



ASPIRE MINING LIMITED

# ANNUAL REPORT 2019



# CORPORATE INFORMATION

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## ASPIRE MINING LIMITED

ABN 46 122 417 243

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## DIRECTORS

Mr David Paull (Executive Chairman)  
Mr Gan-Ochir Zunduisuren (Executive Director)  
Mr Boldbaatar Bat-Amgalan (Executive Director)  
Mr Neil Lithgow (Non-Executive Director)  
Ms Hannah Badenach (Non-Executive Director)  
Mr Alexander Passmore (Non-Executive Director)  
Mr Achit-Erdene Darambazar (Non-Executive Director)

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## COMPANY SECRETARY

Mr Philip Rundell

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## REGISTERED OFFICE

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## PRINCIPAL PLACE OF BUSINESS

### AUSTRALIA

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Perth, WA 6000

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Ulaanbaatar 14253

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## WEBSITES

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## SHARE REGISTRY

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## SOLICITORS

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Level 6, Brookfield Place Tower 2  
123 St Georges Terrace  
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## BANKERS

National Australia Bank  
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West Perth, WA 6005 AUSTRALIA

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## AUDITORS

HLB MANN JUDD  
Level 4, 130 Stirling Street  
Perth, WA 6000 AUSTRALIA

## KPMG

Suite 602, 6<sup>th</sup> Floor, Blue Sky Tower  
Peace Avenue 17  
Sukhbaatar District, 1<sup>st</sup> Khoroo  
Ulaanbaatar 14200 MONGOLIA

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## SECURITIES EXCHANGE LISTING

AKM

Cover image: Painting by Mongolian artist Batireedui Shagdar



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# CHAIRMAN'S LETTER

Dear Shareholders

The year just passed was a combination of great promise combined with frustration in not being able to progress as we had planned.

The encouragement came from the outstanding financial results from the Pre-Feasibility Study ("PFS") for the Ovoot Early Development Plan ("OEDP") which focuses on mining a low ash near surface portion of the Ovoot Resource and delivery of the washed coking coal via a road based connection from the Ovoot minesite to the existing rail head at Erdenet. Both the starter pit and the 12.5 year "Extended Case" captured a significant amount of the value of the Ovoot Project while only mining a fraction of the Resource.

Post the very encouraging PFS, the Board approved the start of a Definitive Feasibility Study ("DFS") to support an investment decision. This included engineering and design of a 560 km haul road between Ovoot and Erdenet, further logistics studies for the various paths to customers in China and Russia, and on-site engineering and drilling to complete geotechnical, hydrological and structural studies to a DFS standard.

However, notwithstanding that the Company has a valid 30 year mining license from issue in August 2012 and has also received approval for the OEDP Reserve and Feasibility Study from the Minerals Resource Authority of Mongolia, it has not yet been able to conclude approvals with the local community in which Ovoot is located to complete drilling activities required for the DFS. While legally the Company can access the site and conduct the

required activities without community support, the Company is also mindful that it needs a long term mutually beneficial cooperation agreement with the local community to secure a social license for the life of the Ovoot Project.

This is a very significant decision for the local community and the education of the benefits of this project need to be carefully managed by all stakeholders. As development progresses to operation, the Ovoot Project will very quickly become the largest private employer in the Khuvsgul Province and will have a major positive impact on the local economy and incomes.

The local community is awaiting direction from the provincial government in terms of the road path from Ovoot. This road will be a key piece of infrastructure and will be of immense value to the local community to provide safe and secure road access to the rest of the country. We are working in a proactive and positive way with the local community as further explained in this Annual Report and are hopeful of a positive outcome in the near future. Nevertheless, further progress on the DFS has been delayed while this access is resolved.

In December 2018, the Company completed a \$15m placement which saw major shareholder, Mr Tserenpuntsag, emerge with a 27.5% interest in the Company. Simultaneously, Noble Group converted its remaining debt into equity in the Company. This raising and loan repayment positioned the Company with no debt and a healthy cash position which meant the Company was able to deal with the impacts of the above delays. There is also no



doubt that the larger level of Mongolian ownership has built a level of trust with the local communities at the soum and provincial level.

The Company has been engaging with potential debt and equity providers through the year. The Company received a proposal from its major shareholder Mr Tserenpuntsag to invest a further \$33.5 million in the Company at a premium to the then current share price in order to increase his ownership to 51%, effectively a change in control transaction. After careful Board deliberation and engaged corporate adviser advice, the proposal was formalised by execution of a Subscription Agreement between the Company and Mr Terenpuntsag on 6 September 2019. Completion of the Subscription Agreement's share placement and its other terms is conditional on independent expert opinion that the transactions are at least reasonable if not fair to other shareholders and shareholder approval is given. The independent expert report and an Explanatory Statement will be included with the Notice of Annual General Meeting for consideration by shareholders at the Company's coming Annual General Meeting to be held in November 2019.

This material extra cash on the balance sheet will provide an improved negotiation position with potential debt providers and provide potential development capital prior to the completion of the DFS. Moving to 51% Mongolian ownership opens up significant funding opportunities in Mongolia as well as adding to the Company's social license to operate in Mongolia. Failing any better offer made to the Company, the Board supports this placement, resultant funding and the commitment

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*“The Ovoot Project will very quickly become the largest private employer in the Khuvsgul province and will have a major positive impact on the local economy and incomes.”*

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from Mr Tserenpuntsag to contribute 50% of any future required equity through to completion of the OEDP and the provision of up to A\$100 million in debt guarantees, as the best opportunity available to the Company to progress Ovoot into production.

As part of the above Subscription Agreement terms, and conditional on the placement being completed, the Company has agreed to reduce the Board to 5 Directors. Executive Director Mr Gan-Ochir Zunduisuren and Non-Executive Director Mr Alex Passmore have agreed to step down. Mr Zunduisuren will continue in a technical management role. On behalf of shareholders, I wish to thank them for their contributions.

I have had many discussions with shareholders through the year, with both large and small holdings. I recall one discussion in particular that noted that trying to get Ovoot into production was like watching paint dry. I completely understand this observation and along with the Board, share this frustration. However, I was reminded recently about the remote chances of discovering world class resource projects of any commodity. The chances of finding a commercial deposit are higher than 1 in every 1,000 exploration projects. So when you have made such a discovery it is worth the time and effort to persevere and see a successful commercial outcome.

David Paull

*Executive Chairman*

# OPERATIONAL REVIEW

Listed on the Australian Stock Exchange, Aspire Mining Limited (ASX: AKM, Aspire or the Company) is a metallurgical coal resource development and infrastructure company with all of its assets in Mongolia.

## STRATEGY

The Company's strategy is to create wealth for shareholders through the discovery and development of metallurgical coal deposits. There are only limited areas around the world where coal suitable for use to make coke for steel making are formed and make up just a small fraction of coal deposits found globally. Metallurgical coal, or more commonly known as coking coal is usually priced at twice the value of high energy thermal coal used in thermal power plants.

In 2010 the Company identified that Mongolia had both the right geological environment to host large coking coal deposits and the proximity to China, the world's largest market for coking coal. Since then the Company has discovered the world class Ovoot Coking Coal Project and acquired the nearby Nuurstei Coking Coal Project.

## MARKETING

Coking coal is an essential ingredient to make coke which is added to iron ore in a blast furnace to reduce the oxygen in the iron ore with carbon to make steel. Put simply, the industrialised and developing world needs steel for housing, infrastructure, industrial development, consumer goods etc. There is currently no substitute for a blast furnace other than high energy consuming electric arc furnaces that use steel scrap but which produce significant pollutants.

China is the world's largest producer of steel producing 832 Mt in 2017. This steel production required 531 Mt of coking coal of which approximately 450 Mt was mined domestically and 75 Mt was imported<sup>1</sup>.

Mongolia is set to replace Australia as the largest exporter of coking coal to China's steel industry with a 43% share in 2018. According to the Mongolia's Mineral Resources and Petroleum Statistics 2018, Mongolia exported a total of 31 Mt of coking coal but only 5.5 Mt had been washed and the majority of these tonnes came from Mongolian Mining Corporation's UHG Mine. With the full implementation of the OEDP, Aspire will become the second largest exporter of Mongolian washed coking coal into China.

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<sup>1</sup> Source: IHS Makhit Feb 2019. Fenwei Energy Information Services Ltd Discover Mongolian Presentation 28 September 2019.



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*With the full implementation of the OEDP, Aspire will become the second largest exporter of Mongolian washed coking coal into China.*

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# COAL PROJECTS

## OVOOT COKING COAL PROJECT

The Ovoot Coking Coal Project (Ovoot or Ovoot Project) is a world class coking coal discovery in Northern Mongolia. Based on a 2013 Pre-Feasibility Study, the Ovoot Project can produce up to 10 million tonnes per annum of a “fat” coking coal. Fat coking coal is valuable in the Chinese and Russian steel industries due to its excellent blend carrying characteristics and the ability to improve coke quality when blending with lower quality coking coals.

In August 2012 the Company received a mining license granting a minimum 30 year tenure over the deposit.

Through its 80% owned subsidiary, Northern Railways LLC, the Company has been working on the development of a rail link from the Ovoot Project to the nearest rail head at Erdenet as providing the lowest operating cost. However, with the recent confirmation of up to 4 million tonnes per annum of rail capacity on the central Mongolian rail line, the Company was able to investigate a trucking based option to get coking coal to Erdenet and access this available rail capacity.

On 28 February and 1 March 2019, the Company announced the results of the Ovoot Early Development Plan (OEDP) Pre-Feasibility Study (PFS). The OEDP involves mining a relatively low ash, low strip ratio and high yielding “fat” coking coal from a starter pit that sits within the 255 Mt

Ovoot JORC Reserve<sup>2</sup> (“Ovoot Project Reserve”). The washed coal will then be delivered via a 560 km special purpose haul road that will be constructed to connect to a rail head at Erdenet. The coal will then be delivered on the Mongolian rail network, that has confirmed available capacity for OEDP coking coal of up to 4 million tonnes per annum for the life of the OEDP, through to the Mongolian/China border crossing of Erlian to Chinese end customers.

The OEDP Base Case starter pit utilises a 36.8Mt (OEDP Reserve<sup>3</sup>) carve out from the JORC Project Reserve and supports an initial 9.2 year mine life. This Base Case represents just 15% of the Ovoot Project JORC Reserves. The Company also identified an OEDP Extended Case that includes an additional cut back and extends the mine life to 12.5 year mining 23% of Ovoot Project Reserves.

The OEDP will transform Aspire into a significant pure play coking coal producer positioned in the second quartile of the global cost curve.

The Company commenced the OEDP Definitive Feasibility Study in March 2019 in order to inform the Board for a decision to mine. The DFS has been delayed while the Company negotiates a community agreement and permitting approvals.

<sup>2</sup> The Ovoot Project Reserve is defined as the 255 Mt Coal Reserve Estimate announced on 31 January 2014.

<sup>3</sup> The OEDP Reserves are the Coal Reserves shown in Table 4.

## OVERVIEW OF THE OEDP AND THE KEY PFS OUTCOMES

The OEDP PFS completed in February 2019 confirms the technical and economic robustness of developing a steady state 4.0Mtpa operation supported by a special purpose haul road which will connect at Erdenet into the existing Mongolian rail network to China and other key end markets.

Mining and process engineering designs for the OEDP PFS have been developed to support capital and operating estimates to an accuracy of +/- 25% and +/- 15% respectively. Key assumptions that the PFS is based are outlined in Table 1 and Figure 1 below. Aspire has concluded it has a reasonable basis for providing the forward-looking statements in this report.

For the purposes of this PFS, a flat price of US\$150/t Delivered at Place to the Erlian border

for Ovoot “fat” coking coal has been used based on a detailed Chinese “fat” coking coal market report completed by Fenwei Energy Information Services Ltd (**Fenwei**) in December 2018.

The OEDP PFS confirms that significant coking coal production can be achieved from Ovoot in a low capital intensity manner to unlock attractive economics that are not Ovoot to Erdenet rail dependent. Aspire considers the OEDP could feasibly be extended into a multi decade haul road-based operation upon completing additional studies should a rail connection ultimately not occur.

The PFS projected OEDP annual net pre-tax cash flows of the Extended OEDP are graphed in Figure 1.

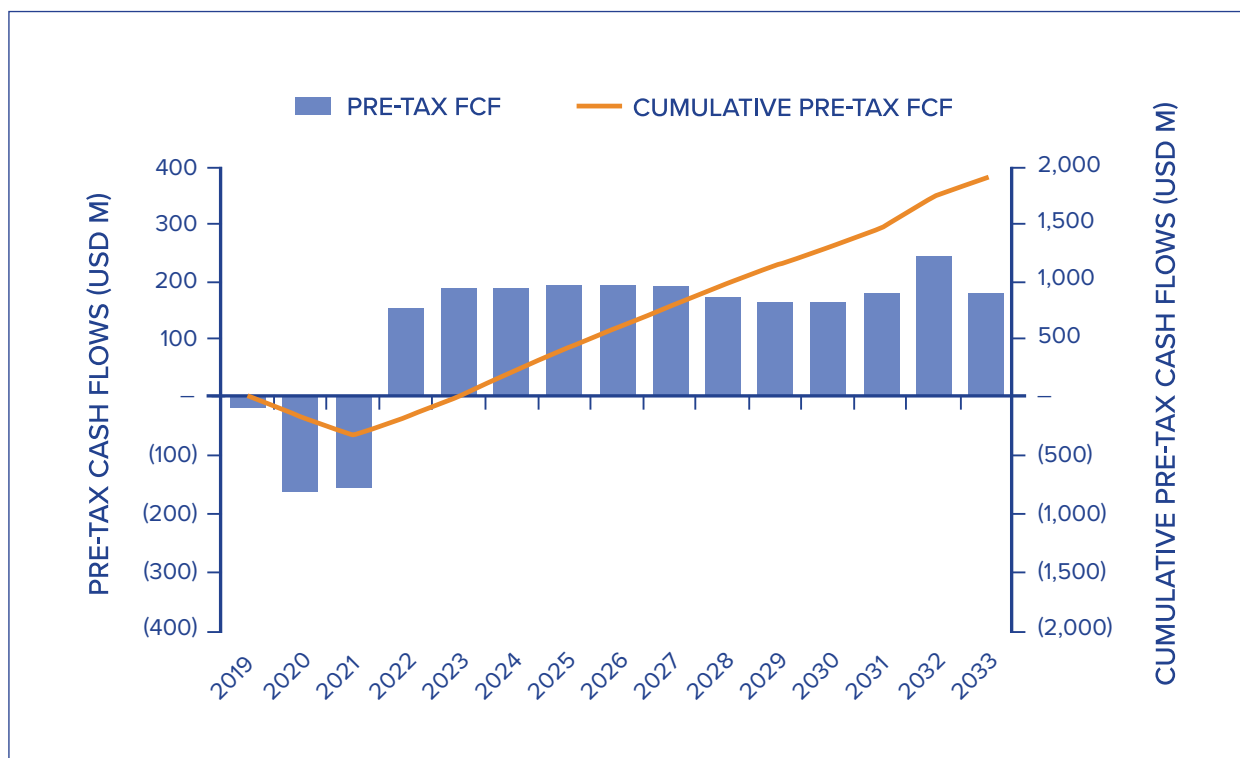


Figure 1: OEDP Extended Case Projected Annual and Cumulative Cashflow

**Table 1: Key OEDP PFS Outcomes**

	Average Annual	OEDP Total	Total Extended Trucking Option
<b>Physicals</b>			
Waste Mined (M Bcm)	19.7	167.7	253.6
Strip Ratio (Bcm/tcoal) (incl. pre-strip)		4.3	4.5
Coal Mined (Mt)	4.6	36.8	53.8
Average Yield (10% moisture)		88%	86%
Coal sold (net of 2% loss) (Mt)	4.0	31.6	45.2
Life of Mine		9.2 years	12.5 years
<b>Operating Costs</b>			
Mine - \$/t		31	33
Trucking – \$/t		32	32
Rail + Border Charges- \$/t		18	18
C1 Cash Costs 4/t		81	83
Total Cash Costs \$/t		100	102
<b>Financial Assumptions</b>			
Coking Coal Price (net received price to Erlian border)		150	150
Exchange Rates:	Mnt: USD	2600	2600
	Rmb: USD	6.8	6.8
Royalties:	Mongolian	6.5%	6.5%
Marketing and China Border Cost US\$/t		8.6	8.6
EBITDA	\$170m	\$1.6bn	\$2.2bn
<b>Capital Investment</b>			
Mine:	Establishment	\$110m	\$110m
	Maintenance	\$1mpa	\$1mpa
Road:	Establishment	\$165m	\$165m
	Maintenance	\$2mpa	\$2mpa
Pre-tax net present value (10%)		\$586m	\$758m
Internal Rate of Return (Pre-tax)		43.9%	44.5%
Payback (commencing first full year of production)		24 months	24 months



## CAPITAL EXPENDITURE: MINE

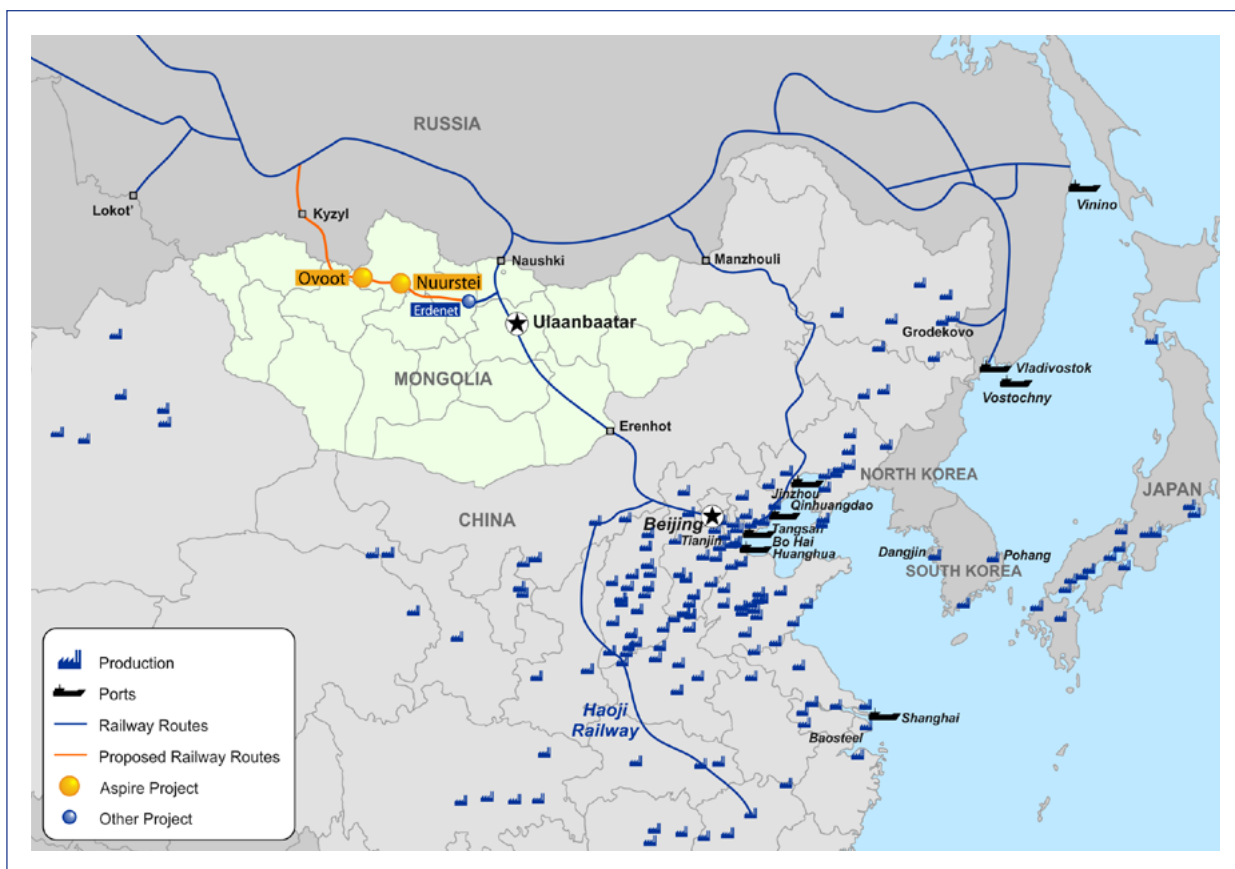
The mine capital expenditure is made up of:

<b>Table 2: Summary Mine Capital</b>	
	<b>US\$m</b>
CHPP Plant	37
Onsite infrastructure	10
Offsite terminals and blending facility	16
<b>Mine Processing and Infrastructure</b>	<b>63</b>
Waste Pre-stripping	47
<b>Total Mine Capital</b>	<b>110</b>

## OPERATING COSTS

Operating cost estimates for the mine provided in the PFS are as follows:

<b>Table 3: Life of OEDP Operating Costs</b>		
	<b>US\$/t ROM</b>	<b>US\$/t Product</b>
Mining and Admin	21.8	27.5
CHPP Plant	2.85	3.5
<b>Ex Mine Gate</b>	<b>26.3</b>	<b>31.0</b>
Trucking to Erdenet		32.0
Rail to Erlian (plus border charges)		18.0
<b>C1: Direct Cash Costs</b>		<b>81.4</b>
Marketing and China Border Costs		8.6
Royalties		9.8



**Figure 2:** Location Map of Oovoot and Nuurstei Coking Coal Projects & Chinese Steel Mills

On 16 January 2019, the Company reported on a study prepared by Fenwei Energy Information Services Ltd to support the price assumptions regarding the OEDP product in the Chinese market.

Fenwei noted in its report that the market in China for “fat” coking coal is approximately 75 Mt and that with forecast declining domestic production, a deficit of between 16 Mt and 22 Mt was observable over the medium term. Oovoot’s OEDP coking coal will be feeding into this segment of the market.

Fenwei estimated delivered prices for OEDP coking coal into these markets over the next five years would achieve prices of between US\$191/t to US\$180/t using an existing branded coal as a benchmark on a delivered to customer gate basis. By adding back Chinese trucking costs, an equivalent price at the Mongolia/China border at Erlian can be established. This calculated net back forecast price at Erlian is between US\$156/t down to US\$145/t.

The OEDP produces a mid volatile, medium ash and sulphur fat coking coal with the following attributes.

Property	Value
Moisture	9%
Ash (adb)	10%
Volatiles (adb)	25%
Sulphur %	1.2%
G Index	95
Y Index	26
Ro Max	1.2

## ERDENET TO OVOOT HAUL ROAD

In order to deliver the planned coking coal volumes to the rail terminal at Erdenet a special purpose road is to be built between Ovoot and Erdenet.

A scoping study was completed using Mongolian road consulting engineers, RCSC LLC, that reviewed a number of alternative routes including following the planned Ovoot to Erdenet rail path. The favoured option is a special purpose public road with a distance of 560 km that links several soum centres in Khuvsgul with the town of Mörön, the Capital of Khuvsgul. There is wide support for this road from the local governments and will also have the added benefit of removing existing coal truck traffic from a public road.

IMIL LLC has been appointed to complete a DFS for this chosen road path. They have progressed along with the Company's Community Engagement Department to engage with local communities along the path.

The road will be sealed to suppress dust and will cater for truck and trailer combinations of 115 t gross vehicle mass and net coal capacity of 85 t.

The scoping level engineering study cost of road construction before contingencies is made up as follows:

<b>Table 5: Haul Road Capital Costs</b>	
	<b>US\$m</b>
Road	130
Bridges and culverts	35
<b>Total</b>	<b>165</b>
<i>Note: The above capital costs are estimated to an accuracy of +/-25%.</i>	

While Ovoot will be the major user of the road, it is likely that there will be other commercial users who will be charged a toll. No benefit has been assumed in the OEDP financial model from the charging of future tolls to third party users of the Erdenet to Ovoot Road.

## NUURSTEI COKING COAL PROJECT (90%)

The Company completed the acquisition of the corporate entities that held the remaining 45% interest in the project in July 2017 for US\$1 million, increasing the Company's total interest in the Nuurstei Project to 90%. In October 2017, a Mining License was issued over the deposit.

Existing near surface Indicated JORC Resources of 4.8 Mt and Inferred JORC Resources of 8 Mt could potentially enable a modest mining operation by washing the relatively high ash raw coal down to a 10% ash product. Coke oven test work on an indicative sample of Nuurstei Coking Coal showed outstanding results.

Further drilling and other engineering work is required in order to complete early stage feasibility work at Nuurstei. This work was planned to occur in 2018. However, that work was deferred while renegotiations with the local community continued but was overtaken and replaced by the change in strategy to development of the more advanced and far larger scale Ovoot Early Development Plan.



## JORC RESOURCES & RESERVES

**Table 6: JORC Reserves and Resources**

Deposit	Probable Reserves	Measured	Indicated	Measured + Indicated	Inferred Resources
Ovoot Open Pit <sup>(2)</sup>	247.0	197.0	46.9	243.9	9.2
Ovoot Underground <sup>(2)</sup>	8.0	-	25.4	25.4	2.6
Nuurstei <sup>(3)</sup>	-	-	4.8	4.8	8.1
<b>Total</b>	<b>255.0</b>	<b>197.0</b>	<b>77.1</b>	<b>274.1</b>	<b>19.9</b>

*Notes:*

- Ovoot's Resource and Reserve estimates have been estimated by independent third parties (Xstract Mining Consultants Pty Ltd) and are reported in accordance to the JORC 2012 Code.
- For full JORC 2012 disclosure in relation to the Ovoot Project JORC 2012 Coal Resources and Reserves, refer to the Company's Quarterly Report for the period ended 31 December 2013, which is available to view on the Company's website and the ASX Announcements platform. The Company is not aware of any new information or data that materially affects the information included in this December 2013 Quarterly Report. All material assumptions and technical parameters underpinning the estimates in the December 2013 Quarterly Report continue to apply and have not materially changed.
- Nuurstei's Resource and Reserve estimates have been estimated by independent third parties (McElroy Bryan Geological Services) and are reported in accordance to the JORC 2012 Code.
- The JORC Code (2012) compliant Ore Reserves and JORC compliant Mineral Resources for the Nuurstei Coking Coal Project is reported in the Company's ASX Announcement dated 13 April 2016 which is available to view on the Company's website and the ASX Announcements platform. The Company is not aware of any new information or data that materially affects the information included in the 13 April 2016 announcement. All material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

*Competent Persons Statement – Ovoot Coking Coal Project*

In accordance with the Australian Securities Exchange requirements, the technical information contained in this announcement in relation to the JORC Code (2012) 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 at Ovoot Project documented in this release are stated in accordance to the JORC Code, 2012. 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, 2012. 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 at Ovoot Project documented in this release are stated in accordance with the guidelines set out in the JORC Code, 2012. 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, 2012. 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.

*Competent Persons Statement – Nuurstei Coking Coal Project*

The information in this report that relates to Reporting of Coal Resources at Nuurstei Project, is based on information compiled under the supervision of, and reviewed by, the Competent Person, Mr Parbury, who is a full time employee of McElroy Bryan Geological Services, is a Member of the Australasian Institute of Mining and Metallurgy (101430) and who has no conflict of interest with Aspire Mining Limited.

The reporting of Coal Resources for 13580X presented in this report has been carried out in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves', The JORC Code 2012 Edition prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

Mr Parbury has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 JORC Code. Mr Parbury consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## OVOOT EARLY DEVELOPMENT PROJECT (OEDP)

FMS LLC converted the existing Ovoot Resource Model to Surpac and assumed 5% dilution in the re-blocking exercise for Whittle re-optimisations. FMS then conducted an optimisation based on trucking product to the rail at Erdenet (as opposed to the assumption and economics of a rail connection from Ovoot to Erdenet) and restricting

maximum production to 4 million tonnes per annum being the current available rail capacity from Erdenet to markets. The pit selections produce a steady 4 Mtpa of saleable coal.

The OEDP Reserves for the OEDP have been confirmed as:

**Table 7: OEDP Reserves**

Category	Coal Reserve (adb) ROM Mt	Coal Reserve Total Moisture 2.0% arb ROM Mt	ROM Coal (adb) Ash Content %	ROM Coal (adb) CSN%
Probable Ore Reserve Ore Open Pit OEDP	36.8	37.6	17.2	7.9
Probable Ore Reserve Open Pit OEDP Plus OEDP Extension	53.8	54.9	18.0	8.5

**Table 8: OEDP Marketable Reserves**

Category	Marketable Coal Reserve Total Moisture 10% arb Mt	Product Specification adb Ash Content %	Product Specification adb CSN%
Probable Product Reserve Ore Open Pit OEDP	32.2	10.5	8.5
Probable Product Reserve Open Pit OEDP Plus OEDP Extension	46.2	10.5	8.5

*OEDP Notes:*

1. The technical information and competent persons statements for the OEDP Reserves are reported in the Company's ASX announcements dated 28 February and 1 March 2019 which are available to view on the Company's website and the ASX Announcements platform.
2. The Company confirms that at this time it is not aware of any new information or data that materially affects the information included in the announcements, and that all material assumptions underpinning the estimates continue to apply and have not materially changed. On completion, the OEDP Definitive Feasibility Study will identify any new information, data or change to material assumptions used in the OEDP Pre-Feasibility Study.

*Competent Persons Statement – Ovoot Early Development Project*

The OEDP Reserves in this release are stated in accordance to the JORC Code, 2012. They are based on information compiled and reviewed by Mr Julien Lawrence who is a Member of the Australasian Institute of Mining and Metallurgy (Member 209746) and is a full-time employee of FMS LLC. He has more than 20 years' experience in the evaluation of coal deposits and the estimation of coal resources. Mr Lawrence 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, 2012. Mr Lawrence has no 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 Lawrence consents to the inclusion of the OEDP Reserves based on his information in the form and context in which it appears.

# COMMUNITY RELATIONS

Aspire believes that in order to become a successful, long-term operator in the mining sector in Mongolia, it is crucial to engage and educate the local community in the Khuvsgal Province, where the Company's Ovoot and Nuurstei Coking Coal assets are located, on the benefits available from the development of the projects.

The Company's Community Relations Policy is for open and transparent communication and aims to build mutually beneficial partnerships and sustainable relationships. Through active community participation and education, the Company has found opportunities to positively impact the community and provide opportunities and funding that may not have necessarily existed previously. The ultimate goal is to encourage local suppliers and entrepreneurs to improve local competitiveness and strengthen the economic structure to improve incomes and reduce unemployment throughout the country.



**Images left to right, top to bottom:** Local resident in the Bagh area receiving a medical check-up at the health event organised at Tsetserleg soum earlier in the year; Operator Training for Heavy Machinery; Aspire local Mongolian members; Local residents planting for the Greenhouse Project (photos top of next page).





Major activities in 2019 included;

- ▲ Holding multiple open day events and “Listen First” campaigns, where information was disseminated regarding the Company’s ongoing activities and plans.
- ▲ An ‘Information & Training Centre’ was created in Tsetserleg soum to provide the community with first-hand information on the Ovoot development.
- ▲ As part of stakeholder engagement, the Company conducted a series of training activities for the general mining sector in the target community. A total of 30 local citizens are currently employed as information officers whom recently undertook a trip to Baganuur coal mine and have now exchanged their experience with other mining stakeholders.
- ▲ Commenced a training program called “Northern Miners” through the Erdenet Technical Institute, which has already seen 9 local residents receive a license to operate heavy machinery. Aspire’s goal is to double the next intake and create a number of new courses including environmental sciences and plant operators.
- ▲ Arranged for a health event at Tsetserleg soum, in cooperation with Khovsgol province’s Health Center, to provide basic medical check-ups for residents in remote areas.
- ▲ Supported local business initiatives and launched a greenhouse project in the community with organised related trainings.
- ▲ Cooperated with local non-government organisations and community groups and signed a “Memorandum of Understanding” with roughly 10 groups to run joint projects for the target social groups.

Aspire has invested approximately 660 million MNT (approximately US\$250,000) into the local community. Once the OEDP is in operation it is estimated that in the first decade it will contribute roughly 2.3 trillion MNT (US\$850 million) to the Mongolian Government in royalties and taxes and generate a total of 1,200 direct & indirect jobs.

# RAIL INFRASTRUCTURE INVESTMENT

Aspire currently owns an 80% interest in Northern Railways LLC (NR), the Mongolian registered company that owns the Rail Concession to build the 547 kilometre long Erdenet to Ovoot Railway which is part of the Northern Rail Corridor, a new rail connection between China and Russia through Mongolia. The Concession Agreement with the Mongolian Government is to build, operate then transfer the railway to Government after 30 years. In this Concession NR is supported by a consortium of experienced rail and bridge engineering and construction groups including China Gezhouba Group Corporation and China Railways Construction Corp Bureau 20 Group.

In 2018 China Gezhouba Group funded and completed a feasibility study for the rail route which was lodged with the Mongolian rail authorities.

As part of the Second Belt and Road Forum held in Beijing on 25 April 2019, NR signed a conditional Engineering, Procurement and Construction (EPC) Agreement with China Gezhouba International Engineering Co Ltd and China Railway 20 Bureau Group Corporation as the nominated EPC contractors. The EPC Contract contains a maximum lump sum turnkey amount of US\$1.58 billion including all contingencies, inflation allowances and a completion guarantee fee as well as conservative geotechnical assumptions. The EPC Contract is conditional on availability of funding and meeting the remaining conditions precedent for the Erdenet to Ovoot Rail Concession.

Further funding from China Gezhouba Group is dependent on the operator of the central rail line in Mongolia, Ulaanbaatar Railways JSC (UBTZ), providing a guarantee of future rail capacity for NR along the main line for 10 million tonnes per annum (UBTZ have provided Aspire with a guarantee of 4 million tonnes per annum for the life of the OEDP). The Erdenet to Ovoot Rail concession has a number of conditions precedent that needs to be met before 20 February 2020.



*Mr Lyu Zexiang, Chairman, CGGC and Mr David Paull, Executive Chairman, Aspire, at the Second Belt and Road Forum in Beijing April 2019.*

# CORPORATE

There has been significant activity in the Company from a corporate and funding perspective over the year.

The Company completed a \$15 million Strategic Financing Transaction with major shareholder, Mr Tserenpuntsag and Noble Group in December 2018, which saw the remaining Noble debt converted into equity, Mr Tserenpuntsag invest \$10 million and \$1.7 million placed with professional and sophisticated investors. Mr Tserenpuntsag emerged as a 27.5% shareholder. This funding ensured that the Company was well funded through to an investment decision in relation to the OEDP and with nil debt.

Expenditure has been less than expected as major expenditures in relation to the OEDP Definitive Feasibility Study have been delayed. At 30 June 2019, the Company held \$11 million in cash.

On 6 September 2019, the Company entered into a Subscription Agreement with Mr Tserenpuntsag whereby the Company would place 1.6 billion shares to Mr Tserenpuntsag for a total investment of \$33.5 million cash. This would be a change in control transaction where Mr Tserenpuntsag would end up with a 51% controlling interest. As such, this transaction is subject to a shareholder vote at a general meeting supported by an Independent Experts Report opining on whether the transaction is fair and reasonable in respect to minority shareholders. This shareholder meeting will be held in late November 2019.



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**Aspire Mining Limited**

ABN 46 122 417 243

**Annual Financial Report**

**30 June 2019**



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## CORPORATE INFORMATION

**ABN 46 122 417 243**

### Directors

Mr David Paull (Executive Chairman)  
Mr Gan-Ochir Zunduisuren (Executive Director)  
Mr Boldbaatar Bat-Amgalan (Executive Director)  
Mr Neil Lithgow (Non-Executive Director)  
Ms Hannah Badenach (Non-Executive Director)  
Mr Alexander Passmore (Non-Executive Director)  
Mr Achit-Erdene Darambazar (Non-Executive Director)

### Company secretary

Mr Philip Rundell

### Registered office

Level 9, 182 St Georges Terrace,  
PERTH WA, AUSTRALIA 6000

Telephone: (08) 9287 4555  
Facsimile: (08) 9321 4914  
Email: [info@aspiremininglimited.com](mailto:info@aspiremininglimited.com)

### Principal place of business

AUSTRALIA  
Level 9, 182 St Georges Terrace,  
PERTH WA 6000

MONGOLIA  
Sukhbaatar District, 1<sup>st</sup> Khooro  
Chinggis Avenue-8,  
Altai Tower, 3<sup>rd</sup> Floor, Room 302  
ULAANBAATAR

### Share Register

Security Transfer Australia Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153  
T: 1300 992 916  
F: +61 8 9315 2233  
E: [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)

### Solicitors

Corrs Chambers Westgarth Lawyers  
Brookfield Place Tower 2  
123 St Georges Terrace  
PERTH WA 6000

### Bankers

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

### Auditors

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

KPMG  
#602, Blue Sky Tower, Peace Avenue 17,  
1 Khoroo Sukhbaatar District  
ULAANBAATAR 14240 MONGOLIA

### Securities Exchange Listing

AKM

### Website

[www.aspiremininglimited.com](http://www.aspiremininglimited.com)

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## DIRECTORS' REPORT

Your Directors submit the annual financial report of the Group consisting of Aspire Mining Limited ("Aspire" or "Company") and the entities it controlled during the financial year ended 30 June 2019.

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 year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr David Paull	Executive Chairman
Mr Gan-Ochir Zunduisuren	Executive Director
Mr Boldbaatar Bat-Amgalan	Executive Director (appointed 7 December 2018)
Mr Neil Lithgow	Non-Executive Director
Ms Hannah Badenach	Non-Executive Director
Mr Alexander Passmore	Non-Executive Director
Mr Achit-Erdene Darambazar	Non-Executive Director (appointed 7 December 2018)

### Names, qualifications, experience and special responsibilities

#### Mr David Paull

##### Executive Chairman

**Qualifications:** B.Com, FSIA, MBA (Cornell)

Mr Paull has over 28 years' experience in resource business development and industrial minerals marketing. For the past 7 years, Mr Paull has been Managing Director of Aspire after being involved in the recapitalisation of the Company and redirection to targeting Mongolian coking coal assets.

Mr Paull was appointed as Executive Director of the Company on 12 February 2010 and as Managing Director on 1 July 2010. With the retirement of the Non-Executive Chairman in March 2018, Mr Paull became Executive Chairman.

Mr Paull has had no other ASX listed public company directorships in the last three years. Mr Paull was appointed a Director of AIM listed Hunter Resources PLC on 28 December 2012 and resigned on 2 September 2018.

#### Mr Gan-Ochir Zunduisuren

##### Executive Director

**Qualifications:** B.Eng, MSGF (Stern)

Mr Zunduisuren has over 15 years of experience in the resource sector including underground zinc mining, gold mining and mining business development in Mongolia and Canada. Mr Zunduisuren is Executive Director and co-founder of Altai Gold LLC, a mineral resource focused investment company, and was a key part of the syndicate that made the Ovoot Coking Coal project discovery.

Mr Zunduisuren has a Degree in Mining Engineering from the Mongolian University of Science and Technology and a MSc in Global Finance from NYU Stern School of Business and HKUST.

Mr Zunduisuren has had no listed public company directorships in the last three years.

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## **DIRECTORS' REPORT (continued)**

### **Names, qualifications, experience and special responsibilities (continued)**

#### **Mr Boldbaatar Bat-Amgalan**

##### **Executive Director (appointed 7<sup>th</sup> December 2018)**

Mr Boldbaatar Bat-Amgalan has had senior roles in public relations and publishing and was previously a director of Erdenet Mining Company. He also previously held senior roles in the Government of Mongolia, including the State Secretary for the Ministry of Foreign Affairs, and Chairman of the Communication Regulatory Commission.

Mr Bat-Amgalan has had no listed public company directorships in the last three years.

#### **Mr Neil Lithgow**

##### **Non-Executive Director**

**Qualifications :** MSc, F.Fin, M.AusIMM

Mr Lithgow is a geologist by profession with over 27 years' experience in mineral exploration, economics and mining feasibility studies, covering base metals, coal, iron ore and gold.

Mr Lithgow is a member of the Australian Institute of Mining and Metallurgy and the Financial Services Institute of Australia.

Mr Lithgow has previously worked for Aquila Resources Limited and Eagle Mining Corporation NL and is currently a Non-Executive Director of Bauxite Resources Limited (appointed 15 May 2006). Mr Lithgow has had no other listed public company directorships in the last three years.

#### **Ms Hannah Badenach**

##### **Non-Executive Director**

**Qualifications:** BA, LLB (Hons)

Ms Badenach is currently Executive Director Mongolia & Base Metals at Noble Resources Limited.

Ms Badenach is a lawyer, having practiced law for several years in Asia, including two years in Mongolia, starting in 2004 with Lynch & Mahoney. Ms Badenach has experience in management and development within Mongolia. Ms Badenach was Managing Director of QGX Mongol LLC from 2006, where Ms Badenach was responsible for the general management of the company until it was sold in 2008.

Ms Badenach holds a Bachelor of Laws (Hons) and a Bachelor of Arts from the University of Tasmania.

Ms Badenach is also a Director of ASX listed and Mongolian focussed explorer, Xanadu Mines Limited (appointed 4 October 2011). Ms Badenach has had no other listed public company directorships in the last three years.

#### **Mr Alexander Passmore**

##### **Non-Executive Director**

**Qualifications:** B.Sc(Hons) ASIA MAusIMM

Mr Passmore is a qualified geologist and experienced and well-regarded corporate executive with a strong financial and technical background in the resource sector. Alexander has a diverse background having held technical roles in the industry and then senior positions in both the institutional debt financing and equity capital market arenas.

Mr Passmore has a Bachelor of Science Degree with first class honours in Geology.

## DIRECTORS' REPORT (continued)

### Names, qualifications, experience and special responsibilities (continued)

Mr Passmore was a director of Equator Resources Ltd from September 2016 to July 2017. He was appointed Managing Director of Cockatoo Island NL in October 2016 and Rox Resources Limited on 30 April 2019. He has had no other listed public company directorships in the last three years.

#### Mr Achit-Erdene Darambazar

##### Non-Executive Director (appointed 7<sup>th</sup> December 2018)

Mr Achit-Erdene Darambazar is financial adviser to Mr Tserenpuntsag and President and CEO of Mongolian International Capital Corporation LLC (MICC), a leading Mongolian investment banking firm and the first investment advisory, stock underwriting and brokerage firm in Mongolia.

He acted as lead advisor for the first bond offerings on the local stock exchange by major Mongolian companies, MCS and Gobi Corporation. He has also advised on a number of high-profile transactions in Mongolia, including the privatisation of the Trade and Development Bank of Mongolia and Agricultural Bank.

Mr. Achit-Erdene has completed a Masters degree in International Relations from Columbia University and holds a Bachelors degree from Middlebury College.

Mr Darambazar has had no listed public company directorships in the last three years.

#### Company Secretary

##### Mr Philip Rundell

#### Company Secretary

**Qualifications:** Dip BS (Accounting) CA

Mr Rundell has had over 25 years' experience as a Partner and Director of Coopers & Lybrand and Ferrier Hodgson, specialising in company reconstructions and corporate recovery. Mr Rundell has provided management accounting and company secretarial services to a number of listed companies.

### Interests in the Shares and Options of the Company and Related Bodies Corporate

As at the date of this report, the relevant interests of the current Directors in shares, options and rights of the Company are as follows:

Directors	Number of Fully Paid Ordinary Shares	Number of Options over Ordinary Shares	Number of Performance Rights over Ordinary Shares
Mr David Paull <sup>1</sup>	26,052,791	1,145,833	45,833,333
Mr Gan-Ochir Zunduisuren	47,392,203	-	30,500,000
Mr Boldbaatar Bat-Amgalan	-	-	-
Mr Neil Lithgow	237,278,501	6,354,167	36,250,000
Ms Hannah Badenach	13,890,476	2,083,334	18,083,333
Mr Alex Passmore	-	12,000,000	-
Mr Achit-Erdene Darambazar	-	-	-

1. Mr David Paull is a Director of 2R's Pty Ltd, which is a beneficial owner of 24,736,791 ordinary shares, 1,145,833 options and 45,833,333 performance rights. Mr David Paull is also a Director and shareholder of Paulkiner Pty Ltd, which is a beneficial owner of 1,316,000 ordinary shares.

There were no options granted to Directors of the Company during or since the end of the financial year as part of their remuneration, other than 12,000,000 options exercisable at 1.8 cents on or before 11 December 2019 issued to the Non-Executive Director, Alex Passmore, as part of his remuneration.



## DIRECTORS' REPORT (continued)

During the 2018 financial year 55,000,000 performance rights were issued to David Paull and 101,800,000 performance rights granted to the Non-Executive Directors. Of those performance rights, 9,166,667 performance rights issued to David Paull and 16,966,667 to the Non-Executive Directors vested and as a result, 26,133,334 Ordinary Shares were issued to the Directors on 13 July 2018.

There are no unpaid amounts on the shares issued.

At the date of this report, unissued ordinary shares of the Company under option and performance rights are:

Type	Expiry Date	Exercise Price	Number of Shares
Options	11 December 2019	\$0.018	700,722,235
Performance Rights	Various	-	161,083,330
Total			861,805,565

### Dividends

No dividends have been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

### Principal Activities

The principal activity of the Group during the year was the completion of the Ovoot Early Development Project (OEDP) Pre-Feasibility Study, progression for the approvals, completion of studies, and funding towards the development of the OEDP.

### Review of Operations

Aspire Mining Limited ("Aspire" or the "Company") is focused on the exploration and development of metallurgical coal assets in Mongolia. Aspire owns:

- (a) a 100% interest in the large scale, world class Ovoot Coking Coal Project; and
- (b) a 90% interest in the Nuurstei Coking Coal Project.

Aspire's Mongolian rail infrastructure subsidiary, Northern Railways LLC, holds a Concession Agreement from the Mongolian Government to build and operate 549km of rail from the town of Erdenet to the Ovoot Coking Coal Project in northern Mongolia. The Erdenet to Ovoot Railway will provide a higher capacity and lower cost transport alternative to road for the Ovoot and Nuurstei Coking Coal Projects when the rail is constructed.

In August 2018, the Company entered into definitive and binding documentation with existing substantial shareholder, Mr. Tserenpuntsag Tserendamba, to invest \$10 million as part of a \$11.7 million strategic financing package to implement the OEDP. Also in August 2018, the Company entered into a binding agreement with lender and major shareholder, Noble Resources International Pte Ltd (Noble), to repay up to US\$2.4 million (plus interest accruing on that amount) of the outstanding amount owing under the facility with Noble by way of the issue of Shares at A\$0.021 (2.1 cents) per Share. Given the funding described above, the Company has had no further need to borrow.

The Company's shareholders approved the \$11.7 million placements and the debt for equity transactions at the annual general meeting held on 28 November 2018.

In September 2019, the Company entered into a Subscription Agreement with Mr. Tserenpuntsag Tserendamba to invest a further \$33.5 million by way of a Placement to take his interest in the Company from 27.5% to 51%. Completion of the Placement requires the approval of the Company's shareholders.

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## **DIRECTORS' REPORT (continued)**

The OEDP involves 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 from Ovoot to the rail head at the town of Erdenet.

The Company has completed a pre-feasibility feasibility study and will progress with a definitive feasibility study for the mine and road components of the OEDP to support project financing and a final decision to mine.

### **Review of financial conditions**

At balance date, the Group had \$11,136,142 (2018: \$7,488,401) in cash assets.

A placement to raise \$33.5 million before costs has been agreed with substantial shareholder, Mr. Tserenpuntsag Tserendamba, subject to shareholder approval at a meeting proposed to be held late in November 2019. Further funds may be available from the exercise of 1.8 cent options on or before 11 December 2019.

These sources of funding will be sufficient to meet required community relations activities, approvals, permits and evaluation activities to advance towards development of the OEDP.

Further raisings or other means of funding will be required for the capital infrastructure requirements for full development of the OEDP and the associated haul road.

### **Operating results for the year**

The Group made an operating loss after tax of \$6,200,307 for the year ended 30 June 2019 (2018: Loss \$6,980,272).

### **Significant changes in the state of affairs**

Since the previous Annual Financial Report and during the financial year there has been no significant change in the state of affairs of the Group.

### **Significant events after balance date**

In September 2019, the Company entered into a Subscription Agreement with existing substantial shareholder, Mr. Tserenpuntsag Tserendamba, to complete a Placement for 1,595.9 million shares at 2.1 cents per share to raise \$33.5 million before costs to further fund the OEDP pre-development activities and for general working capital. 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.

The Placement to Mr Tserenpuntsag is conditional upon an independent expert report opining that the Placement and its outcomes are reasonable, if not fair, to the Company's shareholders and the shareholders considering, and if thought fit, approving the Placement at a meeting of shareholders.

Following the Placement there is an intended restructuring of the Aspire Board of Directors and management roles and a 1 for 10 consolidation of the Aspire securities on issue.

Other than the above, there has not been any material matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

### **Likely developments and expected results**

The Group will continue with activities towards meeting its objective of developing the OEDP into production at the earliest opportunity.

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## **DIRECTORS' REPORT (continued)**

### **Risk management**

The Board is responsible for ensuring that risks are identified on a timely basis and that activities are aligned with the risks identified by the Board. The Group believes that it is crucial for all Board members to be a part of this process and as such the Board has not established a separate risk management committee. The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the Board approval of strategic plans which includes initiatives designed to meet stakeholder needs and expectations and to manage business risk, and the implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

### **Corporate governance**

Details of the Company's Corporate Governance policies are contained within the Corporate Governance Plan adopted by the Board. The Corporate Governance Statement for the year ended 30 June 2018 can be found on the Company's website at <http://www.aspiremininglimited.com>. The Corporate Governance Statement for the year ended 30 June 2019 will be available on the Company's website and the ASX announcements platform following announcement with the Company's Annual Report in October 2019.

### **Environmental legislation**

The Company is subject to significant environmental and monitoring requirements in respect of its natural resources exploration activities. The Directors are not aware of any material breaches of these requirements during the year.

### **Indemnification and insurance of Directors and officers**

The Company has agreed to indemnify all the Directors and officers of the Group for any liabilities to another person (other than the Group or related bodies corporate) that may arise from their position as Directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. During the financial year the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### **Remuneration Report (audited)**

This report outlines the remuneration arrangements in place for the Key Management Personnel of the Company and its controlled entities for the financial year ended 30 June 2019, as follows:

Mr David Paull	(Executive Chairman)
Mr Gan-Ochir Zunduisuren	(Executive Director)
Mr Boldbaatar Bat-Amgalan	(Executive Director)
Mr Neil Lithgow	(Non-Executive Director)
Ms Hannah Badenach	(Non-Executive Director)
Mr Alexander Passmore	(Non-Executive Director)
Mr Achit-Erdene Darambazar	(Non-Executive Director)

#### *Remuneration philosophy*

The performance of the Group depends upon the quality of the Directors and executives. The philosophy of the Group in determining remuneration levels is to:

**DIRECTORS' REPORT (continued)****Remuneration Report (audited)**

1. set competitive remuneration packages to attract and retain high calibre employees;
2. link executive rewards to shareholder value creation; and
3. establish appropriate performance hurdles for variable executive remuneration.

In considering the Group's performance and returns on shareholder wealth, the Board has regard to the following indicators of performance in respect of the current financial year and the previous four financial years:

	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
Revenue	325,741	216,309	4,133	30,210	66,887
Net profit/(loss) after tax	(6,200,307)	(6,980,272)	(4,883,119)	(2,312,480)	(15,108,329)
Basic loss per share	(0.0020)	(0.0035)	(0.0052)	(0.0025)	(0.0215)
Share price at year-end	0.016	0.022	0.018	0.025	0.022

*Remuneration committee*

If appointed, the Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Director and the senior management team. Where a Remuneration Committee does not exist, its role is carried out by the Board of Directors. A Remuneration Committee was reformed in September 2018.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

*Remuneration structure*

In accordance with best practice Corporate Governance, the structure of Non-Executive Directors and executive remuneration is separate and distinct.

*Non-Executive Director Remuneration*

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the General Meeting held on 19 August 2011 when shareholders approved an aggregate remuneration for Non-Executive Directors of up to \$600,000 per year.

If and when applicable, the Board may consider advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual remuneration review process.

Each Director is entitled to receive a fee for being a Director of the Company. Economic and other circumstances have meant that the Non-Executive Directors have not received fee payments from September 2015. From 1 January 2019, the remuneration to a Non-Executive Director has been set at \$60,000 per annum. This level of remuneration was reviewed and agreed by the Board following recommendations from the Remuneration Committee.

The remuneration of Non-Executive Directors for the year ended 30 June 2019 is detailed in the Remuneration of Key Management Personnel section of this report in Table 1.

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## **DIRECTORS' REPORT (continued)**

### **Remuneration Report (audited) (continued)**

Following shareholder approvals, performance rights have been issued to Non-Executive Directors or their nominees.

Following the 2017 Annual General Meeting, 101,800,000 performance rights were issued to the Non-Executive Directors to vest in six tranches on achievement of milestones based on share price performance and development of the Group's assets. The performance rights are valued at the share price at the grant date of 1.2 cents per share.

On 13 July 2018, 16,966,667 ordinary shares were issued to Non-Executive Directors on exercise of performance rights vested on achievement of a share price milestone. The remaining performance rights will vest in five tranches if and when one or more of the remaining following five milestones are achieved:

1. if 80% or more of the initial issue of 1.8 cent AKMOA listed options are exercised on or before 11 December 2019.
2. If following a decision by the Company to mine the Nuurstei Project, or a Board approved equivalent project, the Company achieves production of a combined 500,000 tonnes per annum of washed hard coking coal by 31 December 2019.
3. if the Company achieves net profit after tax of at least \$10 million by no later than 31 December 2019.
4. if the 30-day VWAP of the Company's Shares as traded on ASX is equal to or greater than A\$0.03 by 30 June 2020.
5. if the 30-day VWAP of the Company's Shares as traded on ASX is equal to or greater than A\$0.04 by 30 June 2021.

With an intended capital consolidation, the number of performance rights on issue will be consolidated.

#### *Senior manager and executive Director Remuneration*

Remuneration consists of fixed remuneration and performance rights (as determined from time to time).

#### *Fixed Remuneration*

Fixed remuneration is reviewed periodically by the Remuneration Committee or the Board. The process consists of a review of relevant comparative remuneration in the market and internally and where appropriate, external advice on policies and practices. The Committee and the Board has access to external, independent advice where necessary.

Fixed remuneration is paid in the form of cash payments. The fixed remuneration component of the Group and the Company executive is detailed in Table 1. Since his appointment as an Executive Director in 2010, David Paull has been the sole Executive Director on the Company's Board. However, during the Period, Gan-Ochir Zunduisuren became an Executive Director and Boldbaatar Bat-Amgalan has held an executive position from his appointment on 7 December 2018.

#### *Employment Contracts*

The Company has a Consultancy Agreement with 2Rs Pty Ltd, a company associated with Mr David Paull (Agreement) effective as from 1 July 2010. Under the Agreement, as varied, Mr Paull is engaged by the Company to provide services to the Group in the capacity of Managing Director and Executive Chairman. The Consultancy Agreement continues unless terminated in accordance with the relevant provisions of the Service Agreement. The Services Agreement contains standard termination provisions under which the Group must give a minimum three months' notice of termination, or alternatively, payment in lieu of service.

The annual fee paid to 2Rs Pty Ltd commenced in 2010 at \$500,000 per annum but had been intermittently reduced to \$216,000 per annum from 1 February 2015 until 31 December 2018. The fee reductions were not performance based but taken voluntarily in line with market at the time. The Consultancy Agreement and



**DIRECTORS' REPORT (continued)**  
**Remuneration Report (audited) (continued)**

annual fee were reviewed by the Board and following recommendations from the Remuneration Committee, the fee payable to 2Rs Pty Ltd has been increased to \$375,000, annually, from 1 January 2019.

Gan-Ochir Zunduisuren and Boldbaatar Bat-Amgalan have non-executive director engagement letters that set out their duties and responsibilities and the causes for termination (breach of duty, incapacity and insolvency) or resignation of their appointments. Executive Services Agreements will be negotiated, in respect to Gan-Ochir Zunduisuren on the intended change in his role, and in respect to Boldbaatar Bat-Amgalan, on his re-election required at the Company's next Annual General Meeting.

The totals of remuneration paid to key management personnel of the company during the year are as follows and detailed in Table 1:

	2019	2018
	\$	\$
Short-term employee benefits	645,524	221,400
Post-employment benefits	2,603	-
Share-based payments	280,698	435,388
	928,825	656,788

Share based payments is the gross accounting value of performance rights brought to account in accordance with accounting standards.

The shares, options and rights held by key management personnel in the year ended 30 June 2019 are detailed in Tables 2 to 5.

*Options*

During the year ended 30 June 2019 there were no options granted, vested or lapsed as part of Key Management Personnel remuneration, other than 12,000,000 options exercisable at 1.8 cents on or before 11 December 2019 issued to the Non-Executive Director, Alex Passmore, as part of his remuneration.

*Performance Rights*

Following from shareholder approval given at the 2017 Annual General Meeting held on 26 November 2017, 55,000,000 performance rights were issued to the nominee of David Paull.

The performance rights were valued at the share price at the grant date of 1.2 cents per share.

The performance milestones attaching to the performance rights are strategic. One of the six tranches vested and 9,166,667 ordinary shares were issued on exercise on 13 July 2018 as the 30 day VWAP of the Company's Shares as traded on ASX was equal to or greater than A\$0.02.

The remaining performance rights will vest in five tranches if and when one or more of the remaining following five milestones are achieved:

1. if 80% or more of the initial issue of 1.8 cent AKMOA listed options are exercised on or before 11 December 2019.
2. If following a decision by the Company to mine the Nuurstei Project, or a Board approved equivalent project, the Company achieves production of a combined 500,000 tonnes per annum of washed hard coking coal by 31 December 2019.

## DIRECTORS' REPORT (continued)

### Remuneration Report (audited) (continued)

3. if the Company achieves net profit after tax of at least \$10 million by no later than 31 December 2019.
4. if the 30-day VWAP of the Company's Shares as traded on ASX is equal to or greater than A\$0.03 by 30 June 2020.
5. if the 30-day VWAP of the Company's Shares as traded on ASX is equal to or greater than A\$0.04 by 30 June 2021.

### Remuneration of Key Management Personnel

Table 1: Key management personnel remuneration

#### Year ended 30 June 2019

	Short term employee benefits	Post- employment benefits	Other			
	Salary & Fees	Superannuation	Share Based Payments - Options	Performance Rights	Total	Performance Related
	\$	\$	\$	\$	\$	%
Mr David Paull <sup>1</sup>	295,500	-	-	73,204	368,704	20
Mr Gan-Ochir Zunduisuren	177,990	-	-	48,714	226,704	21
Mr Boldbaatar Bat-Amgalan (appt 7 Dec 18)	102,637	-	-	-	102,637	-
Mr Neil Lithgow	27,397	2,603	-	57,898	87,898	66
Ms Hannah Badenach	-	-	-	28,882	28,882	100
Mr Alexander Passmore <sup>2</sup>	42,000	-	72,000	-	114,000	-
Mr Achit-Erdene Darambazar (appt 7 Dec 18)	-	-	-	-	-	-
<b>Total</b>	<b>645,524</b>	<b>2,603</b>	<b>72,000</b>	<b>208,698</b>	<b>928,825</b>	<b>22</b>

#### Year ended 30 June 2018

	Short term employee benefits	Post- employment benefits	Other		
	Salary & Fees	Superannuation	Performance Rights	Total	Performance Related
	\$	\$	\$	\$	%
Mr David Paull <sup>1</sup>	216,000	-	152,719	368,719	41
Mr Neil Lithgow	-	-	120,787	120,787	100
Ms Hannah Badenach	-	-	101,627	101,627	100
Mr Gan-Ochir Zunduisuren	-	-	60,255	60,255	100
Mr Alexander Passmore <sup>2</sup>	5,400	-	-	5,400	-
<b>Total</b>	<b>221,400</b>	<b>-</b>	<b>435,388</b>	<b>656,788</b>	<b>66</b>

<sup>1</sup> Paid or issued to 2Rs Pty Ltd, a company associated with Mr David Paull.

<sup>2</sup> Paid to Horizon Advisors Pty Ltd, a company associated with Mr Alexander Passmore.

**DIRECTORS' REPORT (continued)**  
**Remuneration Report (audited) (continued)**

**Key Management Personnel Equity Holdings**

**Table 2 - Fully Paid Ordinary Shares**

	Balance at beginning of period	Purchased /Debt for equity	On exercise of options or performance rights	Balance on appointment/ (retirement)	Balance at end of period
<b>2019</b>					
Mr David Paull <sup>1</sup>	16,486,124	-	9,566,667	-	26,052,791
Mr Gan-Ochir Zunduisuren	41,292,203	-	6,100,000	-	47,392,203
Mr Boldbaatar Bat-Amgalan	-	-	-	-	-
Mr Neil Lithgow	220,028,501	-	17,250,000	-	237,278,501
Ms Hannah Badenach	9,083,333	1,190,476	3,616,667	-	13,890,476
Mr Alexander Passmore	-	-	-	-	-
Mr Achit-Erdene Darambazar	-	-	-	-	-
<b>Total</b>	<b>286,890,161</b>	<b>1,190,476</b>	<b>36,533,334</b>	<b>-</b>	<b>324,613,971</b>
<b>2018</b>					
Mr David Paull <sup>1</sup>	4,902,792	5,583,332	6,000,000	-	16,486,124
Mr David McSweeney	16,466,962	2,166,666	2,500,000	(21,133,628)	-
Mr Neil Lithgow	182,611,834	35,416,667 <sup>2</sup>	2,000,000	-	220,028,501
Ms Hannah Badenach	750,000	8,333,333	-	-	9,083,333
Mr Gan-Ochir Zunduisuren	40,292,203	-	1,000,000	-	41,292,203
Mr Alexander Passmore	-	-	-	-	-
<b>Total</b>	<b>245,023,791</b>	<b>51,499,998</b>	<b>11,500,000</b>	<b>(21,133,628)</b>	<b>286,890,161</b>

<sup>1</sup> In 2018 and 2019 David Paull was a Director of Red Island Resources Limited, a public unlisted company which is the beneficial owner of 8,350,000 ordinary shares (2018: 8,350,000 ordinary shares). However, from 2 August 2019 he no longer has a notifiable interest.

<sup>2</sup> Mr Neil Lithgow received 10,000,000 shares in repayment of a loan.

**DIRECTORS' REPORT (continued)**  
**Remuneration Report (audited) (continued)**

**Key Management Personnel Equity Holdings**

**Table 3 - Performance rights exercisable at no consideration on achievement of tenure or other performance milestones**

	Balance at beginning of period	Granted	Exercised	Expired	Balance on appointment/ (retirement)	Balance at end of period
<b>2019</b>						
Mr David Paull	55,000,000	-	(9,166,667)	-	-	45,833,333
Mr Gan-Ochir Zunduisuren	36,600,000	-	(6,100,000)	-	-	30,500,000
Mr Boldbaatar Bat-Amgalan	-	-	-	-	-	-
Mr Neil Lithgow	43,500,000	-	(7,250,000)	-	-	36,250,000
Ms Hannah Badenach	21,700,000	-	(3,616,667)	-	-	18,083,333
Mr Alexander Passmore	-	-	-	-	-	-
Mr Achit-Erdene Darambazar	-	-	-	-	-	-
Total	156,800,000	-	(26,133,334)	-	-	130,666,666
<b>2018</b>						
Mr David Paull	8,000,000	55,000,000	(6,000,000)	(2,000,000)	-	55,000,000
Mr David McSweeney	2,500,000	-	(2,500,000)	-	-	-
Mr Neil Lithgow	2,000,000	43,500,000	(2,000,000)	-	-	43,500,000
Ms Hannah Badenach	-	21,700,000	-	-	-	21,700,000
Mr Gan-Ochir Zunduisuren	1,000,000	36,600,000	(1,000,000)	-	-	36,600,000
Mr Alexander Passmore	-	-	-	-	-	-
Total	13,500,000	156,800,000	(11,500,000)	(2,000,000)	-	156,800,000

**Table 4 – Options exercisable at 1.8 cents on or before 11 December 2019**

	Balance at beginning of period	Participation in placement	Issued as remuneration	Exercised	Expired	Balance at end of period
<b>2019</b>						
Mr David Paull	1,145,833	-	-	-	-	1,145,833
Mr Gan-Ochir Zunduisuren	-	-	-	-	-	-
Mr Boldbaatar Bat-Amgalan	-	-	-	-	-	-
Mr Neil Lithgow	6,354,167	-	-	-	-	6,354,167
Ms Hannah Badenach	2,083,334	-	-	-	-	2,083,334
Mr Alex Passmore	-	-	12,000,000	-	-	12,000,000
Mr Achit-Erdene Darambazar	-	-	-	-	-	-
Total	9,583,334	-	12,000,000	-	-	21,583,334
<b>2018</b>						
Mr David Paull	-	1,145,833	-	-	-	1,145,833
Mr Neil Lithgow	-	6,354,167	-	-	-	6,354,167
Ms Hannah Badenach	-	2,083,334	-	-	-	2,083,334
Mr Gan-Ochir Zunduisuren	-	-	-	-	-	-
Mr Alex Passmore	-	-	-	-	-	-
Total	-	9,583,334	-	-	-	9,583,334

**DIRECTORS' REPORT (continued)**  
**Remuneration Report (audited) (continued)**

**Table 5 – Options exercisable at 2.5 cents on or before 14 or 24 August 2018**

	Balance at beginning of period	Participation in placement	Exercised	Expired	Balance on Appointment/ (resignation)	Balance at end of period
<b>2019</b>						
Mr David Paull	1,000,000	-	(400,000)	(600,000)	-	-
Mr Gan-Ochir Zunduisuren	-	-	-	-	-	-
Mr Boldbaatar Bat-Amgalan	-	-	-	-	-	-
Mr Neil Lithgow	10,000,000	-	-	(10,000,000)	-	-
Ms Hannah Badenach	-	-	-	-	-	-
Mr Alex Passmore	-	-	-	-	-	-
Mr Achit-Erdene Darambazar	-	-	-	-	-	-
<b>Total</b>	<b>11,000,000</b>	<b>-</b>	<b>(400,000)</b>	<b>(10,600,000)</b>	<b>-</b>	<b>-</b>
<b>2018</b>						
Mr David Paull	-	1,000,000	-	-	-	1,000,000
Mr Neil Lithgow	-	10,000,000	-	-	-	10,000,000
Ms Hannah Badenach	-	-	-	-	-	-
Mr Gan-Ochir Zunduisuren	-	-	-	-	-	-
Mr Alex Passmore	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>11,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,000,000</b>

*Related Party Transactions*

There were no related party transactions during the Period.

As at 30 June 2019, there were unpaid Directors' fees payable of \$111,486 (2018: \$21,400).

**End of Remuneration Report**

## DIRECTORS' REPORT (continued)

### Directors' Meetings

The number of meetings of Directors held during the year and those attended by each Director were as follows:

**Table 7 – Attendance at Director Meetings**

Director	Director Meetings	
	Attended	Eligible to Attend
Mr David Paull	9	9
Mr Gan-Ochir Zunduisuren	9	9
Mr Boldbaatar Bat-Amgalan	3	3
Mr Neil Lithgow	9	9
Ms Hannah Badenach	7	9
Mr Alexander Passmore	8	9
Achit-Erdene Darambazar	3	3

### Proceedings on behalf of the Company

No person has applied to the court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under Section 237.

### Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires the Company's auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 16 and forms part of this Directors' report for the year ended 30 June 2019.

### Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 23 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the Directors.



**David Paull**  
**Executive Chairman**  
**Dated this 26 September 2019**





## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Aspire Mining Limited for the year ended 30 June 2019, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia  
26 September 2019

A handwritten signature in blue ink, appearing to read 'Norman G. Neill'.

**N G Neill**  
**Partner**

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	2018 \$
Other income	2(a)	325,741	216,309
Employee benefits expense		(1,343,522)	(752,719)
Exploration and evaluation expenditure impaired	10	(7,924)	(2,627,205)
Contract mining		(1,053,330)	(735,719)
Foreign exchange gain/(loss)		225,738	(37,139)
Interest expense		(164,841)	(581,916)
Borrowing costs		-	(3,487)
Share based payments		(344,088)	(767,554)
Other expenses	2(b)	(3,818,472)	(1,675,758)
Loss before income tax expense		(6,180,698)	(6,965,188)
Income tax (expense)/benefit	3	(19,609)	(15,084)
Net loss for the year		(6,200,307)	(6,980,272)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(977,576)	35,894
Other comprehensive (loss)/income for the year net of tax		(977,576)	35,894
Total comprehensive loss		(7,177,883)	(6,944,378)
Loss attributable to:			
Owners of the parent		(6,042,258)	(6,643,531)
Non-controlling interests	15	(158,049)	(336,741)
		(6,200,307)	(6,980,272)
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(6,933,549)	(6,572,419)
Non-controlling interests	15	(244,334)	(371,959)
		(7,177,883)	(6,944,378)
Basic loss per share (cents per share)	4	(0.20)	(0.35)

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>Current Assets</b>			
Cash and cash equivalents	8	11,136,142	7,488,401
Trade and other receivables	9	504,291	1,386,423
<b>Total Current Assets</b>		<b>11,640,433</b>	<b>8,874,824</b>
<b>Non-Current Assets</b>			
Deferred exploration and evaluation expenditure	10	37,461,876	35,609,772
Property plant and equipment	12	477,056	269,408
Intangible assets	13	112,618	-
<b>Total Non-Current Assets</b>		<b>38,051,550</b>	<b>35,879,180</b>
<b>Total Assets</b>		<b>49,691,983</b>	<b>44,754,004</b>
<b>Current Liabilities</b>			
Trade and other payables	11	309,632	760,525
Financial liabilities	14	12,068	-
<b>Total Current Liabilities</b>		<b>321,700</b>	<b>760,525</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	14	73,411	3,246,630
<b>Total Non-Current Liabilities</b>		<b>73,411</b>	<b>3,246,630</b>
<b>Total Liabilities</b>		<b>395,111</b>	<b>4,007,155</b>
<b>Net Assets</b>		<b>49,296,872</b>	<b>40,746,849</b>
<b>Equity</b>			
Issued capital	6	114,897,715	99,087,130
Reserves	7	(5,191,712)	(4,217,742)
Accumulated losses	7	(59,963,072)	(53,920,814)
Equity attributable to owners of the parent		49,742,931	40,948,574
Non-controlling interests	15	(446,059)	(201,725)
<b>Total Equity</b>		<b>49,296,872</b>	<b>40,746,849</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Share Based Payments Reserve	Contribution Reserve	Attributable to Owners of the parent	Non- controlling interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 30 June 2017</b>	80,200,207	(47,460,080)	(7,344,687)	463,647	-	25,859,087	-	25,859,087
Loss for period	-	(6,643,531)	-	-	-	(6,643,531)	(336,741)	(6,980,272)
Other comprehensive loss	-	-	71,112	-	-	71,112	(35,218)	35,894
Total comprehensive loss	-	(6,643,531)	71,112	-	-	(6,572,419)	(371,959)	(6,944,378)
Share issues net of costs	19,089,050	-	-	-	-	19,089,050	-	19,089,050
Performance rights value brought to account	-	-	-	767,554	-	767,554	-	767,554
Performance rights vested and exercised	486,750	-	-	(486,750)	-	-	-	-
Performance rights expired	-	182,797	-	(182,797)	-	-	-	-
Listed options issued to underwriters	(688,877)	-	-	688,877	-	-	-	-
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	171,265	171,265
Non-controlling interest arising on part disposal of subsidiary	-	-	-	-	1,805,302	1,805,302	(1,031)	1,804,271
<b>Balance at 30 June 2018</b>	99,087,130	(53,920,814)	(7,273,575)	1,250,531	1,805,302	40,948,574	(201,725)	40,746,849
Loss for period	-	(6,042,258)	-	-	-	(6,042,258)	(158,049)	(6,200,307)
Other comprehensive loss	-	-	(891,291)	-	-	(891,291)	(86,285)	(977,576)
Total comprehensive loss	-	(6,042,258)	(891,291)	-	-	(6,933,549)	(244,334)	(7,177,883)
Shares issued net of cost	15,383,818	-	-	-	-	15,383,818	-	15,383,818
Performance rights value brought to account	-	-	-	273,168	-	273,168	-	273,168
Performance rights vested and exercised	426,767	-	-	(426,767)	-	-	-	-
Performance rights cancelled	-	-	-	(1,080)	-	(1,080)	-	(1,080)
Share based payments	-	-	-	72,000	-	72,000	-	72,000
<b>Balance at 30 June 2019</b>	114,897,715	(59,963,072)	(8,164,866)	1,167,852	1,805,302	49,742,931	(446,059)	49,296,872

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Interest received		302,288	215,061
Payments to suppliers and employees		(6,178,022)	(3,342,754)
Income tax paid		(19,609)	(15,084)
Interest and borrowing costs paid		(186,253)	(587,494)
Net cash used in operating activities	8	(6,081,596)	(3,730,271)
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation expenditure		(1,900,672)	(1,179,354)
Purchase of non-current assets		(391,772)	(101,239)
Payments for the purchase of subsidiary net of cash acquired		-	(3,888)
Receipts from sale of non-current assets		27,171	-
Net cash used in investing activities		(2,265,273)	(1,284,481)
<b>Cash flows from financing activities</b>			
Proceeds from issue of securities		12,679,330	13,006,838
Payments for capital raising costs		(684,218)	(282,885)
Proceeds from borrowings		-	305,000
Repayment of borrowings	14	(13,316)	(934,826)
Net cash provided by financing activities		11,981,796	12,094,127
Net increase in cash and cash equivalents		3,634,927	7,079,375
Cash and cash equivalents at the beginning of the year		7,488,401	412,089
Effect of foreign exchange rate fluctuations on cash held		12,814	(3,063)
<b>Cash and cash equivalents at the end of the year</b>	8	11,136,142	7,488,401

The accompanying notes from part of these financial statements.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**(a) Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Company is a listed public Company, incorporated in Australia and operating in Mongolia. The principal activity of the Group during the year was the progression for the approvals, completion of studies, and funding towards the development of the Ovoot Early Development Project (**OEDP**).

**(b) Going concern**

The 30 June 2019 financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and discharge of its liabilities as and when they fall due, in the ordinary course of business.

**(c) Adoption of new and revised standards**

**Changes in accounting policies on initial application of Accounting Standards**

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

*AASB 9 Financial Instrument*

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurements, impairment of financial assets and hedge accounting model.

The Group has adopted AASB 9 from 1 July 2018.

The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Adoption of new and revised standards (continued)

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information accordingly, the information presented for 30 June 2018 has not been restated.

There has been no material impact on the financial performance and position of the Group from the adoption of this Accounting Standard.

#### *AASB 15 Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 Revenue and AASB 111 Construction Contracts and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The Group has adopted AASB 15 from 1 July 2018. There has been no material impact on the financial performance and position of the Group from adoption of this accounting standard.

#### *Standards and interpretations in issue not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. The standard which may have a significant to the Group are set out below. The Group does not plan to adopt these standards early.

#### *AASB 16 Leases*

AASB 16 replaces the current AASB 17 Leases standard. AASB 16 removes the classification of leases as either operating leases or finance leases- for the lessee - effectively treating all leases as finance leases. Most leases will be capitalised on the statement of financial position by recognising a 'right-of-use' asset and a lease liability for the present value obligation. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that also adopt AASB 15.

The Group does not expect a significant effect on the financial statements resulting from the change of this standard.

No other new standards, amendments to standards and interpretations are expected to affect the Group's consolidated financial statements.

#### (d) Statement of Compliance

The financial report was authorised for issue on 26 September 2019.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Aspire Mining Limited ("Company" or "Parent") and its subsidiaries as at 30 June each year (the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting (refer Note 1(o)).

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (f) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Share-based payment transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model for unlisted options and the market traded price for listed options and performance rights that are bought to account, having regard to the terms and conditions upon which the instruments are granted.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Critical accounting judgements and key sources of estimation uncertainty (continued)**

*Exploration and evaluation costs carried forward*

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(x). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of the expectation that exploration costs incurred can be recouped through the successful development of the area (unless activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves). The estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditure incurred is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be impaired or written off through the statement of profit or loss and other comprehensive income.

**(g) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Aspire Mining Limited.

**(h) Revenue Recognition**

Revenue is recognised to the extent that control of the goods or service has passed and it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Interest income*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(i) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(j) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days. The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade and other receivables are estimated with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) Trade and other receivables (continued)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

#### (k) Derecognition of financial assets and financial liabilities

##### *(i) Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### *(ii) Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (l) Foreign currency translation

The functional and presentation currency of Aspire Mining Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Mongolian incorporated subsidiaries, Khurgatai Khaikhan LLC, Northern Railways LLC, Ovoot Coal Mining LLC, Chilchig Gol LLC, Ekhgoviin Chuluu LLC and Black Rock LLC is Mongolian Tugriks (MNT), Ovoot Coking Coal Pte Ltd, Northern Railways Pte Ltd Northern Railways Holdings LLC and Northern Mongolian Railways Limited is USD.

As at the balance date the assets and liabilities of the subsidiaries are translated into the presentation currency of Aspire Mining Limited at the rate of exchange ruling at the balance date and its statement of comprehensive income is translated at the average exchange rate for the year.

The exchange differences arising on the translation are taken directly to the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

#### (m) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Income tax (continued)**

the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(n) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(o) Business combinations**

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

#### (p) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

**(r) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the three (3) year estimated useful life of the assets.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*(i) Impairment*

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item.

*(ii) Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**(s) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of profit or loss and other comprehensive Income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (t) Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. In valuing equity-settled transactions, account is taken of any performance conditions, and conditions linked to the price of the shares of Aspire Mining Limited (market conditions) if applicable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired, and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of profit or loss and other comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

#### *Cash settled transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model for unlisted options and the market traded price for listed options and performance rights that are bought to account, having regard to the terms and conditions upon which the instruments are granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

#### (u) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (v) Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for: costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(u) Earnings per share**

result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(v) Exploration and evaluation**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- i) the rights to tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**(w) Parent entity financial information**

The financial information for the parent entity, Aspire Mining Limited, disclosed in Note 24 has been prepared on the same basis as the consolidated financial statements, other than investments in subsidiaries are accounted for at cost.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 2: REVENUES AND EXPENSES

	2019	2018
	\$	\$
<b>(a) Revenue</b>		
Interest income	325,741	216,309
	<u>325,741</u>	<u>216,309</u>
<b>(b) Other Expenses</b>		
Accounting and audit fees	160,780	128,877
Amortisation and depreciation expense	160,590	32,015
Community relations	340,125	-
Company secretarial	154,321	143,860
Consultants	258,604	151,912
Corporate costs	557,040	142,567
Directors' fees	633,677	230,781
Insurance	131,560	65,636
Legal fees	364,490	82,577
Office and administration costs	67,202	62,788
Share registry and listing expenses	75,572	68,677
Media, promotion and investor relations	252,333	143,753
Rent and outgoings	131,939	71,718
Travel expenses	307,360	184,780
Other	222,879	165,817
	<u>3,818,472</u>	<u>1,675,758</u>

### NOTE 3: INCOME TAX

#### Income tax recognised in profit or loss

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

	2019	2018
	\$	\$
Accounting loss before tax	(6,180,698)	(6,965,188)
Income tax benefit calculated at 30%	(1,854,209)	(2,089,556)
Accrued expenses	8,175	150
Other non-deductible expenses	688,356	423,689
Deductions available over more than one year	(108,876)	(94,878)
Exploration and tenement expenses	2,377	788,162
Income tax benefit not brought to account	1,283,786	987,517
Income tax (benefit)/expense	<u>19,609</u>	<u>15,084</u>
Made up of:		
Income tax expense on Mongolian operations	19,609	15,084
Income tax (benefit)/expense	<u>19,609</u>	<u>15,084</u>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

The Group has an unrecorded deferred tax asset of \$5,705,739 (2018: \$5,616,754) in respect to tax losses arising in Australia and \$1,786,589 (2018: \$4,170,439) in respect to tax losses arising in Mongolia, the tax benefit of which has not been brought to account and are available subject to confirmation of the continuity of ownership test or the same business test. The Group has an unrecorded deferred tax asset of \$72,025 (2018: \$119,057) relating to share issue and other costs, and deferred tax liabilities of \$1,858,080 (2018: \$1,806,310) relating to capitalised exploration and evaluation expenditure arising in Australia for which an offsetting deferred tax asset has been recognised. The Group also has an unrecorded deferred tax asset of \$345,745 (2018: \$345,745) in respect to capital losses arising in Australia.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**
**NOTE 4: EARNINGS PER SHARE**

	<b>2019</b>	<b>2018</b>
	Cents per share	Cents per share
<i>Basic loss per share:</i>	(0.20)	(0.35)
Continuing operations		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:		
Earnings used in calculation of basic loss per share:		
Loss attributable to owners of the parent	(6,042,258)	(6,643,531)
Weighted average number of ordinary shares for the purpose of basic loss per share	3,006,321,310	1,873,070,955

As losses have been incurred to date, no dilutive earnings per share has been disclosed.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 5: SEGMENT INFORMATION**

	Continuing operations			Total
	Australia \$	Mongolia \$	Singapore \$	\$
<b>Year ended 30 June 2019</b>				
<b>Total segment revenue</b>	122,047	203,694	-	325,741
<b>Segment net operating loss after tax</b>	(2,763,744)	(3,247,389)	(189,174)	(6,200,307)
Interest revenue	122,047	203,694	-	325,741
Depreciation and amortisation	-	(160,590)	-	(160,590)
<b>Segment assets</b>	9,262,900	40,423,217	5,866	49,691,983
<b>Segment liabilities</b>	(291,321)	(103,790)	-	(395,111)
Capital expenditure during the year	-	(3,069,500)	-	(3,069,560)
<b>Cash flow information</b>				
Net cash flow from operating activities	(2,008,834)	(3,855,765)	(216,997)	(6,081,596)
Net cash flow from investing activities	-	(2,265,273)	-	(2,265,273)
Net cash flow from financing activities	11,995,112	(13,316)	-	11,981,796
	Continuing operations			Total
	Australia \$	Mongolia \$	Singapore \$	\$
<b>Year ended 30 June 2018</b>				
<b>Total segment revenue</b>	64,913	151,396	-	216,309
<b>Segment net operating loss after tax</b>	(1,889,369)	(4,517,424)	(573,479)	(6,980,272)
Interest revenue	64,913	151,396	-	216,309
Depreciation and amortisation	-	(32,015)	-	(32,015)
<b>Segment assets</b>	4,736,085	40,013,542	4,377	44,754,004
<b>Segment liabilities</b>	(144,608)	(490,575)	(3,371,972)	(4,007,155)
Capital expenditure during the year	-	2,310,736	-	2,310,736
<b>Cash flow information</b>				
Net cash flow from operating activities	(1,174,240)	(1,981,018)	(575,013)	(3,730,271)
Net cash flow from investing activities	-	(1,284,481)	-	(1,284,481)
Net cash flow from financing activities	12,094,127	-	-	12,094,127



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 6: ISSUED CAPITAL

	2019 \$	2018 \$
Ordinary shares		
Issued and fully paid	121,714,824	105,085,021
Less share issue costs	(6,817,109)	(5,997,891)
	114,897,715	99,087,130
Movements in ordinary shares on issue		
	No.	\$
<b>At 1 July 2017</b>	939,534,971	80,200,207
Shares issued at 3.3c on 3 July 2017 on exercise of performance rights	5,500,000	181,500
Shares issued at 2c on 14 August 2018 pursuant to a placement	54,922,250	1,098,445
Shares issued at 2c on 24 August 2018 pursuant to a placement	500,000	10,000
Shares issued at 2c on 24 August 2018 equity for debt	23,333,333	466,667
Shares issued at 2c on 1 September 2018 equity for debt	108,337,867	2,166,757
Shares issued at 3.3c on 4 October 2017 on exercise of performance rights	6,000,000	198,000
Shares issued at 1.9c on 7 November 2017 as part asset acquisition consideration	10,000,000	190,000
Shares issued at 1.2c on 11 December 2017 pursuant to a 6 for 5 rights issue	1,081,121,401	12,973,457
Shares issued at 1.2 c as repayment of loans on 11 December 2017	296,632,704	3,559,592
Shares issued at 1.8c on 9 February 2018 on exercise of options	42,000	756
Shares issued at 3.3c on 9 May 2018 on exercise of performance rights	3,250,000	107,250
Shares issued at 1.8c on 25 May 2018 on exercise of options	13,000	234
Shares issued at 1.8c on 25 June 2018 on exercise of options	36,000	648
Share issue costs	-	(2,066,383)
<b>At 30 June 2018</b>	2,529,223,526	99,087,130
<b>At 1 July 2018</b>	2,529,223,526	99,087,130
Shares issued at 1.25 cents on 17 July 2018 on exercise of vested performance rights	34,216,671	426,767
Shares issued at 2.5 cents on 15 August 2018 on exercise of unlisted options	44,527,250	1,113,181
Shares issued at 1.8 cents on 24 September 2018 on exercise of listed options	53,400	961
Shares issued at 2.1 cents on 6 December 2018 pursuant to debt and interest for equity agreement	161,366,954	3,388,706
Shares issued at 2.1 cents on 6 December 2018 pursuant to placement with a substantial shareholder	476,190,476	10,000,000
Shares issued at 2.1 cents on 6 December 2018 to subscribers to the additional placement	80,952,381	1,700,000
Shares issued at 1.8 cents on 19 March 2019 on exercise of listed options	10,417	188
Share issue costs	-	(819,218)
<b>At 30 June 2019</b>	3,326,541,075	114,897,715

For accounting purposes, the price of the performance rights is the quoted share price at the date the issues were approved. Nil consideration was paid for the performance rights.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 7: ACCUMULATED LOSSES AND RESERVES**

**Accumulated losses**

	<b>2019</b>	<b>2018</b>
	\$	\$
Movements in accumulated losses are as follows:		
Balance at beginning of financial year	(53,920,814)	(47,460,080)
Net loss for the year attributable to owners of the parent	(6,042,258)	(6,643,531)
Transfer on expiry of performance rights	-	182,797
Balance at end of financial year	(59,963,072)	(53,920,814)

**Reserves**

	Contribution Reserve	Foreign currency translation reserve	Share based payments reserve	Total
	\$	\$	\$	\$
At 30 June 2017	-	(7,344,687)	463,647	(6,881,040)
Currency translation differences	-	71,112	-	71,112
Issue of performance rights	-	-	767,554	767,554
Issue of listed options to underwriter	-	-	688,877	688,877
Performance rights expired unvested	-	-	(182,797)	(182,797)
Performance rights vested	-	-	(486,750)	(486,750)
Non-controlling interest arising on part disposal	1,805,302	-	-	1,805,302
At 30 June 2018	1,805,302	(7,273,575)	1,250,531	(4,217,742)
At 30 June 2018	1,805,302	(7,273,575)	1,250,531	(4,217,742)
Currency translation differences	-	(891,291)	-	(891,291)
Issue of performance rights	-	-	273,168	273,168
Performance rights vested	-	-	(426,767)	(426,767)
Performance rights cancelled	-	-	(1,080)	(1,080)
Issue of options as remuneration	-	-	72,000	72,000
<b>At 30 June 2019</b>	<b>1,805,302</b>	<b>(8,164,866)</b>	<b>1,167,852</b>	<b>(5,191,712)</b>

**Nature and purpose of reserves**

*Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

*Share based payments reserve*

The share based payments reserve is used to record the value of equity instruments issued to Directors, employees and qualifying contractors as part of their remuneration.

*Contribution Reserve*

The contribution reserve is used to record the value which arises as a result of transactions with non-controlling interests that do not result in a loss of control.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 7: ACCUMULATED LOSSES AND RESERVES (continued)**

**Nature and purpose of reserves (continued)**

*Options*

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	No.	Weighted average exercise price	No.	Weighted average exercise price
Outstanding at the beginning of the year	875,879,502	0.019	-	-
Granted during the year	12,000,000	0.018	875,970,502	0.019
Exercised during the year	(44,591,067)	0.025	(91,000)	0.018
Expired during the year	(142,566,200)	0.025	-	
Outstanding at the end of the year	<u>700,722,235</u>	<u>0.018</u>	<u>875,879,502</u>	<u>0.019</u>
Exercisable at the end of the year	<u>700,722,235</u>	<u>0.018</u>	<u>875,879,502</u>	<u>0.019</u>

The number and details of the 700,722,235 options unexercised at 30 June 2019 ((30 June 2018: 875,879,502) was:

Number	Grant date	Expiry date	Exercise price \$ per option	Fair value at grant date \$ per option
688,722,235	11/12/2017	11/12/2019	0.018	0.002
12,000,000	6/12/2018	11/12/2019	0.018	0.006

*Performance Rights*

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. 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 on achievement of operational and strategic milestones. 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. The cumulative expense that will be recorded will equate to the performance rights that ultimately vest.

The number of performance rights unexercised at 30 June 2019 are:

	<b>2019</b>	<b>2018</b>
	No.	No.
Outstanding at the beginning of the year	245,300,000	60,000,000
Granted during the year	-	205,300,000
Vested and shares issued during the year	(34,216,671)	(14,750,000)
Expired or cancelled during the year	(49,999,999)	(5,250,000)
Outstanding at the end of the year	<u>161,083,330</u>	<u>245,300,000</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 7: ACCUMULATED LOSSES AND RESERVES (continued)**

**Nature and purpose of reserves (continued)**

*Performance Rights (continued)*

The vesting requirements applicable to 40,000,000 performance rights issued to a consultant are based on execution of a Concession Agreement to build and operate the Ovoot to Erdenet Northern Railway and provision by 31 December 2018 of an offer to fund 70% of the funding required to build the railway. No expense was recognised as there was no expectation that the funding performance milestone would be met. These Performance Rights lapsed during the year.

Following from shareholder approval given at the 2017 Annual General Meeting held on 26 November 2017, 55,000,000 performance rights were issued to the nominee of David Paull, 101,800,000 performance rights were issued to Non-Executive Directors or their nominees, and 48,500,000 performance rights were issued to employees and qualified contractors on 8 May 2018. The performance milestones attaching to the performance rights are strategic. One of the six tranches vested and 34,216,671 ordinary shares issued on exercise on 13 July 2018 as the 30 day VWAP of the Company's Shares as traded on ASX was equal to or greater than A\$0.02 by 30 June 2019. 49,999,999 Performance Rights were cancelled on termination of employment.

The remaining performance rights will vest in five tranches if and when one or more of the remaining following five milestones are achieved:

1. if 80% or more of the initial issue of 1.8 cent AKMOA listed options are exercised on or before 11 December 2019.
2. If following a decision by the Company to mine the Nuurstei Project, or a Board approved equivalent project, the Company achieves production of a combined 500,000 tonnes per annum of washed hard coking coal by 31 December 2019.
3. if the Company achieves net profit after tax of at least \$10 million by no later than 31 December 2019.
4. if the 30-day VWAP of the Company's Shares as traded on ASX is equal to or greater than A\$0.03 by 30 June 2020.
5. if the 30-day VWAP of the Company's Shares as traded on ASX is equal to or greater than A\$0.04 by 30 June 2021.

The performance rights are valued at the share price on grant date, being 1.2 cents for each of the performance rights issued to the Directors and 1.4 cents for each of the performance rights issued to the employees and contractors.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 8: CASH AND CASH EQUIVALENTS**

	<b>2019</b>	<b>2018</b>
	\$	\$
Cash at bank and on hand	4,546,272	1,665,587
Short term deposits	6,589,870	5,822,814
	11,136,142	7,488,401

Cash at bank earns interest at floating rates based on daily bank deposit rates.

All cash was available for use and no restrictions were placed on the use of it at any time during the period, other than a short term deposit of \$10,000 (2018: \$10,000) is on deposit as cash backed security against a business use credit card limit and office rental.

**Reconciliation of loss for the year to net cash flows from operating activities**

	<b>2019</b>	<b>2018</b>
	\$	\$
Loss for the year	(6,200,307)	(6,980,272)
Change in net assets and liabilities:		
Change in trade and other receivables	358,224	(629,537)
Changes in trade and other payables	(603,137)	(417,764)
Profit on sale of property, plant and equipment	(27,171)	(35)
Amortisation and depreciation expense	160,590	32,015
Share based payments	344,088	767,554
Interest expense settled by issue of shares	103,931	833,424
Exploration expenditure impairment	7,924	2,627,205
Foreign exchange (gain)/loss	(225,738)	37,139
Net cash used in operating activities	(6,081,596)	(3,730,271)

**NOTE 9: CURRENT TRADE AND OTHER RECEIVABLES**

	<b>2019</b>	<b>2018</b>
	\$	\$
GST recoverable	41,468	18,965
Prepayments	333,235	1,238,175
Accrued interest	24,983	1,530
Other receivables	104,605	127,753
	504,291	1,386,423

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 10: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE**

	<b>2019</b>	<b>2018</b>
	\$	\$
Costs carried forward in respect of:		
<b>Exploration and evaluation phase – at cost</b>		
Balance at beginning of year	35,609,772	35,875,408
Expenditure incurred, net of cost recoveries	2,578,993	515,221
Acquisition costs	-	1,684,350
Impairment of exploration and evaluation expenditure	(7,924)	(2,627,205)
Foreign exchange loss	(718,965)	161,998
Total exploration and evaluation expenditure	<u>37,461,876</u>	<u>35,609,772</u>
Total expenditure incurred and carried forward in respect of specific projects -		
Ovoot Coking Coal Project	36,235,803	34,484,418
Nuurstei Coking Coal Project	1,226,073	1,125,354
Total exploration and evaluation expenditure	<u>37,461,876</u>	<u>35,609,772</u>

Exploration expenditure incurred on projects other than the Ovoot Coking Coal Project and Nuurstei Coking Coal Project has been impaired, 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.

As Northern Railways LLC does not currently have in place the funding to build and operate the railway, the Group has impaired the evaluation expenditure incurred.

**NOTE 11: TRADE AND OTHER PAYABLES (CURRENT)**

	<b>2019</b>	<b>2018</b>
	\$	\$
Trade payables	241,282	575,955
Accrued expenses	45,205	54,861
Employee entitlements	15,425	-
Corporate credit card	7,720	4,366
Interest payable	-	125,343
	<u>309,632</u>	<u>760,525</u>

Trade payables and accrued expenses are normally settled on 30 day terms.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Office Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$
<b>Year ended 30 June 2019</b>						
Carrying value at 1 July 2018	155,686	79,402	16	13,051	21,253	269,408
Additions	-	62,738	68,710	55,654	154,682	341,784
Depreciation charge for the year	(17,280)	(36,915)	(14,551)	(10,502)	(45,986)	(125,234)
Exchange rate movement	(4,115)	(2,345)	(386)	(704)	(1,352)	(8,902)
Carrying value at 30 June 2019	134,291	102,880	53,789	57,499	128,597	477,056
30 June 2019						
Cost						1,393,115
Accumulated depreciation						(916,059)
Net carrying amount						477,056
<b>Year ended 30 June 2018</b>						
Carrying value at 1 July 2017	174,884	7,452	128	1,126	5,555	189,145
Additions	-	67,594	-	14,087	22,417	104,098
Acquired on acquisition	-	6,876	190	-	-	7,066
Depreciation charge for the year	(17,074)	(4,753)	(302)	(2,714)	(7,172)	(32,015)
Exchange rate movement	(2,124)	2,233	-	552	453	1,114
Carrying value at 30 June 2018	155,686	79,402	16	13,051	21,253	269,408
30 June 2018						
Cost						1,060,233
Accumulated depreciation						(790,825)
Net carrying amount						269,408

The carrying value of motor vehicles held under a loan agreement at 30 June 2019 is \$115,430 (2018: \$Nil). The motor vehicle is pledged as security for the loan liability.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 13: INTANGIBLE ASSET**

	<b>Exploration Software</b>	<b>\$</b>
<b>Year ended 30 June 2019</b>		
Carrying value at 1 July 2018		-
Additions		148,783
Amortisation for the year		(35,356)
Exchange rate movement		(809)
At 30 June 2019		112,618
At 30 June 2019		
Cost		147,976
Accumulated amortisation		(35,358)
Net carrying amount		112,618

**NOTE 14: FINANCIAL LIABILITIES**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Finance loan liability	12,068	-
Current financial liabilities	12,068	-
Finance loan facility	73,411	-
USD long term facility	-	3,246,630
Non-current financial liabilities	73,411	3,246,630
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
USD long term facility	-	3,246,630
	-	3,246,630
Current		-
Non-current	-	3,246,630
	-	3,246,630
	<b>US\$</b>	<b>A\$</b>
USD long term facility movement for the period		
Balance at beginning of period	2,403,481	3,246,630
Repayment from issue of shares	(2,403,481)	(3,284,775)
Foreign exchange	-	38,145
Balance at end of period	-	-

In August 2018, the Company entered into a binding agreement with lender and major shareholder, Noble Resources International Pte Ltd (Noble), to repay up to US\$2.4 million (plus interest accruing on that amount) of the outstanding amount owing under the facility with Noble by way of the issue of Shares at A\$0.021 (2.1 cents) per Share. On satisfaction of all conditions precedent, 161,366,954 Shares were issued on 6 December 2018 to settle the loan principle and interest of US\$2,479,528 (A\$3,388,706).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 14: FINANCIAL LIABILITIES (continued)

	2019 \$	2018 \$
Finance loan liability	85,479	-
	<hr/> 85,479	<hr/> -
Current liability	12,068	-
Non-current liability	73,411	-
	<hr/> 85,479	<hr/> -
	<b>\$</b>	<b>\$</b>
Balance at beginning of period	-	-
Addition in the period	98,795	-
Payments	(13,316)	-
Balance at end of period	<hr/> 85,479	<hr/> -

In August 2018, the Company's Mongolian subsidiary, Khurgatai Khairkhan LLC, entered into a loan agreement for two motor vehicles for use by the Ulanbaatar office. The loan is for 180million MNT (\$98,795) with monthly principal instalments of 1.875 million MNT per month (approx. \$1,040 pm) and interest at 15.6% pa over the 96 month term.

### NOTE 15: NON-CONTROLLING INTERESTS AND CONTRIBUTION RESERVE

There is a 10% non-controlling interest in the corporate entity that holds the Nuurstei Coking Coal mining and exploration licenses.

There is also a 20% non-controlling interest in Northern Rail Holdings Limited. During 2018, the Group disposed of a 10% interest in NRML to the Noble Group to bring Noble's interests in NRML to 20% in exchange for a US\$1.4 million reduction of the long-term facility payable to Noble.

In 2018, the gain on divestment of the shares held by the Company in NRPL of \$1,805,302 was reclassified to a contribution reserve on consolidation.

#### Non-controlling interest summary

	Coalridge Limited \$	Northern Rail Holdings Limited \$	Total \$
Non-controlling interest arising on the acquisition of subsidiary	171,265	-	171,265
Non-controlling interest arising on part disposal of subsidiary	-	(1,031)	(1,031)
Profit/(loss) allocated to non-controlling interest	(264,078)	(72,663)	(336,741)
Other comprehensive income/(loss) allocated to non-controlling interest	23,871	(59,089)	(35,218)
<b>Balance at 30 June 2018</b>	<hr/> (68,942)	<hr/> (132,783)	<hr/> (201,725)
Profit/(loss) allocated to non-controlling interest	(10,398)	(147,651)	(158,049)
Other comprehensive income/(loss) allocated to non-controlling interest	(9,039)	(77,246)	(86,285)
<b>Balance at 30 June 2019</b>	<hr/> (88,379)	<hr/> (357,680)	<hr/> (446,059)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 15: NON-CONTROLLING INTERESTS AND CONTRIBUTION RESERVE (continued)**

	Coalridge Limited		Northern Railway Holdings Limited	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Current Assets	13,734	628,025	60,485	6,482
Non-Current Assets	1,230,554	1,131,519	-	-
Total Assets	1,244,288	1,759,544	60,485	6,482
Current Liabilities	(9,477)	(725,555)	-	-
Non-Current Liabilities	-	-	-	-
Total Liabilities	(9,477)	(725,555)	-	-
Net Assets	1,234,811	1,033,989	60,485	6,482
Revenue		-	3	6
Loss for the year	(103,981)	(2,640,775)	(742,573)	(363,316)
Total comprehensive loss for the year	(194,363)	(2,402,067)	(1,124,484)	(658,759)

**NOTE 16: FINANCIAL INSTRUMENTS**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. None of the Group's entities are subject to externally imposed capital requirements. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings. Working capital, cash and cash equivalents and capital requirements are reviewed by the Board on a regular basis.

	2019 \$	2018 \$
Financial assets:		
Receivables	171,056	148,248
Cash and cash equivalents	11,136,142	7,488,401
	11,307,198	7,636,649
Financial liabilities:		
Trade and other creditors	309,632	760,525
Borrowings	85,479	3,246,630
	395,111	4,007,155

The following table details the expected maturities for the Group's non-derivative financial assets. These have been drawn up based on contractual maturities of the financial assets except where the Group anticipates that the cash flow will occur in a different period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 16: FINANCIAL INSTRUMENTS (continued)**

	Weighted average effective interest rate	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
	%	\$	\$	\$	\$	\$
<b>2019</b>						
Non-interest bearing		263,798	-	-	-	-
Variable interest rate instruments	0.50	4,453,531	-	-	-	-
Fixed interest rate instruments	2.66	-	6,579,870	10,000	-	-
		<u>4,717,329</u>	<u>6,579,870</u>	<u>10,000</u>	-	-
<b>2018</b>						
Non-interest bearing		212,859	-	-	-	-
Variable interest rate instruments	1.00	1,584,783	-	-	-	-
Fixed interest rate instruments	2.37	-	5,829,007	10,000	-	-
		<u>1,797,642</u>	<u>5,829,007</u>	<u>10,000</u>	-	-

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
	%	\$	\$	\$	\$	\$
<b>2019</b>						
Non-interest bearing	-	309,634	-	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	15.6	-	-	-	12,068	73,411
		<u>309,634</u>	-	-	<u>12,068</u>	<u>73,411</u>
<b>2018</b>						
Non-interest bearing	-	760,525	-	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	10.45	-	-	3,246,630	-	-
		<u>760,525</u>	-	<u>3,246,630</u>	-	-

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 17: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk
- Market risk

This note presents the information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks as summarised below. The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Group. The Group also has other financial instruments such as receivables and creditors which arise directly from its operations. For the years ended 30 June 2019 and 2018, it has been the Group's policy not to trade in financial instruments.

#### (a) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

#### (b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group did not have any undrawn facilities at balance date (2018: \$3,246,630).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 17: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(c) Interest rate risk management**

The Group is exposed to interest rate risk as the Group deposits the bulk of the Group's cash reserves in term deposits with the National Australia Bank ("NAB"). The risk is managed by the Group by maintaining an appropriate mix between short term and medium-term deposits. The Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

**Interest rate sensitivity**

At 30 June 2019, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

	<b>2019</b>	<b>2018</b>
Change in Loss	\$	\$
Increase in interest rate by 1%	44,535	15,848
Decrease in interest rate by 1%	(44,535)	(15,848)
Change in Equity		
Increase in interest rate by 1%	44,535	15,848
Decrease in interest rate by 1%	44,535	(15,848)

**(d) Foreign currency risk management**

The Group undertakes certain transactions denominated in foreign currencies hence exposures to exchange rate fluctuations arise. The Group does not manage these exposures with foreign currency derivative products. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	Liabilities		Assets	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	\$	\$	\$	\$
US Dollars	-	3,246,630	4,028,639	580,549
Mongolian Tugriks	103,670	462,968	1,907,147	3,503,583

*Foreign currency sensitivity analysis*

The Group is exposed to US Dollar (USD) and Mongolian Tugrik currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit and equity where the Australian Dollar weakens against the respective currency. For a strengthening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and equity and the balances below would be negative.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 17: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

	<b>2019</b>	<b>2018</b>
10% Increase	\$	\$
Profit/(loss) and equity – US dollar exposure	366,240	242,371
Profit/(loss) and equity – Mongolian Tugrik	164,209	276,419
10% Decrease	\$	\$
Profit/(loss) and equity – US dollar exposure	(447,627)	(296,231)
Profit/(loss) and equity – Mongolian Tugrik	(200,700)	(337,846)

**(e) Market risk management**

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or value of the holdings of financial instruments. The Group is exposed to movements in market interest rates on short term deposits. The Group does not have short-term or long-term debt with variable interest rates, and therefore this risk is minimal. The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

The carrying value of the financial assets and liabilities in the financial statements approximates their fair value.

**NOTE 18: COMMITMENTS**

**Remuneration Commitments**

The Group has entered into remuneration commitments with all the Directors and other key management personnel of the Group which were in effect throughout the financial year. The Group also employs consultants who are contracted under standard consultancy rates.

**Exploration Commitments**

The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Within a year	27,953	156,154
Later than one year but not later than five years	128,700	110,570

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 18: COMMITMENTS

#### Motor Vehicle Loan Commitment

During the year, the Group entered into a loan agreement to purchase two motor vehicles.

	2019	2018
	\$	\$
Within a year	24,578	-
Later than one year but not later than five years	79,366	-
More than 5 years	29,400	-
Total liability	133,344	-
Less unexpired interest	(47,865)	-
Present value	85,479	-
Represented by:		
Current liability	12,068	
Non-current liability:	73,411	

#### Investment Consideration Commitments

Pursuant to the initial acquisition from Xanadu Limited of the 50% interest in Coalridge Limited that owns 90% interest in the Nuurstei Coking Coal Project (Nuurstei Project), 5 million shares in Aspire are to be issued to Xanadu in the event that 30 million tonnes of JORC compliant resources are identified in the Nuurstei Project area.

### NOTE 19: DIVIDENDS

The Directors of the Group have not declared any dividend for the year ended 30 June 2019.

### NOTE 20: CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2019.

### NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

In September 2019, the Company entered into a Subscription Agreement with existing substantial shareholder, Mr. Tserenpuntsag Tserendamba, to complete a Placement for 1,595.9 million shares at 2.1 cents per share to raise \$33.5 million before costs to further fund the Ovoot Early Development Plan (**OEDP**) pre-development activities and for general working capital. 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.

The Placement to Mr Tserenpuntsag is conditional upon an independent expert report opining that the Placement and its outcomes are reasonable, if not fair, to the Company's shareholders and the shareholders considering, and if thought fit, approving the Placement at a meeting of shareholders.

Following the Placement there is an intended restructuring of the Aspire Board of Directors and management roles and a 1 for 10 consolidation of the Aspire securities on issue.

Other than the above, there has not been any material matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 22: DIRECTORS AND EXECUTIVE DISCLOSURES**

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Short-term employee benefits	645,524	221,400
Post-employment benefits	2,603	-
Share-based payments	280,698	435,388
	<u>928,825</u>	<u>656,788</u>

Share based payments is the gross accounting value of performance rights brought to account in accordance with accounting standards.

*Related Party Transactions*

As at 30 June 2019, there were unpaid Directors' Fees payable of \$111,486 (2018: \$3,400).

**NOTE 23: AUDITOR'S REMUNERATION**

The auditor of Aspire Mining Limited is HLB Mann Judd.

	<b>2019</b>	<b>2018</b>
	\$	\$
<i>Amounts received or due and receivable by HLB Mann Judd for:</i>		
An audit or review of the financial reports	49,000	46,250
Other services	3,744	870
	<u>52,744</u>	<u>47,120</u>

The auditor of Khurgatai Khairkhan LLC, its direct subsidiaries and Northern Railways LLC is KPMG.

	<b>2019</b>	<b>2018</b>
	\$	\$
<i>Amounts received or due and receivable by KPMG:</i>		
An audit or review of the financial reports	46,359	49,443
Other services	-	13,822
	<u>46,359</u>	<u>63,265</u>

**NOTE 24: PARENT ENTITY DISCLOSURES**

***Financial position***

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Assets</b>		
Current assets	9,262,900	4,736,085
Non-current assets	6,193,600	6,021,032
Total assets	<u>15,456,500</u>	<u>10,757,117</u>
<b>Liabilities</b>		
Current liabilities	291,320	144,608
Non-current liabilities	-	-
Total liabilities	<u>291,320</u>	<u>144,608</u>
<b>Net assets</b>	<u>15,165,180</u>	<u>10,612,509</u>
<b>Equity</b>		
Issued capital	114,897,715	99,087,130
Reserves	1,167,852	1,250,531
Accumulated losses	(100,900,387)	(89,725,152)
Total equity	<u>15,165,180</u>	<u>10,612,509</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 24: PARENT ENTITY DISCLOSURES (continued)**

**Financial performance**

	<b>Year ended 30 June 2019</b>	<b>Year ended 30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Operating loss for the year	(11,175,235)	(12,054,982)
Total comprehensive loss	(11,175,235)	(12,054,982)

**Parent Company Capital Commitments and Contingent Liabilities**

The parent entity currently has no capital commitments for the acquisition of property, plant and equipment.

See Note 18 for obligations of Aspire to issue securities.

**NOTE 25: SUBSIDIARIES**

The consolidated financial statements include the financial statements of Aspire Mining Limited and its below subsidiaries.

<b>Subsidiary Name</b>	<b>Country of incorporation</b>	<b>% Equity Owned</b>		<b>Investment</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Khurgatai Khairkhan LLC	Mongolia	100%	100%	-	-
Ovoot Coal Mining LLC	Mongolia	100%	100%	-	-
Chilchig Gol LLC	Mongolia	100%	100%	-	-
Ovoot Coking Coal Pte Ltd	Singapore	100%	100%	\$9,428,158	\$9,428,158
Northern Railways LLC	Mongolia	80%	80%	-	-
Northern Railways Holdings LLC	Mongolia	80%	80%	\$136,230	\$136,230
Northern Railways Pte Ltd	Singapore	80%	80%	\$1	\$1
Northern Mongolian Railways Limited	British Virgin Islands	80%	80%	\$97,408	\$97,408
Coalridge Limited	British Virgin Islands	100%	100%	\$1,541,390	\$1,541,390
Ekhgoviin Chuluu LLC	Mongolia	100%	100%	-	-
Black Rock LLC	Mongolia	90%	90%	-	-
CEADM LLC <sup>1</sup>		-	51%	-	-

<sup>1</sup> Deregistered in the Period

Aspire Mining Limited is the ultimate Australian parent entity and ultimate parent of the Group. Transactions between these parties involved the provision of funding for operations. As at 30 June 2019 and before impairment, amounts of \$52,920,821 (2018: \$47,963,903), \$20,890,902 (2018: \$17,308,307), \$138,409 (2018: \$138,409), \$1,274,439 (2018: \$1,260,558), \$14,617 (2018: \$10,708) and \$395,185 (2018: \$647,991) were owed by Khurgatai Khairkhan LLC, Ovoot Coking Coal Pte Ltd, Northern Railway Holdings LLC, Northern Railways Pte Ltd, Northern Mongolian Railways Limited and Ekhgoviin Chuluu LLC to the parent entity, respectively. The loans have been impaired.

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## DIRECTORS' DECLARATION

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

1. The financial statements and notes of the Group are in accordance with the Corporations Act 2001 including:
  - a. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year then ended; and
  - b. complying with Accounting Standards and Corporations Regulations 2001.
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.
3. The financial statements and notes are in accordance with International Financial Standards issued by the International Accounting Standards Board.
4. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

This declaration is signed in accordance with a resolution of the Board of Directors.



**David Paul**  
**Executive Chairman**  
**26 September 2019**



## **INDEPENDENT AUDITOR'S REPORT**

To the members of Aspire Mining Limited

### **Report on the Audit of the Financial Report**

#### *Opinion*

We have audited the financial report of Aspire Mining Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

**[hlb.com.au](http://hlb.com.au)**

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Key Audit Matter	How our audit addressed the key audit matter
<p><b>Deferred exploration and evaluation expenditure</b> (Note 10 in the annual financial report)</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the key processes associated with management’s review of the exploration and evaluation asset carrying values;</li> <li>• We considered the Directors’ assessment of potential indicators of impairment;</li> <li>• We obtained evidence that the Group has current rights to tenure of its areas of interest;</li> <li>• We examined the exploration budget and discussed with management the nature of planned ongoing activities; and</li> <li>• We examined the disclosures made in the financial report.</li> </ul>

*Information other than the financial report and auditor’s report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2019, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Aspire Mining Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*HLB Mann Judd*

**HLB Mann Judd  
Chartered Accountants**

**Perth, Western Australia  
26 September 2019**

A handwritten signature in blue ink, appearing to read 'Norman G. Neill'.

**N G Neill  
Partner**

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## ADDITIONAL SHAREHOLDER INFORMATION

Additional information required pursuant to the ASX Listing Rules and not shown elsewhere in this report is as follows. The information is current as at 24 October 2019.

### 1. Substantial Shareholders

There are three substantial shareholders:

- Mr Terenpuntsag Tserendamba, 914,534,573 shares or 27.49% on an undiluted basis
- Noble Resources International Pte Ltd, 664,017,577 shares or 19.96% on an undiluted basis
- Spectral Investments Pty Ltd, a company controlled by Mr Neil Lithgow, 237,278,501 shares or 7.13% on an undiluted basis

There are four substantial option holders:

- Mr Terenpuntsag Tserendamba, 153,330,119 options or 21.88%
- Noble Resources International Pte Ltd, 74,158,176 options or 10.58%
- Mentok Pty Ltd, 54,743,019 options or 7.81%
- CS Third Nominees Pty Ltd, 45,813,970 options or 6.54%

There are five substantial unlisted performance rights holder:

- 2Rs Pty Ltd, a company controlled by Mr David Paull, 45,833,333 performance rights, or 30%
- Spectral Investments Pty Ltd, a company controlled by Mr Neil Lithgow, 36,250,000 performance rights or 24%
- Gan-Ochir Zunduisuren, 30,500,000 performance rights or 20%
- Hannah Badenach, 18,083,333 performance rights or 12%
- Barkdell Services Pty Ltd, 14,166,666 performance rights or 9%

### 2. Number of holders in each class of equity securities and the voting rights attached

#### Ordinary Shares

There are 2,847 holders of ordinary shares. Each shareholder is entitled to one vote per share held. In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

#### Options

There are 383 holders of unlisted options. The options are exercisable at A\$0.018 per option on or before 11 December 2019. There are no voting rights attached to these options. If exercised, each option will be converted into one fully paid ordinary share in the Company which will share the same voting rights as existing outstanding ordinary shares.

#### Performance Rights

There are nine holders of performance rights. There are no voting rights attached to the performance rights.

## ADDITIONAL SHAREHOLDER INFORMATION (continued)

### 3. Distribution schedule of the number of holders in each class of equity security

#### a) Fully Paid Ordinary Shares

Spread of Holdings	Holders	Units	%
1 – 1,000	252	41,532	0.00 %
1,001 – 5,000	271	854,465	0.03 %
5,001 – 10,000	249	2,104,302	0.06 %
10,001 – 100,000	971	44,500,091	1.34 %
100,001 –	1,104	3,279,040,685	98.57%
<b>TOTAL ON REGISTER</b>	<b>2,847</b>	<b>3,326,541,075</b>	<b>100.00 %</b>

#### b) Options exercisable at A\$0.018 on or before 11 December 2019

Spread of Holdings	Holders	Units	%
1 – 1,000	17	6,653	0.00 %
1,001 – 5,000	36	95,412	0.01 %
5,001 – 10,000	19	138,541	0.02 %
10,001 – 100,000	117	4,956,659	0.71 %
100,001 –	194	695,524,970	99.26 %
<b>TOTAL ON REGISTER</b>	<b>383</b>	<b>700,722,235</b>	<b>100.00 %</b>

#### c) Unlisted Performance Rights that vest at various dates

Spread of Holdings	Holders	Units	%
1 – 1,000	-	-	0.00 %
1,001 – 5,000	-	-	0.00 %
5,001 – 10,000	-	-	0.00 %
10,001 – 100,000	-	-	0.00 %
100,001 –	9	152,749,997	100.00 %
<b>TOTAL ON REGISTER</b>	<b>9</b>	<b>152,749,997</b>	<b>100.00 %</b>

### 4. Marketable Parcel

There are 1,296 shareholders with less than a marketable parcel.

### 5. Twenty largest holders of each class of quoted equity security

The names of the twenty largest registered holders of each class of security, the number of equity security each holds and the percentage of capital each holds are as follows on the next page;

## ADDITIONAL SHAREHOLDER INFORMATION (continued)

### Ordinary Shares Top 20 holders and percentage held

	Units	% of Issued
<b>Holder Name</b>		
1 Noble Resources International Pte Ltd	664,017,577	19.96%
2 Mr Tserenpuntsag Tserendamba	476,190,476	14.31%
3 MICC LLC(i)	438,344,097	13.18%
4 Spectral Investments Pty Ltd <Lithgow Family A/c>	237,278,501	7.13%
5 HSBC Custody Nominees Australia Limited	148,245,296	4.46%
6 China Tonghai Securities Ltd	88,364,918	2.66%
7 BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	70,001,448	2.10%
8 Custodial Services Limited <Beneficiaries Holding A/c>	69,956,695	2.10%
9 J P Morgan Nominees Australia Pty Ltd	49,310,367	1.48%
10 2R's Pty Ltd	24,736,791	0.74%
11 Citicorp Nominees Pty Ltd	24,103,726	0.72%
12 Mr Stephen Ronald Hobson <Hobson Investment A/c>	21,298,325	0.64%
13 Brookman Resources Pty Ltd <David McSweeney S/F A/c>	10,179,666	0.31%
14 Glover Superannuation Pty Ltd <M Glover Super Fund A/c>	9,035,831	0.27%
15 Mr Cho Kheen Chong & Mrs Laura Ah Chun Chong <L&C Chong Super Fund A/c>	8,560,600	0.26%
16 Mr Peter Joseph McGuire	8,500,000	0.26%
17 Red Island Resources Ltd	8,250,000	0.25%
18 BNP Paribas Nominees Pty Ltd <DRP>	8,057,700	0.24%
19 Mrs Lynette Rita Robinson	8,000,000	0.24%
20 Neweconomy Com Au Nominees Pty Ltd	7,834,731	0.24%
<b>Total</b>	<b>2,380,266,745</b>	<b>71.55%</b>

### Options Top 20 holders and percentage held

	Units	% of Issued
<b>Holder Name</b>		
1 MICC LLC(ii)	170,330,119	24.31%
2 Noble Resources International Pte Ltd	74,158,176	10.58%
3 Mentok Pty Ltd	54,743,019	7.81%
4 CS Third Nominees Pty Ltd <HSBC Cust Nom AU Ltd 13 A/c>	45,813,970	6.54%
5 Melshare Nominees Pty Ltd	20,000,000	2.85%
6 Swiftsure Investments Pty Ltd	16,458,192	2.35%
7 HSBC Custody Nominees Australia Limited	14,740,000	2.10%
8 Mr Graham Alan Canova	14,000,000	2.00%
9 Mr Alexander Ross Passmore	12,000,000	1.71%
10 Mr Antonino Gullotti	11,000,000	1.57%
11 China Tonghai Securities Ltd	10,287,500	1.47%
12 Custodial Services Limited <Beneficiaries Holding A/c>	7,952,393	1.13%
13 Sandwich Holdings Pty Ltd	7,804,000	1.11%
14 Mr Paul Egryn Jones	7,692,058	1.10%
15 Oro Resources Pty Ltd	7,272,059	1.04%
16 Spectral Investments Pty Ltd <Lithgow Family A/c>	6,354,167	0.91%
17 Mr Jody Alan Dennison	6,019,170	0.86%
18 JOMOT Pty Ltd	5,600,000	0.80%
19 Mr Ryan Low <Low Family A/c>	5,500,000	0.78%
20 Mr Daniel Aaron Hylton Tuckett	5,002,241	0.71%
<b>Total</b>	<b>502,727,064</b>	<b>71.73%</b>

### Notes

- (i) Held for and on behalf of Mr. Tserenpuntsag Tserendamba
- (ii) Held for and on behalf of Mr. Tserenpuntsag Tserendamba: 153,330,119  
Held for and on behalf of other MICC LLC clients: 17,000,000

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## ADDITIONAL SHAREHOLDER INFORMATION (continued)

### 6. Stock exchange on which the Company's securities are quoted:

The Company's listed equity securities are quoted on the Australian Stock Exchange.

### 7. Restricted Securities

There are no restricted securities.

### 8. Review of Operations

A review of operations is contained in the Annual Report and Directors' Report within the Annual Financial Report.

### 9. Corporate Governance Statement

The Corporate Governance Statement for the year ending 30 June 2019 can be found on the company's website at <http://www.aspiremininglimited.com>.

### 10. Schedule of Tenements Mining & Exploration Licenses

The licenses registered in the name of Aspire Mining Limited or its 100% owned subsidiaries are set out in the Operational Review in the Annual Report.

### 11. Schedule of Tenements Mining & Exploration Licenses

The licenses registered in the name of the Company or one of its subsidiaries are:

Tenement	Location	Attributable Equity
<b>Ovoot</b> MV017098	Mongolia	100%
<b>Hurimt</b> 14510X	Mongolia	100%
<b>Nuurstei</b> MV-020941	Mongolia	90%





[aspiremininglimited.com](http://aspiremininglimited.com)