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ASX RELEASE



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Erdenet to Ovoot Railway Determined to be Feasible

- **First Stage Feasibility Study received from China Railway First Survey and Design Institute Group Co Ltd (“FSDI”) and concludes that the Erdenet to Ovoot Railway:**
 - **is financially feasible.**
 - **is consistent with Mongolia’s mineral resource development strategy to be supported by growth in rail infrastructure.**
 - **will play a significant role in the promotion of regional and social development.**
 - **is necessary and is recommended to be implemented as soon as possible.**
- **Capital cost to construct the Railway estimated at US\$1.25bn plus contingency for 20 Mtpa capacity single line at current exchange rates.**
 - **compares with 2013 Pre-Feasibility capital cost estimate of US\$1.2bn for 12 Mtpa line.**
- **First Stage Feasibility Study includes:**
 - **Two locomotive service depots as well as insurance and service costs not included in the Pre- Feasibility scope.**
 - **The provision for a number of tunnels, some of which may not be necessary after Final Feasibility Study completed.**
- **Freight volume forecasts do not include transit freight from Russia and China – Europe container shipments.**

Mongolian metallurgical coal explorer and infrastructure company, Aspire Mining Limited (ASX: AKM, the **Company** or **Aspire**), has, through its rail subsidiary, Northern Railways LLC (“**NR**”), received the First Stage Feasibility Study (“**the Study**”) from China Railway First Survey and Design Institute Group Co Ltd (“**FSDI**”) for the Erdenet to Ovoot Railway in Mongolia. FSDI is a subsidiary of China Railways Construction Corporation and is the nominated rail engineer for the rail project under the Concession granted to NR by the Government of Mongolia.

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.



Figure 1: Northern Railways Rail Project forms part of a planned international trade corridor between Russia, Mongolia and China

The Study commenced in September 2016 and provides an interim review of the Erdenet to Ovoot Railway including sufficient design engineering to provide a +/- 10% capital estimate, a construction schedule, a bill of quantities and financial analysis including the capital and operating cost estimates.

The Study was prepared in Mandarin and translated into English. The capital and operating costs were prepared by FSDI in Renminbi and converted by the Company to USD at the current exchange rate of 7 Renminbi:US\$1.

The Study noted specifically that planned capacity upgrades to UBTZ’s Erdenet to Salkhit line and the Trans-Mongolian Railway will be needed to cope with the increased freight volume from the Erdenet to Ovoot Railway of up to an additional 20 mtpa over the long term. The freight forecast for the Erdenet to Ovoot Railway does not include additional freight volumes from Russia’s Elegest Coking Coal Basin or trans-Eurasian trade as the feasibility of rail links into Russia will need to be the subject of future feasibility studies. This is recognised as a future upside to freight volumes for the Erdenet to Ovoot Railway.

NR now has the opportunity to continue its review of the Study prior to commitment to the Final Stage Feasibility Study where significant additional engineering and design will be conducted in order to provide a bankable capital estimate and the basis for the turnkey engineering, procurement and construction contract (EPC Contract) negotiation. The Final Stage Feasibility Study will take around 6 months to complete from commissioning.

The Study will be used by China Development Bank and other Chinese policy banks in assessing an investment in the Erdenet to Ovoot Railway.

Funding for the Final Stage Feasibility Study is being sought, as is an extension of the time within which to complete the Concession Agreement Conditions Precedent (which include completion of the Feasibility Study). Discussions with the Government of Mongolia on the Concession Agreement Conditions Precedent time extension are progressing well and the Company believes that it will be agreed by the end of January 2017.

First Stage Feasibility Study Results

Construction

The construction timeframe for the entire line is programmed out at 60 months from commencement to commissioning. However, there is an opportunity, subject to pricing and cost, to truck coal from Ovoot to a loading point prior to the full completion and commissioning of the Erdenet to Ovoot Railway. This would bring in revenue to NR earlier than contemplated in the Study.

The capital cost is estimated at US\$1.25bn plus contingencies, which includes US\$27m for two locomotive service centres and depots as well as 11 by-pass loops for the single line track to be able to provide network capacity of 20 Mtpa.

There is also a total length of 10 kms of tunnels across 7 separate tunnel areas which adds US\$67m to construction costs. The maximum cut size is set at 20 metres as a risk mitigation measure due to the lack of geotechnical information in the areas of the larger designed cuts. The 2013 Pre-Feasibility Study had no tunnels but did have cuts as large as 47 metres. The Mongolian rail standard allows for up to 50 m with appropriate supports. With further geotechnical information, appropriate trade-offs can be made between the use and length of tunnels versus appropriate and safe cut sizes.

The rail design includes minimum curvatures at 800 metres and maximum gradients at 0.9% which adds 2 kms to bring the total rail distance to 549 kms. The target speed is 80 km/hr based on 3 diesel locomotive train sets hauling 10,000 tonnes per consist. Locomotive depots are to be located at Erdenet and Ovoot.

Feasibility

Rail investment is long term by nature and needs to be within the context of the host countries economic and development policies. The Study surveys both existing and planned rail developments in Mongolia as well the role of rail in stimulating economic growth. The Study notes that the Erdenet to Ovoot Railway is a key component of the updated 2014 National Rail Policy which also contemplates a further rail extension from Ovoot to the Russian border at Arts Suuri to eventually link up with the Russian rail network.

The Study also surveys resource deposits around the line and notes the "There is abundant coal and other mineral resources in the domain of attraction of this Project. This rail project complies with the general requirement of mineral resource strategy set by the Mongolian Government."

The benefits of the Erdenet to Ovoot Railway are listed and include:

- Adjustment and optimisation of economic and industrial structure of regions along the line.
- Promotion of development of the mining industry and mineral processing industry of three provinces in North West Mongolia.
- Development of the economies in the Northern Provinces as well as the national economy.
- Promotion of development of economic and cooperation of foreign trade between Mongolia and neighbouring countries.
- Enhancement of railway network structure of Mongolia.
- Improvement in the balance in the national economy to enhance social and political stability as well as the general economic prosperity of Mongolia.

There has been sufficient engineering undertaken to confirm that the railway is technically feasible to meet its freight capacity goals as designed within the Mongolian rail design framework.

Financial Analysis

The FSDI financial model applies:

1. A revenue fixed tariff of 0.20 Rmb\t\km;
2. Operating costs between 0.07 Rmb\t\km and 0.09 Rmb\t\km depending on annual volumes. These costs include both below rail access and locomotive services;
3. Volumes starting at 5 mtpa and growing to 15 mtpa over its first 10 years of operation before reaching near full capacity in year 26; and
4. a 3% discount rate.

The relatively low discount rate was applied by FSDI having regard to the long term benefits of rail infrastructure development and the fact that it is consistent with rail policy initiatives of China, Russia and Mongolia. This is a standard discount rate applied by Chinese state owned contractors when evaluating long term investments in infrastructure of this nature.

The FSDI financial model gives a before tax NPV of US\$665 million.

Using the FSDI financial model and applying a higher tariff of 0.24 Rmb\t\km to reflect both below rail access and above rail locomotion services, gives a before tax NPV of US\$1.8bn and gross cashflows before tax and interest of US\$4.7bn using current Renminbi and US dollar exchange rates.

Conclusion

FSDI concludes that the Erdenet to Ovoot Rail Project is financially feasible, necessary and recommends that it be implemented as soon as possible.

Aspire's Managing Director, Mr David Paull, notes that the favourable First Stage Feasibility Study prepared by the very well respected FSDI, is an important step in acceptance of the merits of the Erdenet to Ovoot Railway. The Study reduces the risk for investors to invest in the project now to fund the second and final stage of the Feasibility Study and other predevelopment works and permitting. It

will also now enable China Development Bank and other Chinese policy banks to conduct commercial due diligence on investment for the EPC Contract.

- Ends -

Forward-looking statements: This announcement contains certain “forward-looking statements”. The words “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan”, “consider”, “foresee”, “aim”, “will” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on capital expenditure, operating expenditure and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Aspire and NR.

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 is the 100% owner of the world class Ovoot Coking Coal Project (Ovoot Project) which is the second largest coking coal project by reserves in Mongolia. The Ovoot project development is dependent on the construction of the Erdenet to Ovoot Railway which is being progressed by Aspire’s subsidiary Northern Railways LLC (Northern Railways).

Production from the Ovoot Project can coincide with the commissioning of the Erdenet to Ovoot Railway.

Aspire also 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) which has announced an initial JORC Compliant Resource.

About Northern Railways LLC

Northern Railways LLC (Northern Railways) is a Mongolian registered rail infrastructure company mandated to pursue the development of the Erdenet to Ovoot Railway, and 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 Group Co Ltd (FSDI).

The Erdenet to Ovoot Railway will extend from 547km to 550km between the town of Erdenet and Aspire’s Ovoot Project, and will connect northern Mongolia to China and international markets. In accordance with Mongolian National Rail Policy, the Erdenet to Ovoot Railway is to be a multi-user rail line and be available for the transport of bulk materials, agricultural and general freight from the region to export markets including China, Russia and seaborne markets.

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

In August 2015, Northern Railways was granted an exclusive 30 year concession by the Mongolian Government to build and operate the Erdenet to Ovoot Railway.

Northern Railways is progressing funding negotiations for the completion of a bankable feasibility study and other studies to support applications for licenses, permits and approvals, as well as progressing funding negotiations for the EPC contract and the railway construction.

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