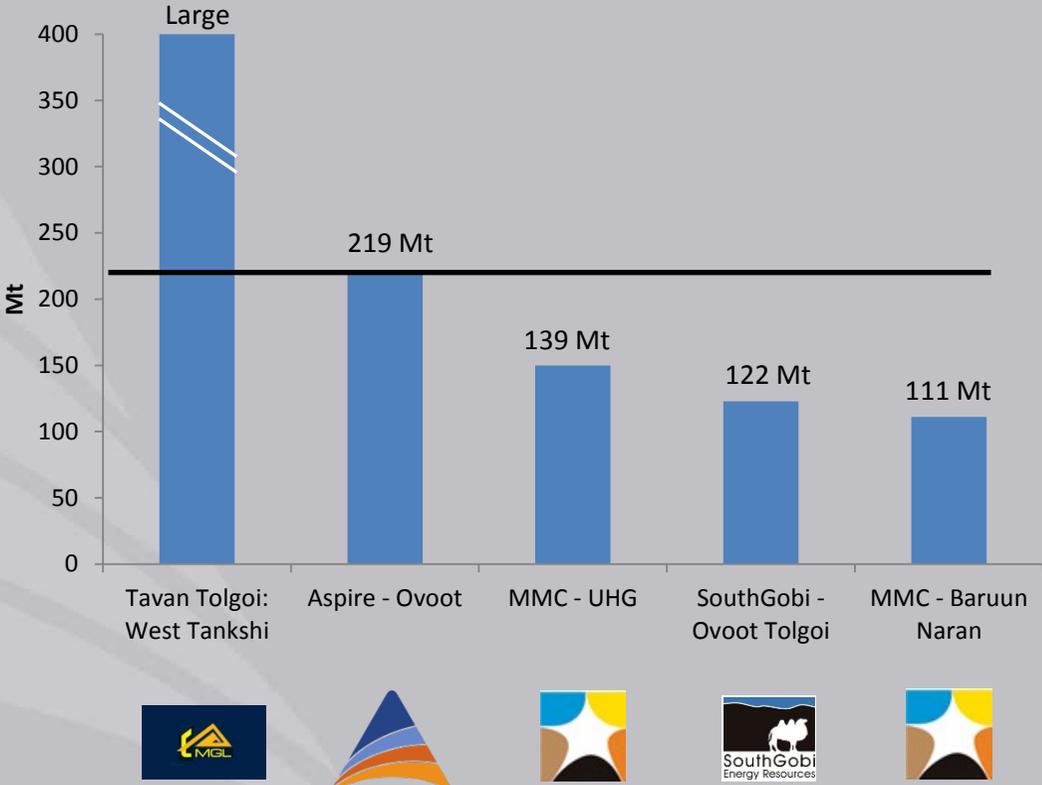
## Minerals Draft Law

- President Tsakhia Elbegdorj recently held private meeting with various members of Mongolian business, government, academia, mining industry to discuss and hear views on the current Draft minerals law.
- President's Office **confirmed that the existing 2006 Minerals Law remained in force** and that the New Draft law would not be finalised until after the June 2013 Presidential election.
- A **new Draft Working Committee** would be established and would include members so various stakeholders (including Mining Industry) can help refine the "Draft Law".

# Ovoot - Second Largest Coking Coal Reserve in Mongolia

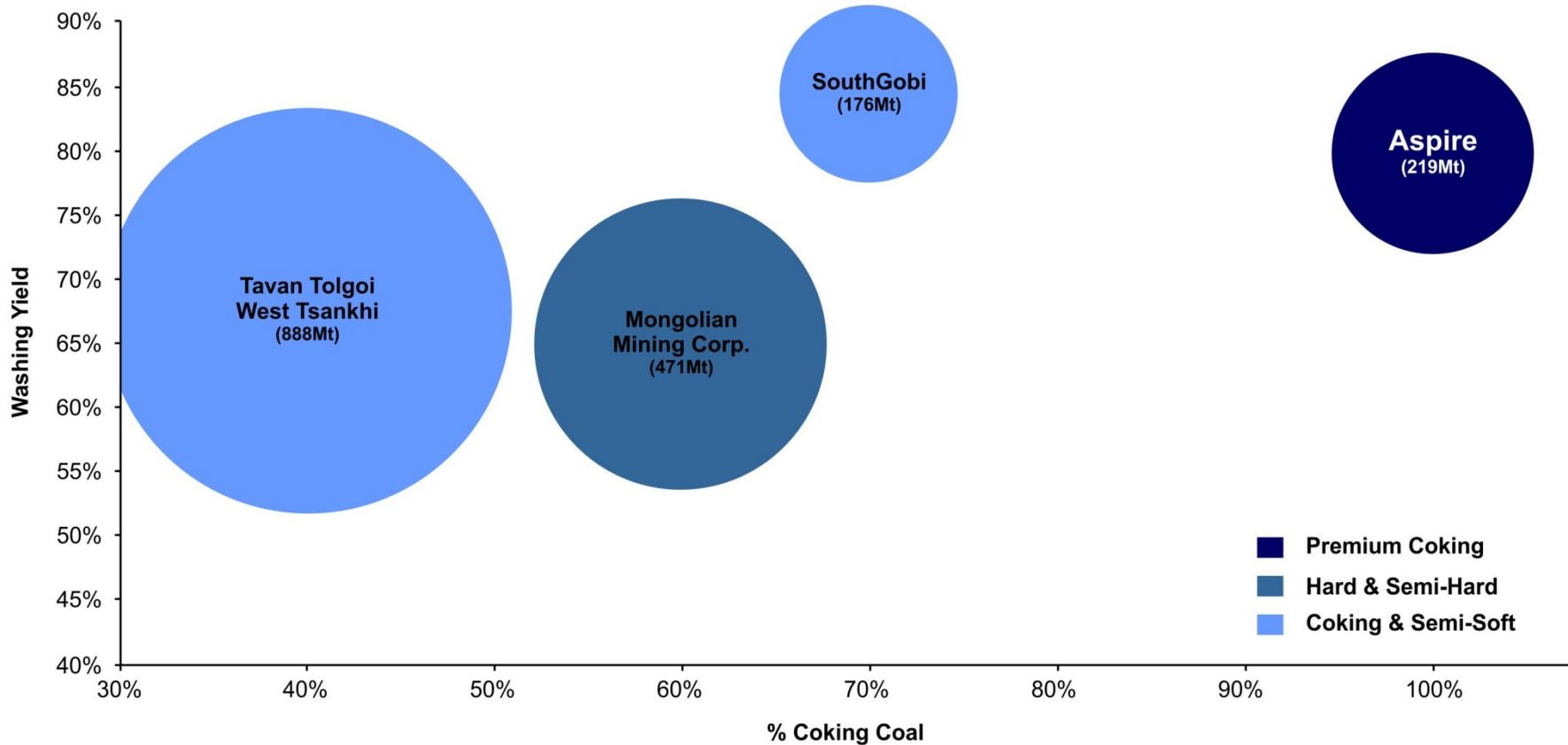


### Mongolian Coking Coal Reserves



Source: Company website, Company annual reports, Project technical reports

# Exceptional Deposit – High Washing Yield and % Coking = Highest In-Situ Value per tonne



Source: Company filings

Note: Size of bubble indicates size of total Reserves

# Ovoot PFS Revision Financial Highlights



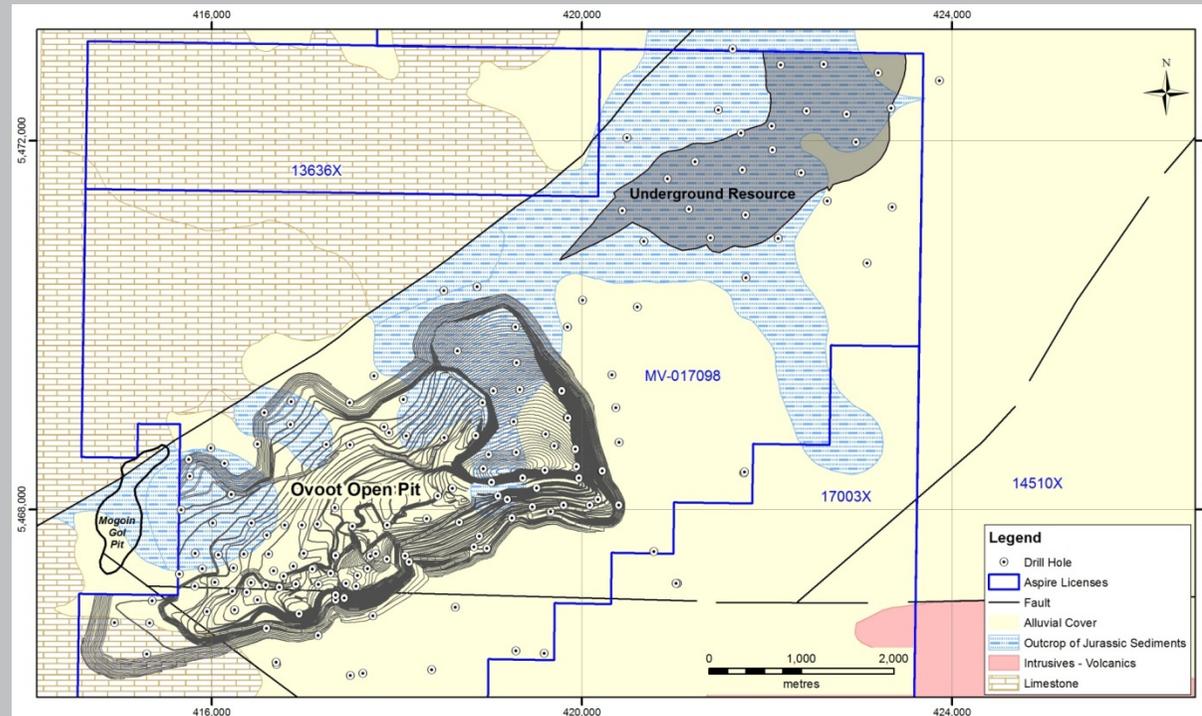
## ➤ OPEX

- Average operating cost ex mine gate US\$36/t for Life of Mine
- Average operating cost estimated at US\$115/t<sup>Note1</sup> for Life of Mine
- 0-5 Years: Average operating cost to deliver coal to China US\$91/t<sup>Note1</sup>

### Mine CAPEX Requirements

<b>Stage 1</b>	
<b>CAPEX</b>	US\$551m + \$264m (mining fleet)
<b>Production</b>	up to 6 Mtpa
<b>Commencement</b>	2016
<b>Stage 2</b>	
<b>CAPEX</b>	US\$261.5m + \$264.1m (mining fleet)
<b>Production</b>	up to 12 Mtpa
<b>Commencement</b>	From 2018

NB: Includes contingencies and a total of US\$528.1 for mining fleet



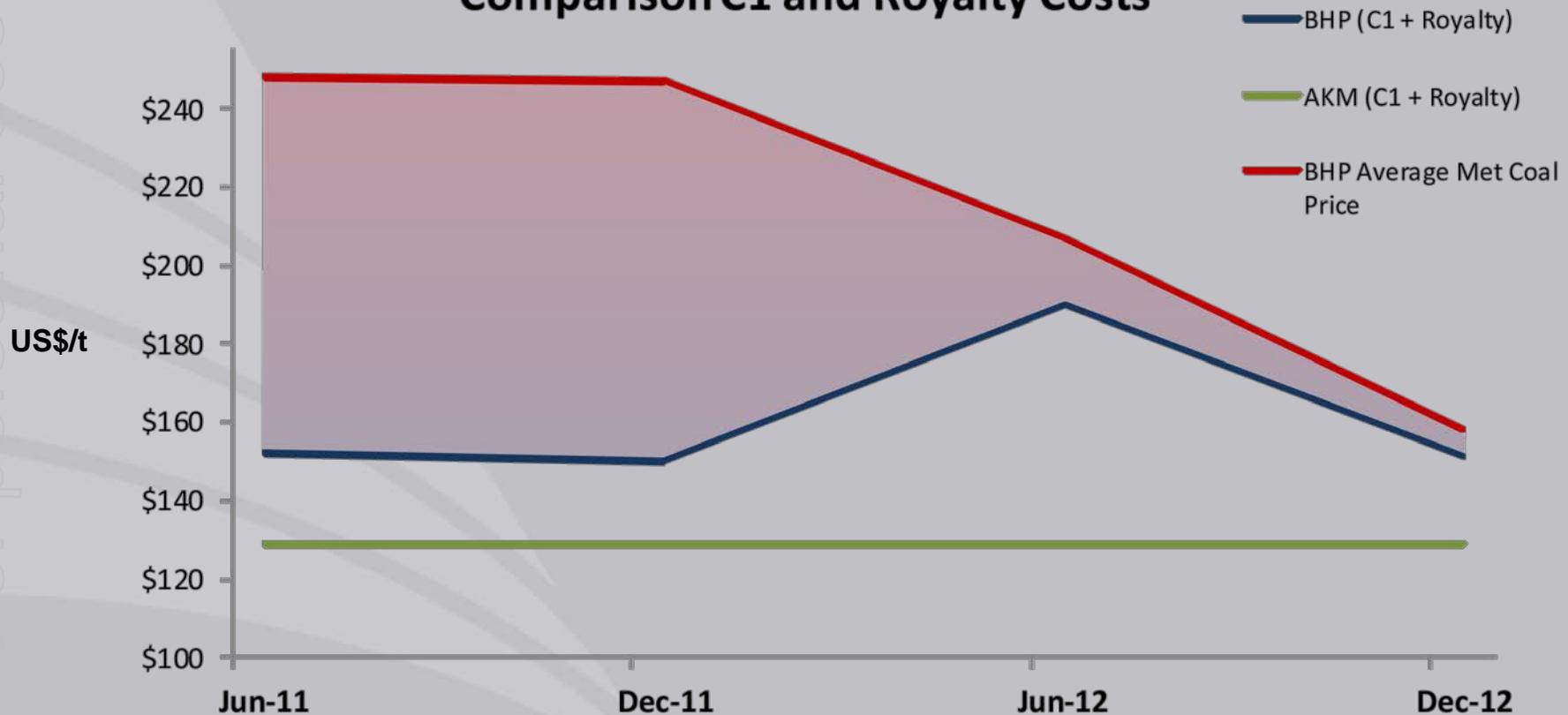
Note 1: Prices are in 2012 real dollars (excluding royalty), and includes all freight and border costs providing sales assumptions hold.

Note 2: Capex estimates are currently being updated as part of a Rail Pre-Feasibility Study Revision due to be completed in the March 2013 Quarter.

# A Comparison of C1 + Royalty Costs



## BHP Vs Ovoot Coking Coal Comparison C1 and Royalty Costs



# VITROCOAL

## Low Ash, High Fluidity Coking Coal

- Ovoot Coking Coal displays **High fluidity and plastic** properties
- An ideal **blend** coking coal indicated by industry leading Gray-King Index and Rank
- Chinese classification “**FM Premium Fat Coal**” – attracts hard coking coal pricing
- Russian classification “**Fat Coking Coal**” (Zh and KZh)

### Indicative Ovoot Washed Coking Coal Specification

Moisture	9%
Ash	9%
Volatiles	25-28%
Sulphur	1.2%
CSN	9
Max Fluidity Log	3.60
Max Dilation	+300%
Gray King	G11
G Caking Index	+95
Y Index mm	+26
RoMax	1.2
Yield	+80%

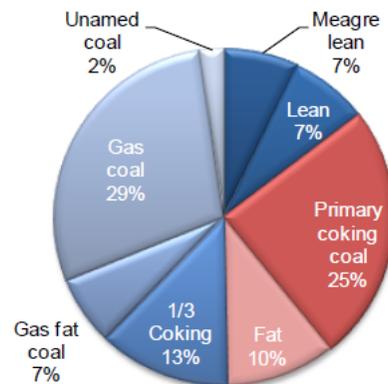


# Chinese Blending Coal Requirements

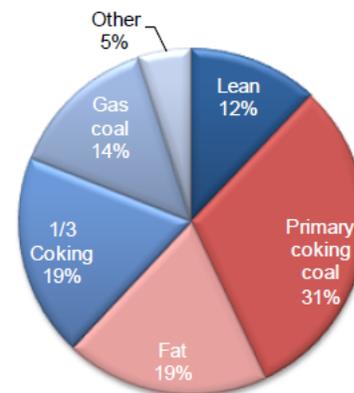
Chinese demand increasing due to lack of domestic hard coking coal



Coking Coal Reserves



Typical Chinese Coke Blend



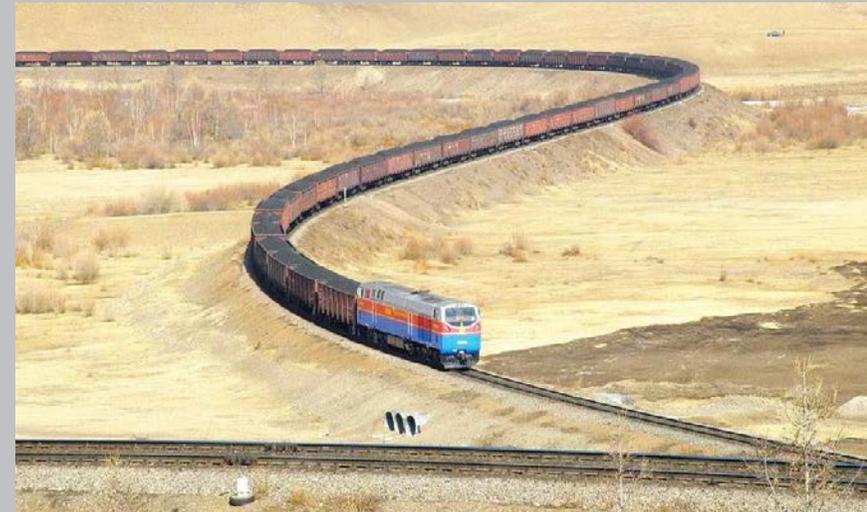
- Needs greater proportion of hard coking coal for use in larger BF's to maintain productivity
- Lack of 'hard coking coal' – especially low-volatile and high-fluidity
- Coal industry consolidation – elimination of small coal mines
- Increased competitiveness of imports – new steel industries on China's coast
- Semi-soft coking coal will be 'dragged in'

# Northern Railways LLC

## Subsidiary of Aspire Mining



- Focused on infrastructure to connect Ovoot to Erdenet
- Stand alone Special Purpose Vehicle to:
  - Apply for BOOT (Build Own Operate Transfer) rail concession
  - Manage EPC contractors
  - Raise required funds through issuing debt and equity securities
- 51% ownership to be vested in the Mongolian Government after expiration of the concession
- Rail connection from Ovoot to existing Trans-Mongolian Rail line requires an investment of US\$1.4 bn (including contingencies) by Northern Railways LLC<sup>Note1</sup>.
- Open access to rail – inclusive of passenger and general freight. Broad community benefits
- Attractive to specialist financial sponsors and multi-lateral financiers with a social agenda



Trans-Mongolian Railway, coal from Baganuur coal mine

Rail CAPEX Requirements	
<b>Phase 1</b>	Erdenet to Point A (346km)
<b>CAPEX<sup>2</sup></b>	US\$710m + contingencies
<b>Commencement</b>	From 2016 (Capacity: 20Mtpa)
<b>Phase 2</b>	Ovoot to Point A (235km)
<b>CAPEX<sup>2</sup></b>	US\$469m + contingencies
<b>Commencement</b>	From 2018 (Capacity: 12Mtpa)
NB: As part of its Opex estimates, Aspire will pay to Northern Railways the normal commercial tariff to access the Phase 1 rail.	

Note 1: The Erdenet – Ovoot Project rail line is currently the subject of a Rail Pre-Feasibility Study Revision to be completed in the March 2013 Quarter.

Note 2: Capex estimates are currently being updated as part of a Rail Pre-Feasibility Study Revision due to be completed in the March 2013 Quarter.

# Potential Routes to Coal Markets – Rail Access

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Asian **Importers** of Metallurgical Coal:

Japan 71.5Mt<sup>1</sup>

Korea 25.8Mt<sup>1</sup>

Taiwan 5.5Mt<sup>1</sup>

**102.6Mt**

Russian total Metallurgical Coal **Exports** to Asian markets (incl. China):

**7.6Mt<sup>1</sup>**

1. Source: TEX Report, 2012 data.

# Steps to Develop the Ovoot Project



## Focus Areas over coming 12 months

- ❖ Progress small scale pre-rail trucking option
- ❖ Commence discussions with potential customers
- ❖ Identify a suitable Strategic Partner or Partners
- ❖ Complete Bankable Feasibility Study for both Ovoot Mine and Railway
- ❖ Complete Environmental Impact Assessments on alternative southern alignment
- ❖ Rail concession

# Competent Person Statement



## **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.*

# Contact details



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