

Aspire Mining Ltd

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Aspire Mining releases positive early development PFS as markets absorb high-profile coal takeover bid

- Aspire's expected EBITDA from its high-quality 'fat' coking coal project would rival Australian majors
- Its attractive average life-of-mine (LOM) net direct C1 Cost of US\$81/tonne delivered to the Chinese border would position Aspire as a second quartile producer on the global cost curve
- The Ovoot Early Development Project has a US\$586 million NPV 10 value and IRR of 43.7%
- A fully-funded DFS is in progress and is expected in the September 2019 quarter
- Mergers and acquisitions activity and strategic investments may affect future valuations of Aspire

What does Aspire Mining do?

Aspire Mining Ltd (ASX:AKM) (FRA:WKU) (OTCMKTS:ASPF) specialises in coking coal project development in Mongolia. It is run by David Paull, a chairman and managing director who has headed up companies for the past 15 years.

What does Aspire Mining own?

The key asset is the world-class Ovoot project in northern Mongolia.

Aspire's Ovoot Early Development Project (OEDP) pre-feasibility study (PFS) for the project was welcomed by investors last Friday, with the share price gaining up to 39% in subsequent trading when compared to Thursday's closing price before the study release.

The company's shares rested 28% higher by late lunchtime yesterday.

Aspire's Ovoot PFS looked over by the market last Friday modelled a 9.2-year mine with an early-development starter pit drawing on 36.8 million tonnes of ore reserve.

The company's target of about 4 million tonnes a year production is based on the Mongolian rail network's existing capacity for carrying ore from the project with coal to be trucked to the nearest railhead.

Aspire plans to mine about 4.6 million tonnes a year and sell 4 million tonnes a year (net of 2% loss) into the system.

By mining only 15% of the existing 255 million tonnes of JORC-compliant ore reserves, Ovoot has future upside if extensions are made to the OEDP pit and if full-scale rail capacity can be secured to benefit the project.

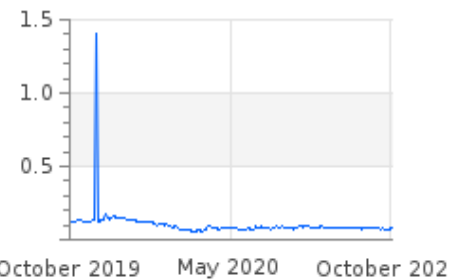
This rail capacity is expected to come with development of the planned Erdenet to Ovoot Rail connection.

Washed coal is proposed to be delivered via a 560-kilometre yet-to-be built special-purpose haul road to connect to the railhead at Erdenet.

Price: 0.075

Market Cap: \$38.07 m

1 Year Share Price Graph



Share Information

Code: AKM

Listing: ASX

52 week High Low
1.4 0.051

Sector: Coal

Website: www.aspiremininglimited.com

Company Synopsis:

Aspire Mining Ltd (ASX:AKM) is an exploration and development company focused on discovering and developing world class premium coal deposits in Mongolia. Its Northern Railways subsidiary is developing the Erdenet to Ovoot rail project.

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The coal would then be delivered to the Mongolian rail network that has confirmed available capacity for OEDP coal to the Mongolian/China border crossing of Erlian to Chinese end customers.

Aspire's OEDP PFS valued to the project at US\$586 million based on a before-tax net present value (NPV10) calculated at a 10% discount.

Ovoot's corresponding internal rate of return (IRR) was 43.7% and included mine, logistics, waste pre-stripping and haul road capital expenditure.

The attractive average life-of-mine (LOM) net direct C1 Cost of US\$81/tonne delivered to the China border at Erlian would position Aspire as a second quartile producer on the global cost curve.

A March-loading cargo of seaborne Australian coking coal was sold at \$216.50 a tonne cost and freight (cfr) China to an end user in northern China last week.

Average annual earnings before interest, tax, depreciation and amortisation (EBITDA) was US\$172 million for OEDP for a rapid 24-month payback from commercial production with life-of-mine EBITDA of US\$1.6 billion.

Aspire hopes its early development vision will transform it into a significant long-term coking coal producer.

The company is backed by supportive major shareholders Mongolian businessman Mr Tserenpuntsag and Kong Kong-based commodities trader and transportation carrier Noble Group.

A fully-funded definitive feasibility study (DFS) for OEDP is underway and is expected in the September 2019 quarter.

Aspire had \$15.4 million cash on December 31 and expects \$2.9 million of cash outflows in the March quarter.

It plans to spend \$1.8 million on exploration and evaluation in the March period.

What's the wider context?

Aspire's PFS comes as financial markets absorb the attractiveness of undeveloped coking coal projects and public and private company interest in project and company takeovers.

Gina Reinhart's unlisted company Hancock Prospecting Pty Ltd made an up to \$740 million cash bid last week for Canadian coking coal mine developer Riversdale Resources Limited.

Michael O'Keeffe and Steve Mallyon pre-IPO outfit Riversdale has the early-stage 4.5 million tonnes a year Grassy Mountain hard coking coal development project in Canada which had a \$US80 a tonne free-on-board cost price target.

First coal from the 195 million tonnes high-quality coking coal project is expected in 2021.

Denver-based private equity house Resource Capital Funds has 48 per cent of Riversdale, making any commitments it makes vital to the potential success of the proposed takeover.

The Riversdale has recommended no action.

Greater interest in Atrium Coal Ltd's (ASX:ATU) nearby project to Riversdale has also been put down to the excitement Hancock's offer has generated among punters.

Yancoal Australia Ltd (ASX:YAL) (FRA:YA1) (HKG:3668) and Whitehaven Coal Ltd (ASX:WHC) (FRA:WC2) are two major coal producers on the ASX.

The duo has been touted as likely peers for Riversdale which was tipped last July to be a likely number three on the

ASX in EBITDA stakes after Yancoal and Whitehaven, if it made a stock market debut.

Aspire's planned 4.6 million tonnes a year production levels sit just beyond Riversdale's proposed level but the Australian company's bottom-line EBITDA would be calculated using rail-capacity sales of up to 4 million tonnes a year.

Inflection points

- Success or failure of Hancock bid for Riversdale
- IPO success of Riversdale proceeds with a proposed ASX listing
- Major miner interest in coking coal development projects as takeover targets
- Continued Resource Capital Funds interest in coal development projects
- Funding for DFS-level study for Ovoot Early Development Project
- Continued development of Mongolian rail network capacity beyond existing capacity of 4 million tonnes a year for Ovoot
- Ovoot construction and development funding for the early-stage project
- Project funding for full-scale project feasibility studies, construction and development

Chairman & managing director David Paull pleased with PFS financial metrics

"We're looking at a starter pit which effectively funds an early start with the infrastructure, wash plant, road capital, etc to give the project a start without having to wait for rail," chairman and managing director David Paull told Proactive Investors in a video interview broadcast last Friday.

"We're still working on rail in the background but this gives us, within our control, a fast start-up and it's quite exciting.

"The mandate was to get production for 4 million tonnes per annum, which is the existing capacity available to us in the Mongolian rail system, so that's what we have done.

"We've proven the concept which is identifying a low-strip-ratio high-yielding part of the deposit and (that) creates a fantastic financial outcome."

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