

# Frontier's Strategy Note: 05/08/2015



## "Aspire Mining 1Q2015 Update"

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## Aspire Mining 1Q2015 Update

Aspire Mining Limited (ASX: AKM, “Aspire” or the “Company”) has presented its Quarterly Operations report to Shareholders for the period ending March 31, 2015. Aspire is focussed on the exploration of metallurgical coal assets in the territory of Mongolia. The Company is the largest coal tenement holder in the under explored Selenge Basin in north part of Mongolia. Aspire currently owns a 100% interest in the large scale and world class Ovoot Coking Coal Project (“Ovoot”), the second largest coking coal project by reported reserves in Mongolia, and a 100% interest in the Jilchigbulag Coal Project (“Jilchigbulag”). Through its 50% ownership in the Ekhgoviin Chuluu Joint Venture (“ECJV”), Aspire also holds an interest in the Nuurstei Coking Coal Project (“Nuurstei”). During the reported period, the Company and the ECJV applied for a number of new exploration licenses in Mongolia. At this stage the Company and the ECJV are awaiting for the confirmation that these licenses are to be granted. Northern Railways LLC (“Northern Railways”) is Aspire’s wholly-owned Mongolian rail infrastructure subsidiary responsible for activities associated with the commercialisation and future development of the 547km Erdenet – Ovoot railway in the north part of Mongolia. The Erdenet – Ovoot railway is a Mongolian Government-supported prioritized rail project representing the first phase of an important rail connection to link to Russia’s Siberia and provide accessibility for coal and other exports from north part of Mongolia and Russia.

**COKING COAL PROJECTS Ovoot Coking Coal Project (100%)** Discussions continue to be held with the local soum authorities regarding land permits over the mining lease area prior to production commencement. Independent coking coal product quality assessments for Ovoot blends with other Mongolian poor coking and thermal coal showed that the coking coal blends would achieve primary coking coal classifications and significant demand from Chinese steel mills. This continues the coal blend testing work that highlights the significant value that the Ovoot Coking Coal has to other coals. Ekhgoviin Chuluu Joint Venture The ECJV is a 50/50 joint venture between Aspire and Singapore listed Noble Group (SGX: N21). During the Quarter, Aspire was granted an option, expiring March 2016, to acquire Noble’s 50% interest in the joint venture for US\$1m and a royalty. If exercised, Aspire would own 100% of the ECJV. The ECJV holds a 60% interest in the Nuurstei Coking Coal Project with an ability to move to 90%. The minority interest in Nuurstei is held by a local Mongolian shareholder. Exploration Target Established for the Nuurstei Coking Coal Project During the period, the ECJV received a geology report from McElroy Bryan Geological Services (“MBGS”) who oversaw the 2014 exploration programme completed at Nuurstei. The geology report provided geological data on the coal seams located at Nuurstei and established an Exploration Target defined by correlating coal seams between holes with relatively high levels of confidence using downhole geophysics. 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.



<b>Depth Interval</b>	<b>0.1m thickness cutoff (Mt)</b>	<b>0.3m thickness cut-off (Mt)</b>	<b>0.5m thickness cut-off (Mt)</b>
<b>0-20m</b>	1.4	1.3	0.9
<b>20-40m</b>	3.4	3.0	2.2
<b>40-60m</b>	3.3	3.0	2.2
<b>60-80m</b>	3.3	2.9	2.2
<b>80-100m</b>	3.3	2.9	2.2
<b>100-120m</b>	3.3	2.9	2.1
<b>120-140m</b>	3.2	2.8	2.1
<b>140-160m</b>	3.2	2.8	2.2
<b>Total (Rounded)</b>	<b>25</b>	<b>20</b>	<b>15</b>

The ECJV has prepared an exploration programme to be conducted at Nuurstei during 2015 which will target coal resource drilling to establish a maiden JORC compliant coal resource, and additional core sampling and analysis will be conducted to confirm the coal quality across the entire deposit. In 2014, a single core hole was drilled which confirmed hard coking coal was present at Nuurstei. Subject to the results of this programme, a scoping study will also be completed to assess the economics of a mining operation commencing from 2016. The ECJV is planning to commence fieldwork at Nuurstei in June 2015. 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 Murun, approximately 10 kilometres from Nuurstei, to Erdenet, where product can be loaded onto rail and transported to our customers. Once the Erdenet – Ovoot railway is constructed, coal produced at Nuurstei can be loaded directly onto rail at the nearest railhead. New Coal Licences Applications In 2014, the Mongolian Government lifted a four year moratorium on the issue of new exploration licences in Mongolia and increased the area of ground available for exploration from 8% to 20%. The Minerals Resources Authority of Mongolia (“MRAM”) has initiated an application process for available land in the Western half of the country. Aspire and the ECJV have successfully applied for 6 exploration licenses, all have ready access to existing or future transportation infrastructure. These 6 licenses are currently going through a due process before being granted.

**Myangan Coal Project : Uvs Province (100%)** The Myangan licence is located in the Uvs province, and sits near planned Stage 3 railway, part of the Mongolian Government’s policy for future development in western Mongolia. It is also just 115 kms from the Russian border at Khandgait. Myangan is part of the Kharkhira Coal Basin and historical exploration work conducted on the property indicates good potential for moderate ash coking coal. Coal seams outcrop and the previous mapping indicates coal formation occurs along an 8 km north south strike. Aspire geologists visited the site in 2014 and confirmed the presence of high calorific low sulphur bituminous coal. There is good potential for identifying coking coal at this project. Any production from this project could also access the Erdenet -Ovoot- Arts Suri Railway. **Khuren Coal Project, Umnogobi Province (50% through ECJV. Option to go to 100%)** There are three licenses applied for in this region of Southern Mongolia, approximately 170 kms from Tavan Tolgoi (and the Tavan Tolgoi Railway currently being developed) and 200 kms from the Ceke border with China. These licenses are in the same Umnogobi Coal Basin that hosts South Gobi Resources and the Narin Sukhait semi soft coking coal mines. **Erdenbulag Coal Project (100%)**

There are two exploration licenses applied for in this region, to the east of the Khuren Coal Project but still within the Umnogobi Coal Basin. These licenses have previously been mapped at 1: 200,000 scale and are prospective for semi soft and mid volatile coking coal. In order to select these prospects Aspire and ECJV’s geologists visited a number of properties and conducted an exhaustive prioritization process. The fact that such high quality coking coal targets can be readily applied for goes to the very high prospectivity for further high quality coal discoveries in Mongolia. CORPORATE Noble and Aspire Agreements to Roll Over US\$5 million Loan Facility Noble Group has been a long term substantial shareholder of Aspire and continues to support the Company and its Mongolian coking coal and rail strategy. In 2013, the Noble Group provided Aspire an unsecured US\$5m loan facility to assist with the progression of pre-development rail activities, along with agreeing to support Northern Railways further by contributing to 10% of Northern Railway’s pre-development expenditures. As announced on 16 March 2015, the Company entered into a Binding Term Sheet (the “Term Sheet”) with the Noble Group: 1) To extend the due date for repayment of the US\$5m loan provided by Noble to Aspire in 2013, by 12 months to 15 March 2016, which is to be secured by Aspire’s 50% interest in the ECJV, 2) To reflect the terms on which Noble grants a 12 month option to Aspire to acquire Noble’s 50% interest in the ECJV. The ECJV’s main asset is a 60% (earning up to 90%) interest in the Nuurstei;



Figure 3: Northern Rail Line, and the Erdenet – Ovoot Railway section

3) To confirm the marketing services and logistics arrangements in relation to Nuurstei; and 4) To increase the scope of the coal marketing services to be provided by Noble to Ovoot. This Term Sheet has now been amended to assist the Company to execute the capital raising.



The agreed changes are: 1. Potential events of default in the event that waivers are not granted by ASX in relation to certain clauses of the Term Sheet have been removed to assist the Company in conducting this capital raising in a timely manner. 2. Noble will be granted 79 million options on the same terms as options that are being granted to participants in the Capital Raising. 3. Aspire will seek a waiver of ASX Listing Rule 10.1 to permit the grant of security to Noble over Aspire’s interest in the ECJV and should that security be called upon, Aspire’s interest will be assessed at market value. 4. In the event that the Company undertakes further capital raisings within 12 months, the Company will use best endeavours to provide Noble the opportunity to participate in any capital raisings to maintain its shareholding in Aspire on the same terms as other investors. These agreements reflect the ongoing commitment of both Noble and Aspire to the Company’s strategy. Cash Position & Capital Raising Aspire had AU\$1.09 million cash as at 31 March 2015. On 29 April 2015, the Company initiated a capital raising to consist of a placement to both existing shareholders and the public to raise a minimum of \$2.75 million and up to \$6 million. It will be subject to shareholder approval. The Prospectus is to be lodged on 29 April 2015 and full offer details will be made available on the Australian Stock Exchange (“ASX”) and Company website. Existing Aspire shareholders have been provided the opportunity to participate being granted a priority placement guarantee pool of \$2 million with a minimum parcel of \$2,000. The Company is pleased to have already received up to \$2.1 million in applications prior to launching the capital-raising with up to \$2 million being committed by Aspire director and major shareholder, Neil Lithgow. For every two new shares issued under the placement, participants will receive one free option which the Company will apply to have listed on the ASX. The offer will remain open until 29 May 2015. Funds raised will be used toward an exploration programme at Nuurstei, field work at Ovoot, technical studies, debt interest and general working capital.

Capital Structure at 31 March 2015:

<b>Security</b>	No on issue
<b>Quoted Ordinary shares</b>	703,463,306

Interests in mining tenements at 31 March 2015:

<b>Tenement</b>	<b>Location</b>	<b>Attributable Equity</b>
<b>Ovoot MV017098 13636X 017003X</b>	Mongolia	100% 100% 100%
<b>Hurimt 14510X 14637X</b>	Mongolia	100% 100%
<b>Jilchigbulag 12816X</b>	Mongolia	100%
<b>Nuurstei (EC JV) 13958X 13580X</b>	Mongolia	30% 30%



Northern Railways LLC Erdenet – Ovoot Rail Update The Erdenet – Ovoot Railway represents the first phase of the Mongolian Government planned Northern Rail Line, which will extend existing railway from the town of Erdenet through to the Ovoot project and onto the Russian border at Arts Suuri. The Northern Rail Line is a part of Mongolia’s national strategy for rail development and the Erdenet – Ovoot section is listed on the Concession List of Approved Projects. Northern Railways, a wholly owned subsidiary of Aspire (with Noble earning 10%), has been a promoter of the Erdenet – Ovoot section to become a multi-user access railway with a capacity to haul up to 22 mtpa, and an ability to increase capacity further to accommodate Russian freight entering Mongolia at Arts Suuri in the longer term. During the period, Northern Railways received a General Environmental Impact Assessment from the Mongolian Ministry of Environment for the Erdenet – Ovoot Railway which sets the terms of reference for a Detailed Environmental Impact Assessment to be completed. Northern Railways has also had the Erdenet to Ovoot railway Pre-feasibility Study and alignment examined by the Science, Technical Advisory Council which advises the Mongolian Ministry of Roads and Transportation. The Advisory Council is supportive of the Erdenet – Ovoot railway PFS and its alignment, and has made its recommendation to the Ministry. Subsequent to these reviews and recommendations, the Government of Mongolia has decided to seek to issue a concession over the Erdenet – Ovoot alignment by way of direct negotiation with Northern Railways.

Rail Bankable Feasibility Study Update Northern Railways have entered into an Agreement with China Railways 20 Bureau Group Corporation (“CR20G”), to complete a Bankable Feasibility Study, over the Erdenet – Ovoot Railway. The Rail BFS has been split into two phases, with the first phase comprising desktop engineering work to provide additional project definition and has commenced following Northern Railways initial payment of US\$250,000 and the provision of 1:5,000 scale mapping over the entire 547 km alignment. The total cost for the Rail BFS is US\$6.5 million plus value added tax. Further payments, and the commencement of the second phase are conditional upon Northern Railways receiving the grant of a Rail Concession, and Northern Railways accessing funding to complete the study. CR20G is a wholly owned subsidiary of China Railways Corporation, employs over 20,000 personnel and has significant international experience completing rail projects in Angola, Mongolia and Mozambique.

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