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## ASX RELEASE

For Immediate Release – 30 October 2015

### QUARTERLY REPORT Quarter Ended 30 September 2015

#### Northern Railways Investment Update

- Concession Agreement executed between Northern Railways LLC and Government of Mongolia granting the exclusive right for Northern Railways to build and operate the Erdenet to Ovoot railway project over 30 years before transfer of ownership.
- Cabinet resolution passed to grant Licence to Construct the Erdenet to Ovoot railway to Northern Railways.
- First Stage Rail Bankable Feasibility Study commenced for the Erdenet to Ovoot railway project.
- Scoping studies assessing the connection of the Erdenet to Ovoot railway through to the Russian town of Kyzyl confirms that there are no technical obstacles to building an efficient, high capacity rail connection.
- The Erdenet to Ovoot alignment is part of the new “Economic Corridor” connecting China and Russia, through Mongolia.

#### Nuurstei Exploration Update

- Non-core drilling completed at Nuurstei extending strike length of correlated seams to 1.6 km (from 1.2 km).
- Infill drilling results are being compiled to define a maiden JORC compliant coal resource.

#### Corporate Update

- Noble Group confirms the exercise of its option to acquire 10% of Northern Railways LLC.
- Medical equipment donated to hospitals in Khuvsgul province in collaboration with Mongolian Red Cross and Rotary Club of Osborne Park.

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Aspire Mining Limited (ASX: AKM, **Aspire**, or the **Company**), focussed on the exploration and development of metallurgical coal assets in Mongolia, is pleased to present its Quarterly Activities Report to Shareholders for the period ending 30 September 2015.

The Company is the largest coal tenement holder in the vastly spanning Orkhon-Selenge Coal Basin in northern Mongolia. Aspire currently wholly owns the large scale, world class Ovoot Coking Coal Project (**Ovoot**), the Jilchigbulag Coal Project (**Jilchigbulag**) and the Myngan Exploration Licence (**Myngan**). Through its 50% ownership in the Ekhgoviin Chuluu Joint Venture (**ECJV**), Aspire also holds an interest in the Nuurstei Coking Coal Project (**Nuurstei**) as well as the Erdenebulag Coal Project (**Erdenebulag**).

Northern Railways LLC (**Northern Railways**), Aspire’s Mongolian rail infrastructure subsidiary is responsible for activities associated with the commercialisation and future development of the 547 km Erdenet to Ovoot railway in northern Mongolia. The Erdenet to Ovoot railway is a part of the Mongolian Rail Policy and will play an important role in the development of an international Economic Corridor supported by the Governments of Russia and China to facilitate increased trade between the three nations and the wider Asian and European economies.



Figure 1: Location of Projects and New Projects

## COMPANY STRATEGY UPDATE

Notwithstanding the current depressed state of the metallurgical coal market, the Company continues to believe that the medium and longer term prospects remain positive for the commodity.

During the last 24 months, benchmark coking coal prices have fallen 41.4% from US\$152/t to US\$89/t (December 2015 Quarter), the impact of China's falling demand for seaborne metallurgical coal imports as it tries to support its own struggling coal market. As a result, supply cuts were made the last two years from various producers such as Teck, Glencore and Peabody mainly from high cost operations within the USA and Canada. Australia was somewhat sheltered by the fall in prices due to the depreciation of the Australia dollar against the US dollar, however supply cuts from Australia are also now occurring such as BHP's decision to close its 6mtpa Crinium/Gregory mine in Queensland in early 2016.

Chinese domestic coking coal producers are also under pressure to reduce operating costs and rationalise production. The Company understands that approximately 80% of coking coal mines in China's largest coking coal provinces are loss making and is supported by the recent financial data reported by some of China's largest coal producers including China Coal Energy, Heilongjiang Longmay Mining Holding Group, and Yanzhou Coal Mining Company. All have posted significant losses recently. Although Chinese Government measures such as imposing taxes on coal imports, establishing quality restrictions and shutting down small coal mines have been implemented, Chinese firms are now taking measures including cutting staff, wages and loss making production to reduce costs.

The Company believes that the above developments suggest a rebalancing of supply and the beginning of improvements in the metallurgical coal market which is inline with consensus analyst expectations that the market will start to improve from 2016/17 onwards.

Future new demand of high quality coking coal will materialise over time and the Company is working to establish its Ovoot and Nuurstei projects as new low cost production sources that can enter the market in the medium term to meet those future supply gaps as they arise.

## COKING COAL PROJECTS

### Ovoot Coking Coal Project (100%)

The Company has commenced undertaking a review of the mining costs for the Ovoot project which is expected to be completed during the December 2015 Quarter.

The last operational cost review was conducted under the Revised Pre-Feasibility Study which was completed in December 2012. These costs were used as part of a mine plan reschedule to estimate Ovoot Free-On-Rail (**FOR**) costs at the Chinese border of US\$82-92/t for the first five years (refer ASX Announcement dated 6 December 2012 and Quarterly Report dated 31 January 2014).

Since then, there have been substantial mining cost deflation as a result of a number of factors including foreign exchange movements, the reduction in oil prices and labour rates. The Company expects that this cost review should see a substantial reduction in estimated FOR costs at the Chinese border.

### **Ekhgoviin Chuluu Joint Venture (50%, Option to increase to 100%)**

The ECJV is a 50/50 joint venture between Aspire and Singapore listed Noble Group (SGX: N21, **Noble**) which is mandated to explore and develop coal assets in Mongolia. Aspire acquired its interest in the ECJV in mid-2014 and has been granted an option by Noble to buy out its 50% stake which expires in March 2016. In the event that the Company exercises its option, Aspire's interest in the ECJV will move to 100%.

The ECJV currently holds interests in the Nuurstei and Erdenebulag coal projects.

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

During the period, the ECJV completed all non-core drilling planned to be completed during the 2015 Nuurstei exploration program. Additional PQ diamond drill holes continue to be completed with core samples being sent for laboratory analysis in Ulaanbaatar.

A total of 24 non-core drill holes and 19 PQ diamond holes have been completed since the exploration programme commenced in July 2015 (refer ASX Announcements dated 21 August and 7 October 2015). Drilling conducted this year has extended the strike length of correlated seams to 1.6 km, up from the 1.2 km confirmed in 2014.

Coal at Nuurstei is represented by a large number of stacked, steeply dipping, relatively thin seams. The focus is on the first 150 metres of coal bearing stratigraphy although it is recognised that coal bearing stratigraphy continues at depth.

The ECJV is now awaiting the receipt of core quality results, as well as the definition of JORC Compliant Coal Resources from which infill drill results are currently being independently compiled by McElroy Bryan Geological Services (**MBGS**). The 2014 exploration program conducted at Nuurstei defined an Exploration Target ranging between approximately 15mt (at 0.5m coal thickness cutoff, rounded) to approximately 25mt (at 0.1m coal thickness cutoff, rounded), down to 160m depth (refer ASX Announcement dated 20 March 2015). The defined Exploration Target is based on all the completed drilling that took place in 2011 and 2014 as per the previously released ASX announcements on the 15 October 2014 and 9 January 2015. The potential quantity and quality of the deposit is conceptual in nature and there has been insufficient exploration to estimate a Coal Resource and it is uncertain if additional exploration will result in the estimation of a Coal Resource.

Additionally, core quality results from a single core hole (NUDH012) suggested the presence of hard coking coal at Nuurstei (refer ASX Announcement dated 9 January 2015).

Subject to core quality results and coal resource definition, a scoping study will be completed to assess the economics of a mining operation based on an initial road based (truck) transport to the existing rail head at Erdenet.

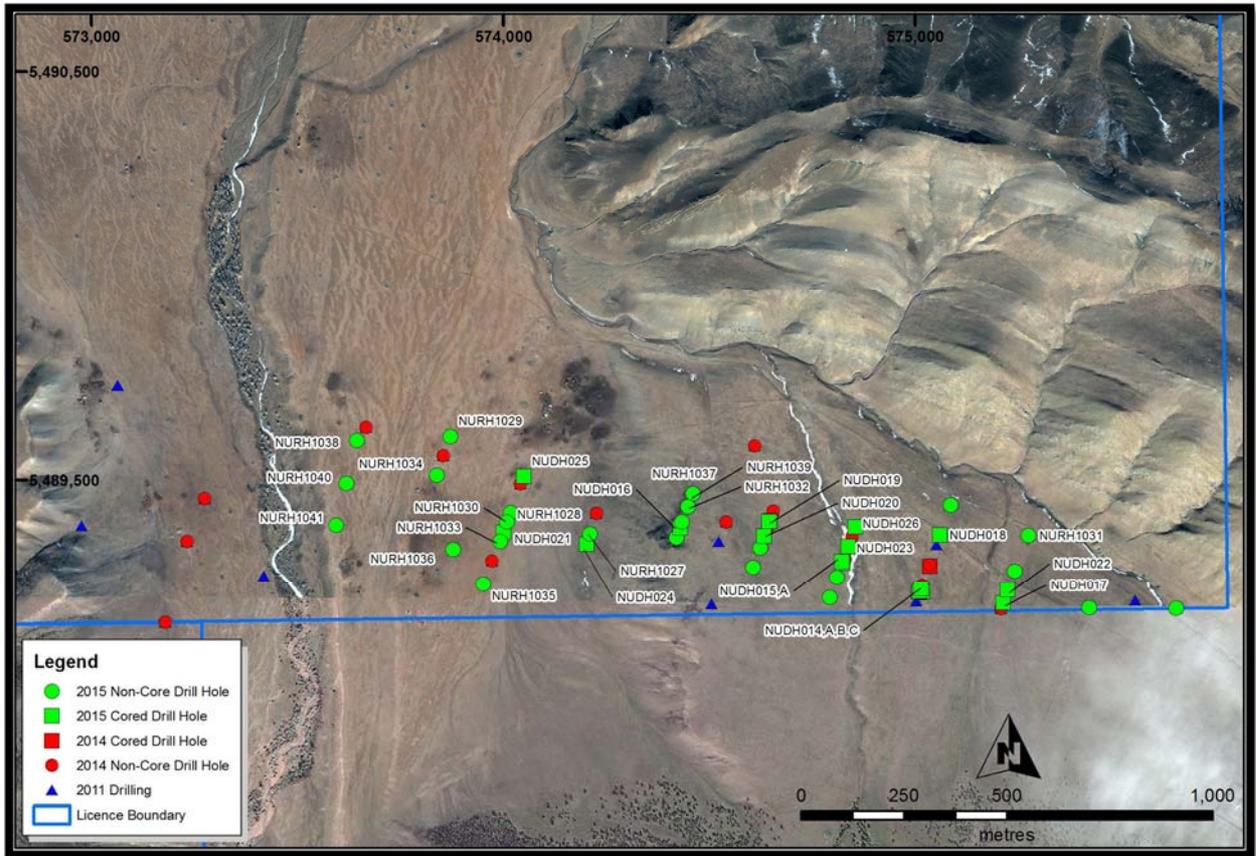


Figure 2: Nuurstei Drill Hole Location Plan including 2015 Exploration Program

Due to its proximity to existing road and rail infrastructure, Nuurstei provides an opportunity for the Company to commence short term production operations. A sealed road extends from the nearby town of Moron, approximately 10 kilometres from Nuurstei where product can be trucked to Erdenet and loaded onto rail and transported to customers. Once the Erdenet to Ovoot railway is constructed, coal produced at Nuurstei can be loaded onto rail closer to the minesite.

Nuurstei is well positioned to become the first user of the new Erdenet to Ovoot railway as rail construction is expected to pass near Nuurstei approximately two years after rail construction begins.

## CORPORATE

### Cash Position

Aspire had A\$2.1 million cash as at 30 September 2015.

Note that a contribution of US\$660,000 towards expenditures incurred prior to obtaining the Concession Agreement for Northern Railways LLC to construct the Ovoot to Erdenet railway will be received in the December 2015 quarter.

### Noble Group Exercises Option to Acquire 10% in Northern Railways

In 2013, Northern Railways and the Company entered into a Framework Agreement whereby Noble agreed to assist Northern Railways financially to pursue the grant of a concession to develop and operate the Rail Project by funding 10% of the pre-development activities of Northern Railways.

In return, Noble was granted an option to earn a 10% equity interest in Northern Railways upon the grant of a rail concession. In accordance with the Framework Agreement, Noble have advised Northern Railways that it has exercised its option. The relevant paperwork is currently being completed to effect the allotment of 10% shares in Northern Railways to Noble at which time, Aspire's interest in Northern Railways will be diluted to 90%.

### **Donation of Medical Equipment and Supplies**

Medical equipment that the Company sponsored the shipment of, arrived in Mongolia during the period and the items were recently donated to each of the Moron and Tsetserleg hospitals located in the Khuvsgul province, as well as an Ulaanbaatar based gynaecological clinic.

The donation of equipment was the result of a collaboration between Aspire, the Rotary Club of Osborne Park (in Western Australia) and the Mongolian Red Cross Society. The second hand medical equipment were collected from several Western Australian hospitals and included x-ray machines, dialysis machines, ultra sound machines, infant incubators, defibrillators, hospital beds, wheelchairs and consumable items.

The equipment donations were welcomed by each of the hospitals on arrival with separate donation ceremonies held and attended by representatives of the Mongolian Red Cross Society and Aspire personnel.



*Figure 3: Official donation of medical equipment to the Moron Hospital with Aspire's Country Director, and Mongolian Red Cross Society Representatives*

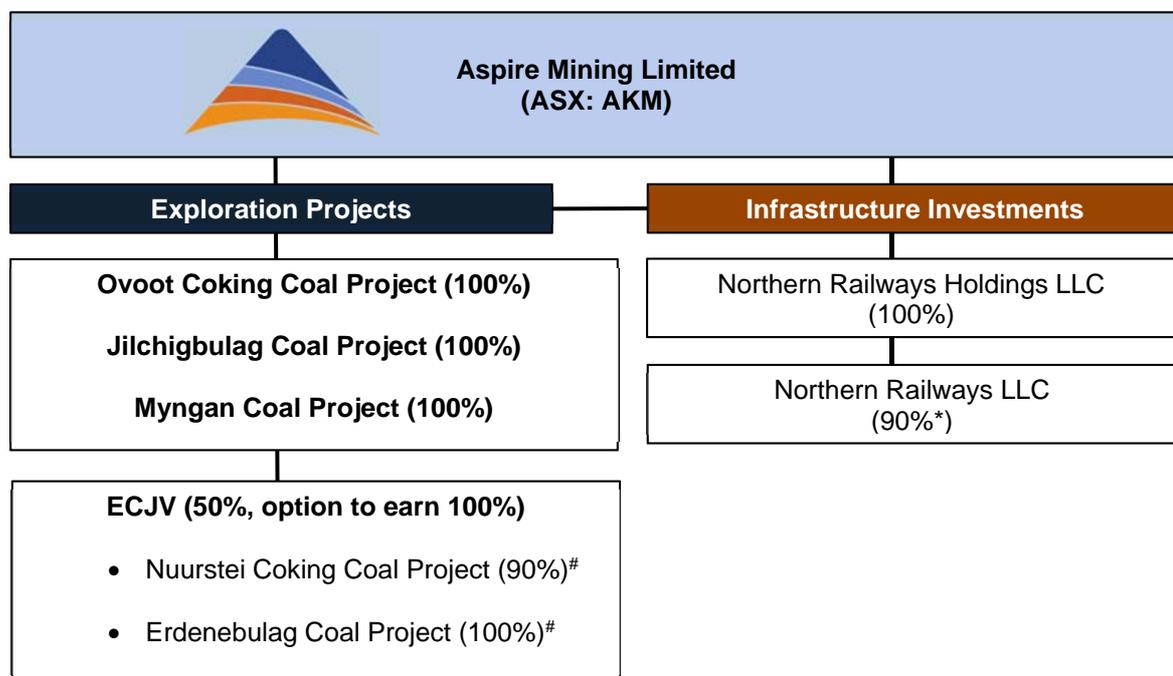
### **Capital Structure at 30 September 2015:**

<b>Security</b>	<b>No. on issue</b>
Quoted Ordinary Shares	928,288,306
Quoted Options	188,912,500
Unlisted Performance Rights	46,500,000

**Interests in mining and exploration tenements at 30 September 2015:**

Tenement	Location	Attributable Equity
<b>Ovoot</b> MV017098 13636X 017003X	Mongolia	100% 100% 100%
<b>Hurimt</b> 14510X 14637X	Mongolia	100% 100%
<b>Jilchigbulag</b> 12816X	Mongolia	100%
<b>Myngan</b> 17922X	Mongolia	100%
<b>Nuurstei (ECJV)</b> 13958X 13580X	Mongolia	45% 45%
<b>Erdenebulag (ECJV)</b> 18294X 18304X	Mongolia	50% 50%

**Group Investment Structure**



#Ekhgoviin Chuulu Joint Venture assets

\*An issue of shares will be made to Noble Group who have exercised its option to own 10% of Northern Railways following the grant of the Erdenet – Ovoot railway concession.

## Northern Railways LLC



Mongolian registered Northern Railways is the responsible entity progressing the development of the 547 kilometre Erdenet to Ovoot railway project in northern Mongolia (**Rail Project**). The Rail Project will be implemented under a private-public-partnership with the Government of Mongolia who have granted Northern Railways the exclusive right to build and operate the Rail Project under the terms agreed within the Concession Agreement which was executed during the period.

Northern Railways is supported by an Australian-Chinese consortium consisting of Aspire, China Railway 20 Bureau Group Corporation (**CR20G**) and China Railway First Survey and Design Institute (**FSDI**). Both CR20G and FSDI are subsidiaries of fortune-500 company China Railway Construction Corporation (**China Railway**) and have extensive design, engineering and construction capabilities. Through FSDI, Northern Railways will use exclusive patented technology in the implementation of the Rail Project and CR20G will be awarded the EPC Contract to carry out the construction.

In time, the Rail Project is planned to be extended to connect with railway at the Russian town of Kyzyl (refer Figure 4). This entire connection (Erdenet – Ovoot – Kyzyl) is planned to create an international rail corridor to be used to facilitate three way trade between Russia, China and Mongolia inline with China's Silk Road initiative and Mongolian and Russian rail policy.

The Rail Project will provide an efficient transport option for several bulk commodity projects located in northern Mongolia including Aspire's Ovoot Coking Coal Project (**Ovoot**) and the ECJV's Nuurstei Coking Coal Project (**Nuurstei**). The railway will also be available for use by local business to transport general and agricultural freight as well as an alternative transport option for passengers.



Figure 4: Northern Railways Rail Project forms part of a planned international trade corridor between Russia, Mongolia and China

## **Concession Agreement Execution**

During the period, Northern Railways executed a Concession Agreement with the Government of Mongolia which allows Northern Railways a 5 year construction timeframe followed by a 30 year operational period before vesting 100% ownership of the base rail infrastructure to the Mongolian Government.

Northern Railways must, within 18 months, complete a number of conditions precedent in order to commence construction of the Rail Project. These conditions precedent include:

1. Completion of the Rail Bankable Feasibility Study,
2. Execution of the EPC Contract,
3. Agreement to connect the Rail Project into existing rail at the town of Erdenet,
4. Receipt of all licences, permits and approvals required which the GOM will assist to support Northern Railways to achieve these from the relevant Mongolian authorities,
5. Tax stabilisation certificate is granted to Northern Railways,
6. Financing agreements have been executed and financing becomes unconditional, and
7. All contracts required for the commencement of construction have been executed.

Northern Railways has set out to commence achieving the aforementioned tasks. The first stage of the Bankable Feasibility Study (**BFS**) has been commenced, negotiations have also commenced with CR20G with respect to the EPC Contract, and Northern Railways has submitted its application for a tax stabilisation certificate.

Northern Railways continues discussions with potential financiers for the provision of bridge financing to fund the above activities to complete the conditions precedent for the Erdenet to Ovoot rail concession, and meet the timetable to commence construction in February 2017.

## **Rail Pre-Development Update**

### ***Licence to Construct***

In October, the Cabinet of the Government of Mongolia resolved to issue Northern Railways with the Licence to Construct the Erdenet to Ovoot railway for a total period of five years. The Licence to Construct represents the first of several licences required by Northern Railways under the Concession Agreement. Its issue triggers the process for Northern Railways to progress with additional conditions precedent under the Concession Agreement which include the negotiation of a connection agreement with Ulaanbaatar Railways JSC (**UBTZ**) at Erdenet, and the application of land access agreements across the alignment.

### ***First Stage Rail Bankable Feasibility Study Commenced***

During the period, Hong Kong based Signum Resource Corporation (**Signum**) agreed to provide Northern Railways with financing to enable the commencement of the first stage of the BFS.

The payment is comprised of a US\$600,000 loan provided by Signum to Northern Railways as well as a US\$200,000 placement in Aspire by the issue of 13.89 million shares at A\$0.02 per share. Aspire has funded the balance of US\$200,000 from working capital.

The loan provided by Signum is unsecured with interest of US\$100,000 to be capitalised over the term of the loan which is repayable by the earlier of two years, or the date of receipt of further rail development funding for a minimum of US\$15 million to be provided to Northern Railways.

The first stage of the BFS is expected to be completed in the March 2016 Quarter.

Signum, who have a background in arranging funding for large engineering projects in North Asia have provided rail advisory services to Northern Railways and have been instrumental in providing Aspire with contacts, introductions and advice in relation to the agreements with CR20G, FSDI and Chinese financial institutions to date.

During the period, it was agreed that Aspire issue to Signum 40 million Performance Rights, which will be convertible into fully paid ordinary shares in Aspire, should Northern Railways through the advisory work of Signum receive an offer to fund, from a reputable financial institution, for at least 70% of the capital expenditure requirement estimated at US\$1.2 billion (70%, US\$840m).

### **Scoping Study Completed over Rail Extension from Ovoot to Kyzyl in Russia**

The linkage of the Steppe Rail Project (Erdenet – Ovoot – Arts Suuri) to the Russian town of Kyzyl is part of Chinese, Russian and Mongolian Government planning (refer Figure 1) to see a northern Mongolian international rail connection established to facilitate increased levels and trade between Asia and Europe, and unlock substantial new demand from Russian and Mongolian resources projects, and local industry.

A Scoping Study completed by Northern Railways and Melbourne based Trimble Planning Solutions Pty Ltd was received during the period which confirmed that there were multiple technically feasible alignments to build an efficient, high capacity rail connection from Ovoot to Kyzyl.

The Scoping Study was commissioned by Northern Railways to provide capital cost estimates, alignment paths and lengths for the future extension of the Rail Project from Ovoot to the border at Arts Suuri and onto Kyzyl (refer Figure 4). The Scoping Study alignment estimates are shown in Table 1 below.

<b>Alignment</b>	<b>Distance (km)</b>	<b>Capex Estimate (US\$m)</b>
Ovoot – Arts Suuri	230 - 250	\$450-550
Arts Suuri - Kyzyl	300 - 330	\$675-775

Table 1: Scoping Study estimates

**--Ends--**

### **About Aspire Mining Limited**

Aspire Mining Limited is listed on the ASX (ASX: AKM) and is the largest coal tenement holder in Mongolia's Northern provinces and is focused on identifying, exploring and developing quality coking coal assets. Aspire currently owns a 50% interest in and is the operator of the Ekhgoviin Chuluu Joint Venture (ECJV), and has an option to increase its ownership to 100% of the ECJV. The ECJV owns a 90% interest in the Nuurstei Coking Coal Project (Nuurstei), and following a successful 2014 exploration program is conducting additional exploration work through 2015 with the aim of identifying a JORC 2012 coal resource and defining coal quality across the deposit. Depending on the results of the 2015 program, future positive economic studies, funding and the grant of necessary approvals and licenses, Nuurstei could commence a road based production operation as early as 2016, and access the new Erdenet to Ovoot railway as early as two years from commencement of its construction.

Aspire is also the owner of the world class Ovoot Coking Coal Project (Ovoot) which is the second largest coking coal project by reserves in Mongolia. The Ovoot project development is dependent on the construction of the Erdenet to Ovoot railway which is being progressed by Northern Railways LLC (Northern Railways). Northern Railways has been granted a rail concession in August 2015 and is progressing the negotiations and completion of a bankable feasibility study, funding, EPC contract, applications for licences, permits and approvals to commence railway construction.

Production from the Ovoot project can coincide with the commissioning of the Erdenet to Ovoot railway.

### **About Northern Railways LLC**

Northern Railways LLC (Northern Railways) is a Mongolian registered rail infrastructure Company, and mandated to pursue the development of the Erdenet to Ovoot Railway, is supported by a consortium consisting of Aspire Mining, 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 – 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 – 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 an Economic Corridor through Mongolia, the subject of a trilateral agreement signed by the Presidents of China, Russia and Mongolia. The Economic Corridor through Mongolia is primarily aimed at improving trade by reducing regulation, improving capacity at borders and to improve road and rail infrastructure to meet this increased demand for transport services. 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 progressing the completion of a bankable feasibility study and other studies to support applications for licences, permits and approvals, as well as progressing negotiations for the EPC contract and financing of the railway construction.

### **About Ekhgoviin Chuluu Joint Venture**

The Ekhgoviin Chuluu Joint Venture (ECJV) is currently a 50/50 joint venture arrangement between Aspire and Singapore listed Noble Group (SGX: N21, Noble). Aspire is the operator of the ECJV and has an option to purchase Noble's 50% interest, exercisable by March 2016. The ECJV owns a 90% interest

