

ASX RELEASE



For Immediate Release – 29 August 2018

Aspire to target Early Development of Ovoot with A\$15m Financing Package

- **Targeting material early production of washed coking coal via a truck and rail operation to end markets within 12 to 15 months of approval**
- **Rail service road identified in Erdenet to Ovoot Feasibility Study proposed to be developed into temporary haul road until commissioning of the Erdenet to Ovoot Railway**
- **A\$15m financing including a strategic financing of A\$10.0 million from Mongolian cornerstone substantial shareholder, a planned A\$1.7 million placement and the conversion of up to approximately US\$2.4 million of debt to equity**
- **Post the financing, Aspire will be debt free with an additional A\$11.7 million in cash sufficient to fully fund Ovoot's pre-development capital**
- **Further operational expansion of the world class Ovoot coking coal project to follow upon completion of the Erdenet to Ovoot Railway**

Mongolian coal developer, Aspire Mining Limited (ASX:AKM, the **Company** or **Aspire**), is pleased to announce the Ovoot Early Development Plan (**OEDP**) and related funding commitments.

The OEDP will involve mining a low ash and high yielding coal from a starter pit that sits within the previously defined Ovoot orebody and construction of a new private haul road beside the planned 547km rail path for the Erdenet to Ovoot Railway.

In support of the OEDP, Aspire is delighted to confirm it has executed definitive and binding documentation (**Agreements**) with existing substantial shareholder, Mr. Tserenpuntsag Tserendamba, to invest A\$10 million as part of a A\$15.0 million strategic financing package. Under the Agreements, Mr Tserenpuntsag has agreed to subscribe for 476.2 million new ordinary Aspire shares at A\$0.021 per share which on completion will take his holding from 16.6% to approximately 27.4% in Aspire.

The placement to Mr Tserenpuntsag is conditional upon the approval of Aspire shareholders. It is also conditional upon the Company raising an additional A\$1.7 million from other investors, of which Aspire has already received binding pre-commitments to subscribe for approximately A\$1 million of the A\$1.7 million sought.

Successful completion of the placement to Mr Tserenpuntsag will increase the undiluted ownership of Aspire held by Mongolian nationals to 32%, making Aspire a true Mongolian/Australian partnership.

Funds raised from these placements will enable Aspire to capitalise on the strong prevailing coal market fundamentals by seeking to unlock early production from its world class, 100% owned Ovoot Coking Coal Project (**Ovoot**) within a targeted 12 to 15 months after all approvals are received, funding is committed and a decision to mine is made.

The OEDP involves the early works construction of a new private haul road to follow the existing planned rail path from Ovoot to the existing rail head at Erdenet for final rail transportation to international end customers. Identified in the Erdenet to Ovoot Rail Feasibility Study, this will be a temporary haul road (and future rail service road) designed to preserve local water courses and minimise dust emissions.

The Company has identified a low ash high yielding open pit section of the Ovoot orebody which is expected to be well suited to form the basis of the starter pit for the OEDP. The designed production rate at Ovoot under the OEDP will be matched to forecast logistics capacities which are limited by existing Mongolian rail capacity and expected to be in the range of 3 to 4Mtpa from work undertaken during the Nuurstei Feasibility Study. The OEDP will be designed around achieving early production from Ovoot while the Company's rail infrastructure subsidiary continues to work towards establishing the Erdenet to Ovoot rail connection.

Delivery of the road-based OEDP complements the development of the Erdenet to Ovoot Railway (**Northern Rail Line**). Much of the permitting and approvals required for the road path are also applicable for the future rail development whilst early production and cashflow will materially de-risk the project. Once commissioned, the Northern Rail Line is expected to support up to 10Mtpa of high quality washed coking coal from Ovoot on a low cost, long term basis. The OEDP will not cause any delay to rail development.

The placement proceeds of A\$11.7 million before costs, together with existing cash reserves of approximately A\$7.6 million¹, is expected to fully fund Aspire to complete Feasibility Studies for the mine and road components of the OEDP to support a planned project financing and decision to mine in 1H CY2019.

Aspire has also entered into an agreement with major shareholder, Noble Resources International Pte Ltd (**Noble**), for a debt to equity conversion of up to the existing debt of US\$2.4 million (plus accrued interest on that amount), with the residual balance of that debt to be repaid out of funds raised from the strategic financing. This will see Aspire emerge debt free following completion of the strategic financing.

David Paull, Aspire's Executive Chairman stated:

"This is a very important step in realising the large inherent value of the world class Ovoot Coking Coal Project. We are delighted to have secured the substantial support of Mr. Tserenpuntsag who has recognised the deep value that the Company represents. Aspire has always recognised the need to have strong Mongolian support and ownership as it progresses the development of the Ovoot Coking Coal Project and the Northern Railway. In this way there is a strong alignment between Mongolian and international investors."

¹ As at 31 July 2018 plus the receipts from 2.5c options as set out in the Appendix 3B announced on 15 August 2018

Ovoot Early Development Plan (OEDP)

Aspire's 100% owned Ovoot Project is an advanced globally significant, high quality coking coal project located in Northern Mongolia. The Ovoot Pre-Feasibility Study Feasibility Study delivered in December 2012 confirmed that Ovoot can deliver up to 10Mtpa of washed high quality “fat” coking coal over a 20+ year mine life once rail is connected to the Project. The delivered washed coal will offer significant “value in use” benefits to customers including an ability to upgrade non-coking coals in a blend.

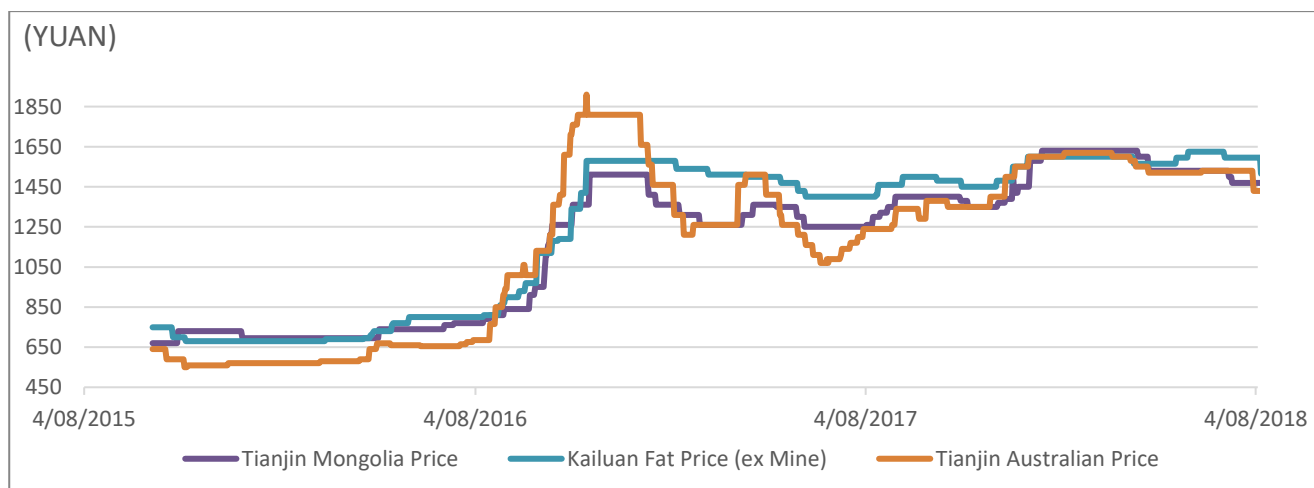
In response to the strong prevailing coal market fundamentals, identification of a service road path in the recently completed Erdenet to Ovoot Feasibility Study and logistics work conducted during the Nuurstei Feasibility Study, Aspire's Board has determined an early development of Ovoot should be investigated. This OEDP would commence prior to the completion of the Erdenet to Ovoot rail connection and would be based on trucking washed coking coal to the existing rail head at Erdenet while the rail connection between Erdenet and Ovoot is completed. Subject to the feasibility studies into the OEDP being positive, the Company expects to target first production from Ovoot in 12 to 15 months after all necessary approvals are received, funding is committed and a decision to mine is made.

The OEDP development will provide the opportunity for the Company to establish Khuvsgul and Tsetserleg soum development funds that will support development in these communities. It would be expected that road and mine construction and operations will see very significant increase in employment and educational opportunities across the Khuvsgul, Bulgan and Orkhon provinces.

In order to progress the OEDP, the Company has secured a 12 month option to acquire a terminal area at Erdenet where trucks can be unloaded and rail wagons loaded which when developed would be able to support the handling of up to 4Mtpa.

The market for Coking Coal globally and “fat” coking coal in particular has maintained a level of stability over the last 12 months with benchmark fat coking coal trading at a premium to hard coking coal.

Chinese Met. Coal Prices



Source: www.sxcoal.com

Coal Specifications

	Ad/%	Vdaf/%	St,d/%	G	Y/mm	Mt/%	CSR
Tianjin Mongolia Coking Coal	10.0	27.0	0.7	80	16	11.0	66
Tianjin Australian Coking Coal	10.0	36.0	0.6	85	14		60.0
Kailuan Fat	10.5	32.0	1.0	90.0	25.0	5.7	50.0

The Company has identified a “*starter*” open pit at an average of 17% ash within the existing orebody that formed the basis of the December 2012 Pre-Feasibility Study that confirmed Ovoot as a large, long life open pit coal project. Based on washing yield algorithms prepared for the Ovoot Pre-Feasibility Study², coal with these ash levels is expected to average total yields of approximately 85%.

The OEDP will be serviced by a private haul road to follow the existing planned rail path between Erdenet to Ovoot. Aspire estimates this road could be completed within 12 to 15 months from commencement of construction. Once constructed, the road will enable Aspire to utilise capacity along the existing rail paths to China and Russia which is understood to currently be in the order of 3 to 4Mtpa.

The economics of the OEDP including forecast mine operating costs will be the subject of a Feasibility Study which will commence immediately after the transaction is completed.

Pre-development studies including environmental impact assessment, management plan and a road feasibility study for the OEDP will also commence immediately after completion of the strategic financing.

Based on initial analysis, and subject to the successful completion of the above studies, early production and cash flow from Ovoot via a road-based logistics solution is expected to bring forward material value to Aspire and its shareholders. In particular, by unlocking the value of Ovoot as part of the OEDP, Aspire will be transformed into a significant coking coal producer on ASX, with further mine expansions to coincide with the commissioning of the Erdenet to Ovoot Railway. The value of the Ovoot Coking Coal Project will be fully maximised once the full mine expansions have been completed and the Erdenet to Ovoot Railway has been completed and commissioned.

Strategic Financing Details

As outlined above, Aspire has entered into arrangements in relation to a strategic financing package comprising:

- i. a cornerstone binding subscription agreement with Mr Tserenpuntsag pursuant to which Mr Tserenpuntsag has agreed to subscribe for 476.2 million Aspire ordinary shares at A\$0.021 per share, to raise A\$10 million;
- ii. pre-commitments from placees of Aspire ordinary shares at A\$0.021 per share for a total of \$1.0 million out of the A\$1.7 million, with Patersons Securities Limited being appointed to place the balance on a “best endeavours” basis;
- iii. an agreement for the prepayment of up to US\$2.4 million (plus accrued interest) of the existing debt owing to Noble by the issue of new Aspire shares based on the conversion price of A\$0.021 per share which is expected to see Noble emerge with approximately 19.99% of Aspire’s issued share capital post completion of the strategic financing (**Debt Conversion**). The Debt Conversion is to occur at the same time as the completion of the strategic financing. Any residual amounts owing to Noble under that facility are to be repaid by Aspire in full out of existing cash reserves. The Debt Conversion remains subject to Noble obtaining any necessary internal approvals. In consideration for entering into these prepayment arrangements, Noble’s existing right to appoint a director to the Company has been varied so as to preserve that right for so long as Noble holds at least a 9.9% shareholding in Aspire.

² Refer ASX Announcements 6 December 2012 and 31 July 2013. The Company confirms that all the material assumptions underpinning the Ovoot Pre-Feasibility Study continue to apply and have not materially changed.

The subscription agreement also provides Mr. Tserenpuntsag with the right to nominate two directors to the Aspire Board, one of which is to provide executive services to Aspire. It is expected that Mr. Achit-Erdene Darambazar (President and CEO of MICC LLC, Mongolia's leading investment banking firm and financial adviser to Mr. Tserenpuntsag) will join the Aspire Board as a Non-Executive Director post-completion of the placement. The role of Executive Director on the Aspire Board is expected to be performed by Mr. Bat-Amgalan Boldbaatar post placement. Mr. Bat-Amgalan Boldbaatar is expected to play a pivotal role in securing the OEDP by leading community and government relations activities.

Mr. Tserenpuntsag's investment is also subject to a standstill whereby he is not permitted to increase his relevant interest in the Company to more than 28% for two years after completion of the proposed placement. The standstill is on customary terms for arrangements of this nature.

Proceeds of the strategic financing are to be used to fund:

- Feasibility studies, permitting and approvals for the OEDP inclusive of the mining and road related developments;
- Exercise of the option to acquire the land for Erdenet terminal and associated terminal development; and
- General working capital, including the repayment of any residual amounts owing to Noble following the Debt Conversion.

The placement proceeds of A\$11.7 million before costs, together with existing cash reserves of A\$7.6 million³, is expected to fully fund Aspire to complete Feasibility Studies for the mine and road components of the OEDP to support a planned project financing and decision to mine in 1H CY2019.

The Share Subscription Agreement with Mr Tserenpuntsag is conditional upon the Company raising the additional A\$1.7 million from third parties. The Company has already received binding pre-commitments for A\$1 million and expects to receive pre-commitments for the balance shortly.

The proposed placement to Mr Tserenpuntsag is also conditional on shareholder approval being obtained (including for the purposes of section 611 item 7 of the Corporations Act) at a shareholders meeting expected to be convened shortly. As part of the shareholder approval process, an independent expert has been engaged to opine on whether the proposed share issue to Mr Tserenpuntsag is fair and reasonable, or not fair but reasonable to Aspire shareholders.

Key Strategic Benefits

A favourable coal market outlook supports consideration of fast tracking Ovoot into production via the OEDP with the support of Aspire's proposed new largest shareholder, Mongolian investor Mr. Tserenpuntsag.

The strategy is expected to:

- materially reduce the capital and timing required to achieve first cashflow from a scaled coking coal production;
- deliver a stronger "Mongolian" involvement which will significant enhance Aspire's ability to achieve timely government, permitting, approvals and community support for the OEDP;

³ As at 31 July 2018 plus the receipts from 2.5c options as set out in the Appendix 3B announced on 15 August 2018

- assist in Aspire securing follow on investment capital;
- de-risk the future rail development; and
- significantly reposition Aspire within the next 1 to 2 years.

Aspire considers the strategic and financial support of Mr. Tserenpuntsag will materially de-risk the delivery of early production from Ovoot.

Mr. Tsedenpuntsag is a successful Mongolian entrepreneur across the food & beverage, information and communication technology (ICT sector), health & recreation and construction sectors.

He founded Gem International, a beverage producer, in 1999 and has since gone on to found other leading Mongolian companies. In the beverage sector, these businesses include Gem Khujirt and GN Beverages whilst in the ICT sector he has created market leaders Mongolia Gemnet, DDish-TV and Kewiko.

Mr. Tsedenpuntsag was awarded the title of 'Executive of the Year' by the Mongolian Communications Regulatory Commission. He is also a Naadam Traditional Wrestling Tournament finalist (1994), an International Master of Judo, and the Founder of the Mongolian Rugby Association.

Upon completion of proposed placement, Mr. Tserenpuntsag will emerge as Aspire's largest shareholder and will use his best endeavours to:

- provide and/or assist in arranging material future finance to complete the OEDP including the sourcing of low cost debt funding from the Mongolian government and/or other in-country sources as required; and
- support Aspire in community and public relations in Mongolia to ensure widespread support for the OEDP and the Erdenet to Ovoot Railway.

Nuurstei Coking Coal Project Update (90%)

Aspire continues to advance the Nuurstei Feasibility Study as a precursor to future production.

Recent coke oven test work on an indicative sample confirms that Nuurstei coking coal produces exceptional coke results and will be identified in end markets as a premium hard coking coal.

A short 44 drill hole programme is required to convert JORC Inferred Mineral Resources into an Indicated status to complete a feasibility study. This drilling has been temporarily suspended while further community engagement and consultation is being undertaken. Discussions are continuing at the local community and airmag level where a longer-term cooperation agreement will be needed to support mining operations, regional infrastructure development and provide socio-economic benefits to the local community.

Other components of the Nuurstei Feasibility Study are continuing. As logistics costs are a key component of project economics, the Company has undertaken to buy 90,000 tonnes of raw coking coal from a mine site adjacent to the Nuurstei project site and deliver to the nearest rail head at Erdenet by road over the next few months. This activity will provide real time costs estimates and confirm capabilities and capacities in terms of truck haulage through to coal rail wagon access and delivery to end customers.

While the bulk of this purchased coal will be exported south to China, Aspire also intends to conduct a trial coal export shipment along the Russian rail network for delivery at a Russian Far East Port. Recently the Russian and Mongolian Governments came to an agreement on a discounted rail tariff structure for Mongolian exports through Russia, opening export market alternatives to China.

Aspire's project locations in the north of Mongolia mean they are well placed to take advantage of this opportunity.

Aspire expects to complete the required drilling and Feasibility Study for Nuurstei in the near term to allow a development decision to be made by the Board at a later time to integrate with the larger Ovoot development project.

Indicative Timetable & Next Steps

An indicative timetable for completion of the Placement is as follows:

Event	Indicative Date
Notice of Meeting and Independent Expert Report lodged with ASX	Late September 2018
Notice of Meeting and Independent Expert Report despatched to shareholders	Early October 2018
Shareholder meeting	Late October 2018
Allotment of new AKM shares pursuant to the Placement and Debt Conversion	Late October -Early November 2018

Subject to an independent expert opining that the terms of the Placement are fair and reasonable or not fair but reasonable, the Aspire Directors unanimously recommend shareholders vote in favour of the Placement resolution at the Company's General Meeting and confirm that each Board member intend to vote, or procure the voting of, their Director shares in favour of this resolution.

Argonaut acted as exclusive financial adviser to Aspire in relation to the A\$15 million strategic financing. Mongolia International Capital Corporation acted as exclusive financial adviser to Mr. Tserenpuntsag.

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For more information:

David Paull Executive Chairman Aspire Mining Ltd Tel: +61 8 9287 4555 Email: David@aspiremininglimited.com	Greg Southee Executive Director and Head of Asia Argonaut Securities (Asia) Limited Tel: +852 3557 4888 Email: gsouthee@argonaut.com
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Forward Looking Statements

This announcement contains certain statements which may constitute "forward-looking statements". Such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance achievements to differ materially from those expressed, implied or projected in any forward-looking statements.

About Aspire Mining Limited

Aspire Mining Limited is listed on the ASX (ASX: AKM) and is a large coal tenement holder in Mongolia's Northern provinces and is focused on identifying, exploring and developing quality coking coal assets.

Aspire is the 100% owner of the world class Ovoot Coking Coal Project (**Ovoot Project**) 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 being progressed by Aspire's subsidiary, Northern Railways LLC (**Northern Railways**). Production from the Ovoot Project can coincide with the commissioning of the Erdenet to Ovoot Railway.

Aspire has a 90% interest in Nuurstei Coking Coal Project (**Nuurstei Project**) located in northern Mongolia.

The proximity of the Nuurstei Project to existing infrastructure (town, road, rail and services) provides an excellent opportunity to assess the economics of a road-based operation prior to the construction of the Erdenet to Ovoot Railway.

Depending on the further analysis of the results of an intended 2018 drilling program, future positive economic studies, funding and the grant of necessary approvals and licenses, the Nuurstei Project could commence a road based production operation and then later have access to the new Erdenet to Ovoot Railway two years from commencement of the rail construction.

About Northern Railways LLC

Northern Railways is a Mongolian registered rail infrastructure company mandated to pursue the development of the Erdenet to Ovoot Railway. Aspire holds an 80% interest (diluting to 34%) in Northern Railways which is supported by a consortium consisting of Aspire and subsidiaries of Fortune 500 listed China Railway Construction Corporation Limited – China Railway 20 Bureau Group Corporation and China Railway First Survey & Design Institute Group Co Ltd and China Gezhouba International Ltd (**CGGC**).

The Erdenet to Ovoot Railway extends 547km between the town of Erdenet to Aspire's Ovoot Project, which connects northern Mongolia to China and international markets. In accordance with Mongolian National Rail Policy, the Erdenet to Ovoot Railway is 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 the Northern Rail Corridor through Mongolia, the subject of a trilateral program agreed by the Presidents of China, Russia and Mongolia. The Northern Rail Corridor through Mongolia is primarily aimed at improving trade by reducing regulation, improving capacity at borders and improving road and rail infrastructure to meet this increased demand for transport services. The Northern Rail 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 years concession by the Mongolian Government to build and operate the Erdenet to Ovoot Railway. Northern Railways is now progressing funding negotiations for the completion of the concession conditions precedent, other studies to support applications for licenses, permits and approvals, the EPC contract and railway construction.

A revised Feasibility Study with expert input from EPC partners CREC and CGCC confirms the Northern Rail Line's attractive economics based on a 4 year construction time frame with a Feasibility

Study Revision currently underway to reflect a higher capacity Mongolian Class 2 Railway which can carry up to 30Mtpa of freight.

Northern Railways continues to advance the Erdenet to Ovoot Railway under the Concession with the company targeting the June Quarter 2019 to complete the outstanding Conditions Precedent to development.