

**Aspire Mining Limited**  
ABN: 46 122 417 243

Suite B3, 431-435 Roberts Road  
Subiaco WA 6008

PO Box 1918  
Subiaco WA 6904

Tel: (08) 9287 4555  
Fax: (08) 9388 1980

Web: [www.aspiremininglimited.com](http://www.aspiremininglimited.com)  
Email: [info@aspiremininglimited.com](mailto:info@aspiremininglimited.com)



## ASX RELEASE

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### **Northern Railways Update for Erdenet to Ovoot Railway**

- **Rail Connection Point and Final Alignment approved**

Mongolian metallurgical coal explorer and infrastructure company, Aspire Mining Limited (ASX: AKM, the **Company** or **Aspire**), is pleased to provide an update on rail project progress being undertaken by its Mongolian rail infrastructure subsidiary, Northern Railways LLC (**Northern Railways**).

As previously announced on 1 December 2015, Northern Railways received its Construction License for the Erdenet to Ovoot Railway (**Rail Project**) from the Mongolian Government.

Subsequent to the granting of this Construction License, the Company entered into negotiations with the Government of Mongolia, and in particular the Ministry of Roads and Transportation, to establish two commissions to deal with outstanding alignment matters. These negotiations also included some re-design and re-engineering by Northern Railways to accommodate:

1. A rail route into the city of Erdenet that would avoid significant relocation of established infrastructure and competing land uses; and
2. To make amendments to the rail alignment to take account of the road and power line requirements of the Egin Golin Hydro Power Project which was also recently approved by Government. The paths for both the Erdenet to Ovoot Railway and the Egin Golin Hydro Power Project both require access through a 40 km long valley system to the west of Erdenet.

The rail route and the point of connection to the UBTZ Railway at Erdenet have now been agreed between UBTZ, the Ministry of Roads and Transportation and Northern Railways. The route into Erdenet avoids existing infrastructure and provides a buffer of at least 1 km from existing housing. UBTZ is the Mongolian Russian Joint Venture which owns and manages existing rail services in Mongolia.

The amendments to the design of the railway to deal with the competing needs of the Egin Golin Hydro Project took additional time but have now been resolved by a joint Government and Northern Rail Commission with a relatively minor change to the Erdenet to Ovoot Railway alignment.

Northern Railways received the signed rail concession in September 2015. However in order to fix the alignment path for detailed design, the specific alignment and connection point with the UBTZ Railway needed to be approved. Given the delays in receiving the Construction License and then the alignment and connection point approval (which needed to be achieved in that order) and given the difficulties of operating during the Mongolian winter, there is little benefit to press on with additional interim Rail

Feasibility Studies for packages of work with China Railways Corporation's subsidiary, First Design Institute at this time. The Company is therefore not expecting to drawdown on the loan facility provided by Signum Resource Corporation for that purpose (Refer announcement 31 August 2015).

During the December 2015 Quarter, Northern Railways has been active in searching for funding sources that would complete both the Rail Bankable Feasibility Studies (refer announcement of Feasibility Study contract dated 27 January 2015) and other environmental permitting activities. These negotiations have included Chinese and Russian contractors and potential investors and are ongoing. However, there can be no certainty that these negotiations will result in the provision of the necessary funding required to take the Erdenet to Ovoot Rail Project to final funding drawdown.

The Rail Project spans 547km and forms part of Mongolia's Rail Policy to provide rail access to its northern provinces through the extension of its existing rail network from Erdenet to the Russian/Mongolian border at Arts Suuri with a Russian connection planned to Kyzyl (refer Figure 1). At full operation, the Rail Project will have capacity to move 30 Mtpa of bulk commodities, agricultural, general and passenger freight including transit freight between Russia and China.

Aspire's Managing Director, Mr David Paull said that "With the continued support of the Mongolian Government, Northern Railways and its dedicated staff have been able to progress the development of the Erdenet to Ovoot Railway to the point where all the necessary approvals are in place to prepare the way for the Bankable Feasibility Study and environmental surveys and permitting".

"Northern Railways continues to actively pursue funding options in Northern Railways to complete the other Rail Concession conditions precedent including environmental permitting and the completion of the Bankable Feasibility Study. These negotiations are continuing", Mr Paull said.

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Figure 1: Erdenet – Ovoot railway forming part of the Mongolian rail policy and the trilateral Economic Corridor between Russia, Mongolia and China

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## **About Aspire Mining Limited**

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

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

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

## **About Northern Railways LLC**

Northern Railways LLC (Northern Railways) is a Mongolian registered rail infrastructure Company, and mandated to pursue the development of the Erdenet to Ovoot Railway, is supported by a consortium consisting of Aspire Mining, and subsidiaries of fortune 500 listed China Railway Construction Corporation – China Railway 20 Bureau Group Corporation (CR20G) and China Railway First Survey & Design Institute (FSDI).

The Erdenet – Ovoot Railway extends 547km between the town of Erdenet to Aspire's Ovoot Project, which connects northern Mongolia to China and international markets. In accordance with Mongolian National Rail Policy, the Erdenet – Ovoot Railway is a multi-user rail line and will be available for the transport of bulk materials, agricultural and general freight from the region to export markets including China, Russia and seaborne markets.

The Erdenet to Ovoot Railway will play an important part in the establishment of an Economic Corridor through Mongolia, the subject of a trilateral agreement signed by the Presidents of China, Russia and Mongolia. The Economic Corridor through Mongolia is primarily aimed at improving trade by reducing regulation, improving capacity at borders and to improve road and rail infrastructure to meet this increased demand for transport services. This Economic Corridor through Mongolia links closely with Chinese policies to establish a New Silk Road to improve Euro-Asian trade, and Russia's policy of establishing a Euro-Asian economic zone.

In August 2015 Northern Railways was granted an exclusive 30 year concession by the Mongolian Government to build and operate the Erdenet to Ovoot Railway. Northern Railways is now progressing the completion of a bankable feasibility study and other studies to support applications for licences, permits and approvals, as well as progressing negotiations for the EPC contract and financing of the railway construction.

**For more information contact:**

**Corporate**

David Paull  
Managing Director

Aspire Mining Ltd

+61 8 9287 4555



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