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ASX RELEASE



For Immediate Release – 30 April, 2019

China Gezhouba Group Supporting Erdenet to Ovoot Road and Rail Infrastructure

- **China Gezhouba Group (CGGC) has provided a Letter of Interest in being the EPC contractor to build the Erdenet to Ovoot Haul Road for the Ovoot Early Development Project (OEDP) and engage with local Mongolian subcontractors. To assist with this, CGGC has expressed an interest in sourcing funding from Chinese commercial banks for up to 75% of the estimated US\$165m cost to build¹.**
- **On 25 April 2019, Aspire’s 80% owned subsidiary, Northern Railways LLC (NR), signed an Engineering, Procurement and Construction Agreement (EPC Contract) for the Erdenet to Ovoot Railway with construction joint venture parties, China Gezhouba International Engineering Co Ltd and China Railway 20 Bureau Group Corporation (“CRB20G”).**
 - **The signing was part of a number of other agreements executed during the Second Belt and Road Forum held in Beijing over the 25 and 26 of April 2019. CRCB20G countersigned the EPC Contract on 26 April 2019.**
 - **The EPC Contract is a lump sum turnkey contract with final pricing contingent on additional field surveys and engineering with a maximum price of US\$1.58bn. This maximum price includes conservative risk assessment on ground conditions, all contingencies and inflation allowances and a completion guarantee fee.**
 - **The EPC Contract is conditional on an approved funding package and meeting the conditions precedent in the Erdenet to Ovoot Rail Concession Agreement.**

Mongolian metallurgical coal and infrastructure company, Aspire Mining Limited (ASX: AKM, the **Company** or **Aspire**), is pleased to announce that it has expanded its relationship with CGGC to now include potential road construction and funding assistance for the Ovoot to Erdenet road, a key part of the Ovoot Early Development Project.

As announced on 28 February 2019, the Company received the results of a Pre-Feasibility Study (PFS) for the early development of the world class Ovoot Coking Coal Project by first constructing

¹ Refer ASX announcement 1 March 2019

a haul road able to deliver up to 4Mtpa of coking coal to the nearest rail head at Erdenet. From Erdenet, the coal can be railed north or south to export markets.

The PFS was accompanied by a scoping study level cost estimate of US\$165 million for the construction of a 560km haul road. The Aspire Board adopted the results of the PFS and immediately commenced a Definitive Feasibility Study (DFS) for the road and the mine. Aspire's strategy is to progress with the low capital intensity road-based development to deliver early production whilst the larger scale and longer term Erdenet to Ovoot Railway development continues.

Road Funding Developments

Through recent discussions on the sidelines of the Second Belt and Road Forum, CGGC and Aspire have agreed to investigate a joint development of the Erdenet to Ovoot Road with CGGC becoming the nominated EPC Contractor in the event that CGGC can source debt funding to support the development of the road. CGGC has identified a range of Chinese commercial and policy banks that could potentially support road funding of up to 75% of the total cost to build subject to receipt and review of the DFS.

There is significant Mongolian road building capability through a number of contractors that could be managed through an EPC structure.

Aspire has already received expressions of interest from its two major shareholders, Mr Tserenpuntsag and Noble Group, to contribute to road funding. The Company is actively canvassing other international and Mongolian funding sources and assessing various financing structures to deliver the OEDP in a manner that minimises dilution to Aspire shareholders and will update shareholders in more detail in due course.

Erdenet to Ovoot Railway

The Company's subsidiary, NR, has signed a conditional EPC Contract with joint venture parties, China Gezhouba Group International Engineering Co Ltd and China Railways 20 Bureau Group Corporation (CR20BGC).

The EPC Contract has a maximum lump sum turnkey amount of US\$1.58bn which is subject to reductions based on the results of further field surveys, engineering and commercial works to reduce the risks and contingency currently reflected in the contract price. This maximum price includes conservative assumptions regarding ground conditions as well as a full allowance for price inflation over the 5 year construction period. It also reflects a 5% fall in the USD\CNY exchange rate since the Erdenet to Ovoot Rail Feasibility Study was completed in 2018.

The EPC Contract has important conditions precedent to be met before the agreement comes into effect including funding, permitting, environmental impact assessment, land use agreements and meeting the balance of the conditions precedent in the Erdenet to Ovoot Rail Concession Agreement. There is also a continuing requirement for a future capacity guarantee along the existing Mongolian rail system to be able to distribute freight from the Northern Rail line to export markets. The latter remains a pre-condition for further CGGC rail investment to fund this pre-development work. These Concession Agreement Conditions Precedent need to be completed by 20 February 2020 (refer ASX announcement 13 August 2018).

The signing of the EPC Contract is an important step for CGGC and CR20BGG to engage with potential funding sources. It also completes NR's commitments to CGGC as agreed on 12 October 2017 that saw CGGC fund and deliver the Erdenet to Ovoot Rail Feasibility Study in 2018.

Aspire's Executive Chairman, Mr David Paull, noted that "CGGC is a leading Chinese State owned enterprise working on the implementation of the Belt and Road Initiative. By assisting the Company in bringing the OEDP into production now through a road based operation significantly enhances the financial viability of the Erdenet to Ovoot Railway and the larger scale development of Ovoot."

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



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Forward Looking Statements

This report contains forward-looking information which is based on the assumptions, estimates, analysis and opinions of management and engaged consultants made in light of experience and perception of trends, current conditions and expected developments, as well as other factors believed to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect.

Assumptions have been made by the Company regarding, among other things: the price of coking coal, the timely receipt of required governmental approvals, the accuracy of capital and operating cost estimates, the completion of a feasibility studies on its exploration and development activities, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used by the Company.

Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate.

Forward-looking information involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, the actual market price of coking coal, the actual results of current exploration, the actual results of future exploration, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the Company's publicly filed documents. Readers should not place undue reliance on forward-looking information.

About Aspire Mining Limited

Aspire Mining Limited is 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.

Aspire is targeting early production of washed coking coal from the Ovoot Project via a truck and rail operation to end markets within 12 to 15 months of final operational and Board approvals (the Ovoot Early Development Plan). Operational expansion can occur following the construction of the Erdenet to Ovoot Railway being progressed by Aspire's subsidiary, Northern Railways LLC (Northern Railways).

Aspire has a 90% interest in Nuurstei Coking Coal Project (Nuurstei Project) located in northern Mongolia.

The proximity of the Nuurstei Project to existing infrastructure (town, road, rail and services) also provides an excellent opportunity to assess the economics of a road-based operation prior to the construction of the Erdenet to Ovoot Railway. However, that assessment is currently on hold with the focus on the Ovoot Early Development Plan.

Dependent on that further analysis of the results of an additional drilling 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 then later have access to the new Erdenet to Ovoot Railway two years from commencement of the rail construction.

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 Limited – China Railway 20 Bureau Group Corporation and China Railway First Survey & Design Institute Group Co Ltd.

The Erdenet to 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 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 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 improving 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 years concession by the Mongolian Government to build and operate the Erdenet to Ovoot Railway. Northern Railways is now progressing funding negotiations for the completion of the concession conditions precedent, other studies to support applications for licenses, permits and approvals, the EPC contract and railway construction.

In October 2017 Northern Railways entered into a binding contract with China Gezhouba Group (CGGC) to complete the Bankable Feasibility Study for the Erdenet to Ovoot Railway and provide CGGC with an opportunity to fund Northern Railways LLC to complete the rail concession and funding conditions precedent for additional equity in Northern Railways LLC. The Feasibility Study has been completed (refer ASX announcements 22 March 2018 and 4 June 2018). A capacity guarantee from the operators of the Mongolian railway network is required by CGGC to progress further funding.

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