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ASX RELEASE



For Immediate Release – 31 January 2017

QUARTERLY REPORT Quarter Ended 31 December 2016

Northern Railways Investment Update

- First Stage Bankable Feasibility Study received and confirms that the Erdenet to Ovoot Rail Project is feasible.
- Discussions with Mongolian Government progressing to extend the time to complete conditions precedent for the Rail Concession.
- EPC funding negotiations continuing with China Development Bank and other Chinese Policy Banks.
- Report received by Northern Railways LLC from a specialist rail logistics consultant confirming the advantages of the Northern Rail Corridor for growing Eurasian trade and as part of China's One Belt One Road Policy.
- Northern Railways LLC and its advisers continue discussions with potential funders of the second stage feasibility study for the Erdenet to Ovoot Railway.

Nuurstei Coking Coal Project.

- The ECJV received an Exploration Plan and Budget of US\$1.5m to improve deposit interpretation and provide additional quality samples with the aim of converting qualifying Inferred Resources to Indicated and to support further economic studies.
- Scoping Study and Mining License Application process progressing.

Corporate Update

- A small A\$218k placement was completed in the Quarter for working capital purposes and the US\$2m loan announced in the September 2016 Quarter is now fully drawn down. Cash totalled A\$1.1m at 31 December 2016.
- Seaborne metallurgical coal prices proved to be volatile during the quarter. March 2017 Benchmark Quarter prices set at US\$285 per tonne. Spot prices have retreated from multi year highs in December but are still more than double 2016 lows.
- Mongolian coking coal exports to China have increased by 85% in 2016 to 23.5 million tonnes.

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Aspire Mining Limited (ASX: AKM, **Aspire**, or the **Company**), focussed on the exploration and development of metallurgical coal assets in Mongolia and the rail infrastructure required to bring production from these assets to market, is pleased to present its Quarterly Activities Report to Shareholders for the period ending 31 December 2016.

The Company is the largest coal tenement holder in the Orkhon-Selenge Coal Basin in northern Mongolia. Aspire currently wholly owns the large scale, world class Ovoot Coking Coal Project (**Ovoot Project**), Through its 50% ownership in the Ekhgoviin Chuluu Joint Venture (**ECJV**), Aspire also holds an interest in the Nuurstei Coking Coal Project (**Nuurstei Project**) and the Erdenebulag Coal Project (**Erdenebulag Project**) in the south.

Northern Railways LLC (**Northern Railways**), Aspire’s Mongolian rail infrastructure subsidiary, is responsible for activities associated with the construction and commercialisation of the 549 km Erdenet to Ovoot Railway in northern Mongolia. The Erdenet to Ovoot Railway is a part of Mongolian Rail Policy included in the “Northern Rail” Economic Corridor, an initiative to establish an international economic corridor between China and Russia through Mongolia and supported by all three Governments to facilitate trade between the three nations and the wider Asian and European economies.



Figure 1: Location of Projects and New Economic Corridor

NORTHERN RAILWAYS LLC



Mongolian registered Northern Railways LLC is the responsible entity progressing the development of the 549 kilometre Erdenet to Ovoot railway project in northern Mongolia (Rail Project) The Rail Project will be implemented under a private-public-partnership with the Government of Mongolia which has granted Northern Railways the exclusive right to build and operate the Rail Project under the terms agreed within the Concession Agreement executed in August 2015.

Northern Railways LLC is currently owned 90% by Aspire and 10% by the Noble Group.



Figure 2: Northern Railways Rail Project forms part of a planned international trade corridor between Russia, Mongolia and China

Erdenet to Ovoot Railways Feasible

Northern Railways has received the First Stage of the Rail Feasibility Study for the Erdenet to Ovoot Rail Project (**the Study**) which concludes that the Rail Project is feasible . The Rail Project forms part of the new Northern Rail Economic Corridor linking China with Russia through Mongolia.

The Study was received from China Railway First Survey and Design Institute Group Co Ltd (“**FSDI**”), a subsidiary of China Railway Construction Corporation 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.

The Study commenced in September 2016 and provides a 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 will be used by China Development Bank and other Chinese policy banks in assessing an investment in the Erdenet to Ovoot Railway.

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.

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 exchange rate of 7 Renminbi:US\$1.

Northern Railways 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 provide 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.

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 Northern Railways 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 Rail Pre-Feasibility Study had no tunnels but did have cuts as large as 47 metres. The Mongolian rail standard allows for up to 50 metres 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 that “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 Erdenet to Ovoot 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 Railway is financially feasible, necessary and recommends that it be implemented as soon as possible.

Funding for the second stage of the Rail Feasibility Study and the additional work required for final permitting and approvals continues to be sought by Northern Railways. Discussions with potential financiers for that funding are continuing.

Rail Concession Extension

The Rail Concession for the Erdenet to Ovoot Railway was granted in August 2015. The Concession granted a 5 year construction period and a 30 year operating period before transfer of the Railway infrastructure into Government ownership. There was also an 18 month period under which conditions precedent prior to the commencement of construction are to be completed. This period will be coming to an end in February.

In the Concession Agreement, one of the requirements from the Mongolian Government was to provide a land access agreement for the rail alignment. There was a competing use in the land entering into Erdenet. This has now been addressed by Northern Railways identifying an alternative path into Erdenet. This alternative was approved by Cabinet in January 2017. The engineering study supporting this alignment shows that there is no material difference in capital cost or alignment length with this new path into Erdenet. Northern Railways is now completing a full land use survey to support the grant of a Land Use Agreement.

In accordance with the Rail Concession Agreement, the delay in providing the land use agreement will result in an extension of time to complete the Conditions Precedent in the Concession. Northern Railways has prepared an Amendment to the Concession Agreement on behalf of the Consortium that is expected to be approved and executed by all parties shortly.

Northern Rail Corridor Will be Competitive with Alternative Rail Paths

During the Quarter, Northern Railways received a high level study from global rail logistics consultant, TransCare GmbH ("**TransCare**"), looking at potential comparative travel times, distances, costs and existing bottlenecks along alternative rail paths identified by China's One Belt One Road Policy, including the Northern Rail Corridor that includes the Erdenet to Ovoot Railway.

Currently:

1. around 60% of European\Russian rail transit freight to and from China moves along the route from Western China through Kazakhstan to Europe;
2. around 35% travels around Mongolia via the Manchurian route; and
3. only a small proportion travels through Mongolia along the single track Trans-Mongolian Railway.

Rail Freight Volumes between China and Europe Set to Explode

TransCare confirmed that as of June 2016 there are 1,881 China to Europe cargo trains annually in service which transport imports and exports worth US\$17 bn. This should be seen in the context of existing bilateral trade between China and the European Union of US\$3.5 trillion per annum.

According to a development plan issued by China's National Development and Reform Commission, it is estimated that by 2020 there will be around 5,000 cargo trains running between China and Europe annually, connecting a growing number of cities in China and Europe.

“Demand for rail cargo service between China and Europe has exploded in recent years because it offers an alternative to slower and riskier sea freight and much costlier air cargo.”¹

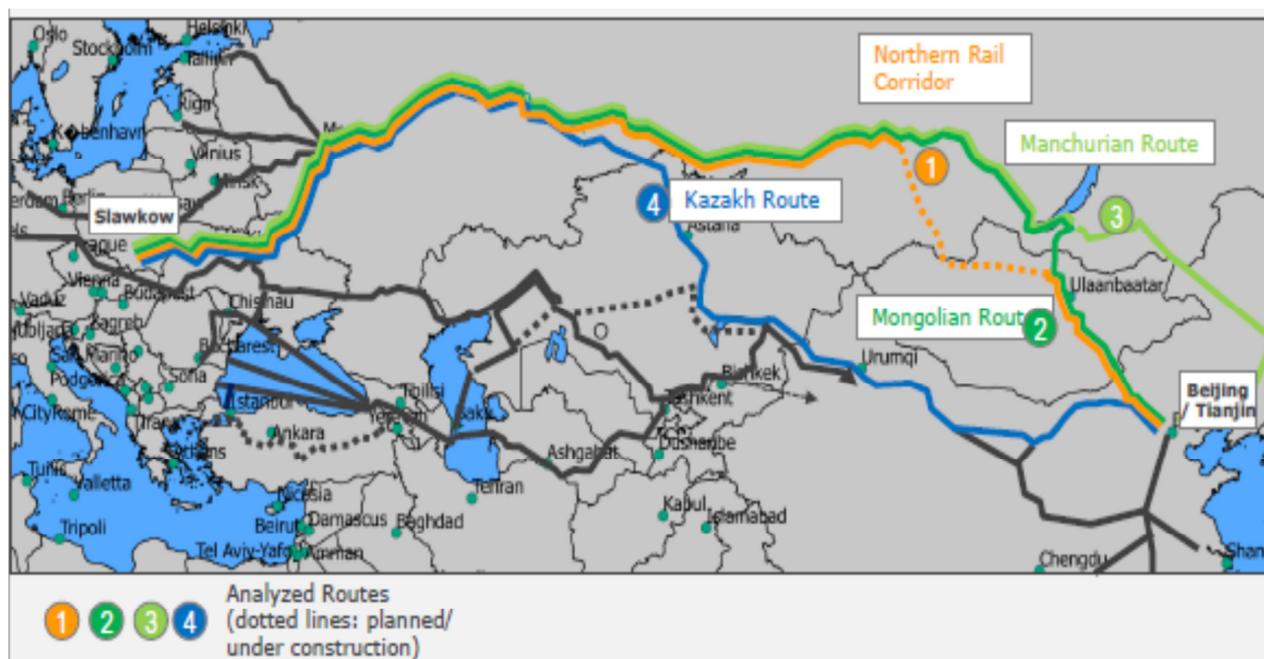


Figure 3: One Belt One Road Rail Routes

Northern Rail Line Competitive with other Available Rail Routes for Container Transport

Using a common entry point at Tianjin and exit point at Slawkow in Poland, the Northern Rail Corridor was found to be shorter than the existing routes and a highly competitive service in terms of lead times and costs.

The study clearly shows that the Northern Rail Corridor, which includes dual tracking the Trans-Mongolian Railway and building new rail lines from Erdenet to Ovoot to Kyzyl, will provide a more competitive rail service for container freight than existing routes. Building the Northern Rail Corridor adds significant additional freight capacity for Eurasian east west trade.

Northern Rail Route is the Best Path for Ovoot and Elegest Coking Coal Exports to Europe

The TransCare Study also confirms the distance, time and cost advantages for Elegest Coking Coal exports to China.

¹ Evaluation Northern Rail Corridor China-Europe - TransCare GmbH October 2016

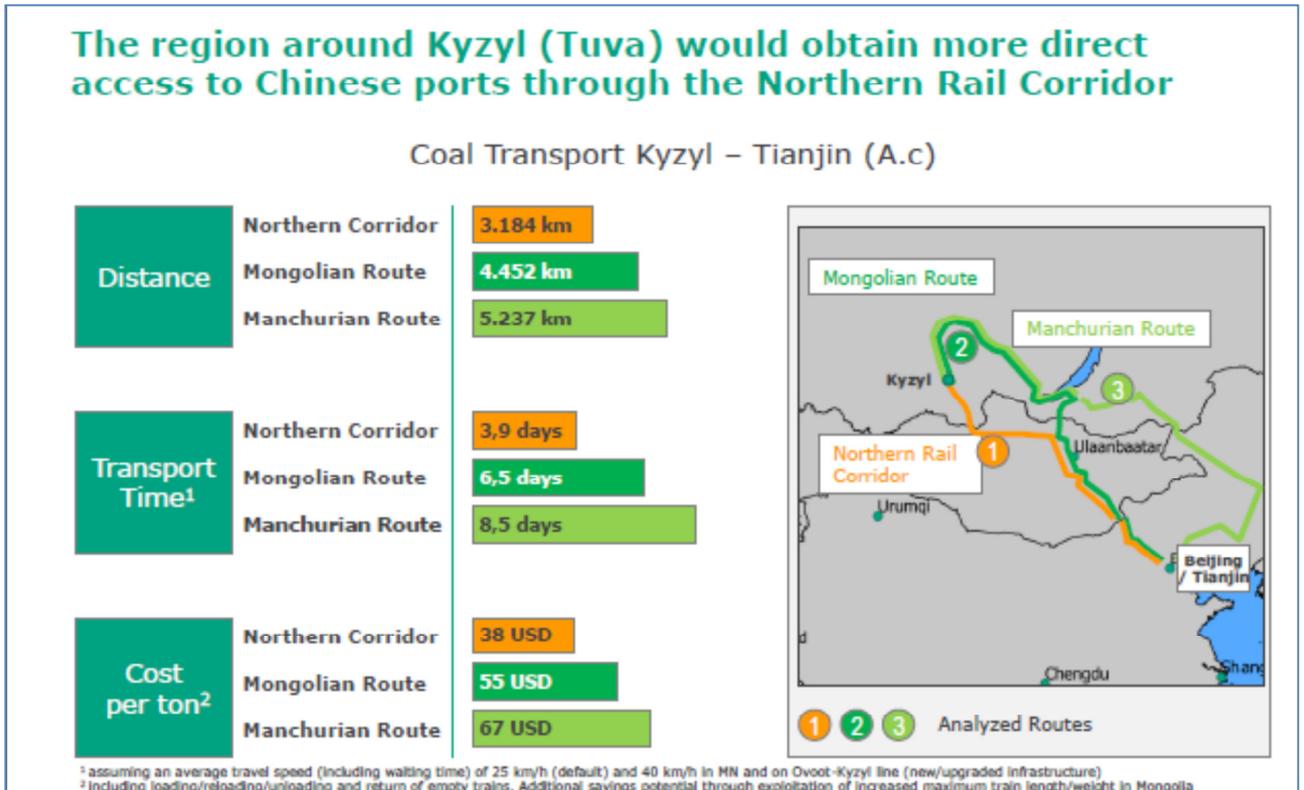


Figure 4: Significant savings for exporters from Russia’s Tuva Region including the Elegest Coking Coal Field.

The Northern Rail Corridor is shorter, quicker and is expected to be a cheaper route to China for freight from Kyzyl, including the Elegest Coking Coal field, than other routes. These comparisons are all to the same termination point at the coal terminals at Tianjin. The confirmation of China, Russia and Mongolia to establish the Northern Rail Corridor as a trade route means that the Chinese port of Tianjin becomes the closest seaborne port to introduce Elegest and Ovoot Coking Coal into the seaborne markets.

Over time, as exporters and importers continue to identify the merits of land based trade, and export and import opportunities are further explored, rail transport volumes are set to continue to increase. It is expected that the Northern Rail Corridor will see significant demand for its freight capacity of at least 15 Mtpa, growing to 30 Mtpa in the long term.

Conclusion

The study from TransCare confirms that the Northern Railway will provide an efficient and competitive service to support:

- Growing trade between Russia, China and Mongolia as well as transit freight for Sino European Trade.
- A material improvement in competitiveness for eastbound Elegest Coking Coal exports.
- Ovoot Coking Coal and other export products from Northern Mongolia to China and other markets through Chinese ports.

OVOOT COKING COAL PROJECT (100%)

The Company continues to focus on progressing the Erdenet to Ovoot Railway to provide an efficient path for Ovoot Project coking coal to reach steel mills in China, Russia and Eastern Europe.

During the Quarter, the Company conducted a 3 hole drilling programme to the south of the Ovoot Mining License testing a gravity target to meet minimum expenditure commitments. Drilling conditions were difficult with significant water being encountered. While no holes were able to reach basement, one hole intersected a Jurassic sequence of gravelite sediments similar to that found in the Ovoot resource area. It is also clear that there is widespread availability of underground water supplies to support Ovoot wash plant activities.

Ekhgoviin Chuluu Joint Venture (50%, Option to increase to 100%)

The ECJV is a 50/50 joint venture between Aspire and Singapore listed, Noble Group (SGX: N21, **Noble**), which is mandated to explore and develop coal assets in Mongolia. Aspire acquired its interest in the ECJV in mid-2014 and has been granted an option by Noble to acquire its 50% stake which expires in March 2017. In the event that the Company exercises its option, Aspire's interest in the ECJV will move to 100%.

The ECJV currently holds interests in the Nuurstei Project (90%) and the Erdenebulag Project (100%).

The Company released (refer to ASX announcement 13 April 2016) a Nuurstei Project Resource Statement that reported 4.75 Mt in Indicated Resources and 8.1 Mt of Inferred Resources in accordance with the JORC Code 2012. This was based on a report received from McElroy Bryan Geological Services Pty Ltd ("**MBGS**"), incorporating results of work completed in the 2014 and 2015 exploration drilling programs at the Nuurstei Project.

The Nuurstei Project is located in northern Mongolia and is 10 kilometres south from the Khuvsgul airmag capital of Moron. It also lies in close proximity to a sealed road to the Erdenet connection to the Trans Mongolian Railway. The Nuurstei Project is also well placed to be an early user of the proposed Rail Project to extend the rail from Erdenet to the Ovoot Project and then further northwest to the Russian city of Kyzyl.

The ECJV has resolved to apply for a Mining License over the Nuurstei Project which will give the ECJV tenure over the property for 30 years. As part of this work, a hydrogeology assessment and a preliminary economic analysis will be undertaken.

The Nuurstei Project is well positioned to become the first user of the to be constructed Erdenet to Ovoot Railway as the line is expected to pass near the Nuurstei Project approximately two years after rail construction begins (refer to the Northern Railways section of this report).



Figure 5: Nuurstei project proximity to existing rail infrastructure and Moron, capital of the Khuvsgul province in Mongolia's north

MBGS have provided a drilling plan for the Nuurstei Coking Coal Project to help in better defining resources, improve the confidence level of Inferred Resources and add resources. The total cost of this Programme is US\$1.5m. Any further drilling to potentially increase Indicated Resources may not be able to commence until the April/May 2017 Mongolian spring when weather conditions are more amenable.

The Company will look to undertake this programme subject to:

- The granting of a Mining License
- The exercise of the Nuurstei Option to acquire Noble's interest
- The results of a scoping study and;
- Funding Availability.

Scoping Study

The ECJV have agreed to commence a scoping study for the Nuurstei Project.

An international mining contractor with a presence in Mongolia has assisted in providing mining cost estimates for a proposed mining schedule.

A logistics provider will provide transport cost estimates along with rail tariffs for delivery onto the Chinese rail system.

Float sink testwork has commenced to assist with preliminary flowsheet design and operating and capital cost estimates.

CORPORATE

Supporting Foreign Direct Investment into Mongolia

Aspire and Northern Railways continue to be public advocates for foreign direct investment in Mongolia.

In December 2016 the Company's executive participated in a Mongolian Government arranged investor conference in Beijing focused particularly on infrastructure projects.

In March 2017 the Company will be a sponsor and presenter at a Mongolian focused session within the Prospectors and Developers Association Conference (PDAC) in Toronto. This is a new initiative of the Government to actively promote the benefits of resource based investment into Mongolia.

Funding Requirements and Debt Facilities

During the Quarter the Company undertook a small placement raising AUD \$218,500 at 3 cents per share.

The Company has 185.5 million 3 cent options due to expire in June 2017. Should all of these options be exercised this would generate approximately AUS\$5.5m in cash.

The Company currently has two fully drawn debt facilities:

- US\$5m debt facility payable to Noble Group on 16 February 2018; and
- US\$2m debt facility due for repayment in August 2017.

The Company is currently in discussion with Noble Group regarding the capitalisation and/or rolling of the interest expense payment date in relation to the US\$5m debt facility from March 2017 to a date after the exercise date for the 3c options.

Cash Position

At 31 December 2016, Aspire had A\$1.1 million cash at bank.

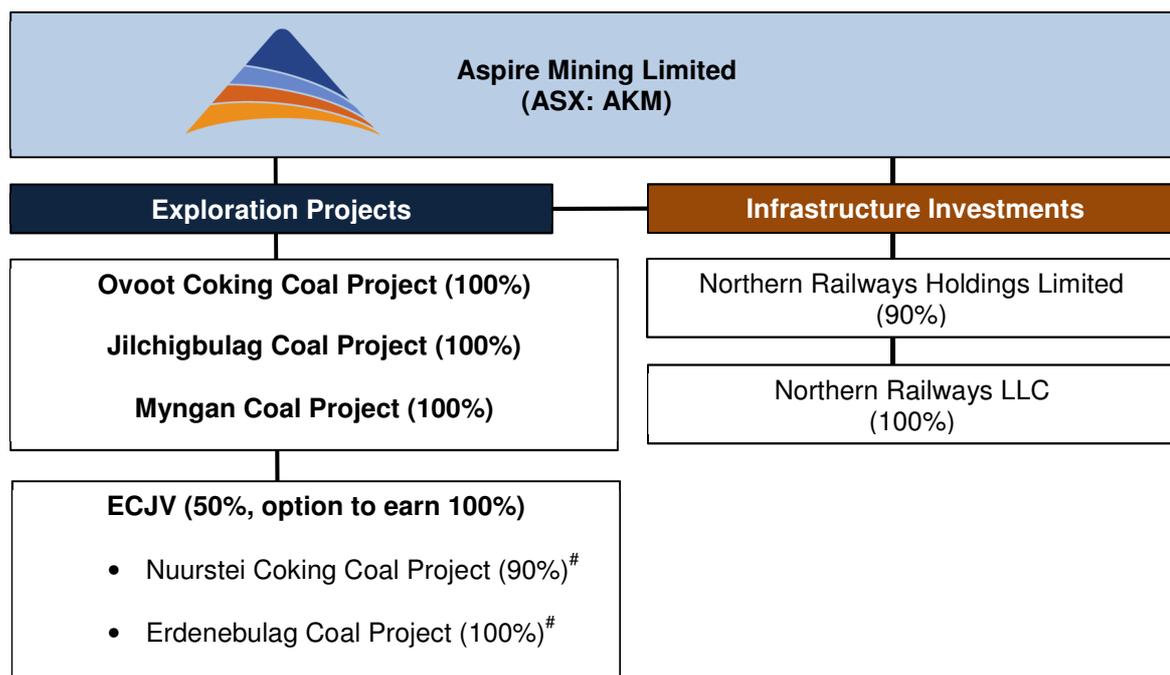
Capital Structure at 31 December 2016:

Security	No. on issue
Quoted Ordinary Shares	938,954,971
Quoted Options	185,529,167
Unlisted Performance Rights	44,000,000

Interests in mining and exploration tenements at 30 September 2016:

Tenement	Location	Attributable Equity
Ovoot MV017098 017003X	Mongolia	100% 100%
Hurimt 14510X 14637X	Mongolia	100% 100%
Jilchigbulag 12816X	Mongolia	100%
Myngan 17922X	Mongolia	100%
Nuurstei (ECJV) 13958X 13580X	Mongolia	45% 45%
Erdenebulag (ECJV) 18294X 18304X	Mongolia	50% 50%

Group Investment Structure



#Ekhgoviin Chuulu Joint Venture assets

-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 Northern Railways.

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 Project). Depending on the further analysis of the results of the 2015 program, future positive economic studies, funding and the grant of necessary approvals and licenses, the Nuurstei Project could commence a road based production operation and access the new Erdenet to Ovoot Railway two years from commencement of its construction.

Aspire is also the 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 Northern Railways LLC (Northern Railways).

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 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 (FSDI).

The Erdenet to Ovoot Railway extends 547 km 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 to 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 a new Northern Rail Economic Corridor through Mongolia, the subject of a trilateral programme agreed by the governments of China, Russia and Mongolia. 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 negotiations for the required funding for the completion of a bankable feasibility study and other studies necessary to support applications for licences, permits and approvals, and negotiations for the EPC contract.

About Ekhgoviin Chuluu Joint Venture

The Ekhgoviin Chuluu Joint Venture (ECJV) is currently a 50/50 joint venture arrangement between Aspire and Singapore listed Noble Group (SGX: N21, Noble). Aspire is the operator of the ECJV and has an option to purchase Noble's 50% interest, exercisable by March 2017. The ECJV owns a 90% interest in the Nuurstei Coking Coal Project (Nuurstei Project) located in northern Mongolia and a 100% interest in the Erdenebulag Coal Project located in the South Gobi region of Mongolia.

The close proximity of the Nuurstei Project to existing infrastructure (town, road, rail and services) provides an excellent opportunity to assess the economics of a road-based operation prior to the construction completion of the Erdenet to Ovoot Railway.

Competent Persons Statement – Nuurstei Coking Coal Project

The information in this report that relates to Coal Resources at the 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.

For more information contact:

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