

Aspire Mining Limited

ABN: 46 122 417 243

69 Kewdale Rd
Welshpool
WA 6106
PO Box 1918
Subiaco WA 6904

Tel: (08) 9287 4555

Fax: (08) 9353 6974

Web: www.aspiremininglimited.com

Email: info@aspiremininglimited.com



ASX RELEASE

For Immediate Release – 12 October, 2017

China Gezhouba Group Agrees to Complete Bankable Feasibility Study for Erdenet to Ovoot Railway

- **Binding MOU signed committing China Gezhouba Group to complete the second stage of the Bankable Feasibility Study.**
- **China Gezhouba Group will look to work with China Railways Construction Bureau 20 Group to source finance and design and construct the Erdenet – Ovoot Railway.**
- **China Gezhouba Group to decide before 15 February 2018 whether to make further investments into Northern Railways LLC by funding Northern Railways LLC through to completion of Rail Concession and financing conditions precedent.**

Mongolian metallurgical coal explorer and infrastructure company, Aspire Mining Limited (ASX: AKM, the **Company** or **Aspire**), is pleased to announce that Aspire and its subsidiary, Northern Railways LLC (Northern Railways), have entered into a binding Memorandum of Understanding (“MOU”) with China Gezhouba Group International Company Limited (“CGGC”) to advance the Erdenet - Ovoot Railway Project as part of the Northern Rail Corridor.

This MOU follows on from an earlier non-binding agreement between the parties to cooperate on developing the Erdenet – Ovoot Railway announced on 6 June 2017.

Under the MOU, CGGC has agreed to complete the second and final stage of the Rail Bankable Feasibility Study by 31 March 2018. In return, Northern Railways has agreed to seek to include CGGC along with China Railways Construction Bureau 20 Group to jointly work on the design, procurement and construction of the project. If CGGC is not included in the design, procurement and construction of the rail project, NR has agreed to compensate CGGC for the work performed on the Feasibility Study.

The MOU also sets out a pathway for the development of the Erdenet to Ovoot Railway Project as well as the potential extension of that project from Ovoot through to the Mongolian/Russian border. To this end, CGGC have expressed a willingness, on a best efforts basis, to:

- assist Northern Railways to seek investors to fund the Northern Rail Corridor,
- support Northern Railways efforts to extend the Northern Rail Corridor to eventually connect to Russia at the Arts Suuri border; and

- assist Aspire source investment to fund the development of the Ovoot Coking Coal Project.

The MOU also provides the framework by which CGGC can provide additional equity investment in Northern Railways in order to fund the company through to meeting the outstanding conditions precedent for the Erdenet – Ovoot Rail Concession and for EPC funding, with such additional equity investment proposed to be made on or before 15 February 2018. Outstanding conditions precedent for the Erdenet – Ovoot Rail Concession and for EPC funding include a Definitive Environmental Impact Assessment and management plan, land access agreements, commercial agreement negotiations and owners costs. In the event that CGGC were to provide such funding to Northern Railways, the MOU contemplates that CGGC would acquire a 51% equity interest in Northern Railways during this predevelopment stage. CGGC's equity interest in Northern Railways post EPC funding would be expected to dilute below 50% once the project moves into the development phase as a result of the significant new investment required to fund the development of the project.

The Erdenet – Ovoot Rail Railway is a Public Private Partnership with the Mongolian Government. Northern Railways as the Concessionaire has the right to build, operate and then transfer 100% ownership of the railway to the Mongolian Government. Under the Concession Agreement at least 30 % of the subcontract work needs to be allocated to Mongolian construction companies and suppliers.

The Erdenet to Ovoot Railway will be Russian gauge rail compatible with the existing Mongolian rail network managed by UBTZ. This railway is open access and available for bulk and container freight as well as potentially passenger services. The Erdenet to Ovoot Railway is part of the Northern Rail Corridor which is expected to be extended from Ovoot through to the Russian Border at Arts Suuri and then on to the Tyuva Republic capital of Kyzyl where a connection to the Trans-Siberian Railway is expected to be available from 2022.



Figure 1: Northern Rail Corridor

The establishment of the Erdenet – Ovoot Railway and the Northern Rail Corridor from 2023 onwards will add significant additional demand for rail capacity on the Trans Mongolian central line which will attract additional investment for its staged expansion plans.

Demand for transit rail freight services is growing rapidly with the 2016 record in Mongolia being eclipsed in August 2017. A study commissioned by Northern Railways LLC in October 2016 showed that the Northern Rail corridor was the best and most efficient path for rail freight between northern China and Europe.

CGGC is a subsidiary of China Energy Engineering Corporation Limited, a major Chinese state owned enterprise that focuses on design, construction, investment and operation of projects in fields of hydropower, thermal power, nuclear power, wind power, energy transmission, highways, railways, bridges, airports, ports and industrial and civil buildings. CGGC works in 142 countries and has established 99 overseas branches with 30,000 employees worldwide. CGGC was established in the early 1970's to complete the Three Gorges Dam Project, then China's largest infrastructure project.

Combining the large scale construction and financing expertise of CGGC with the rail technical abilities of the Northern Railways consortium member, China Railway 20 Bureau Group Corporation, is expected to create a powerful and compelling consortium to attract funding for this rail project which is part of China's One Belt One Road initiative.

Aspire's Managing Director, Mr David Paull, said that "Aspire is very pleased to be able to add a very large and experienced sponsor for the Erdenet to Ovoot Railway Project. Being able to attract a large and significant engineering and construction company such as Gezhouba provides clear affirmation of the importance and role of the Ovoot to Erdenet Railway in fulfilling Mongolia's potential to become a transit corridor for China-Europe Trade."

Background to The Erdenet – Ovoot Railway Project

Aspire and its rail subsidiary Northern Railways LLC commenced work on the Rail Project in 2012. The subsequent milestones include:

- Initial pre-feasibility study for the Erdenet – Ovoot Railway in 2012.
- Optimised second pre-feasibility study completed in 2013 with a significant reduction in distance and capital cost. Capital cost estimate before contingencies of US\$1.2 bn.
- EPC Framework and cooperation agreement signed with China Railways Construction Corporation subsidiaries in November 2013.
- Erdenet – Ovoot – Arts Suuri railway included in amended Mongolian National Rail Policy in October 2014.
- Concession Agreement to build and operate the Erdenet – Ovoot Railway executed in September 2015.
- Erdenet – Ovoot confirmed in June 2016 as being part of a new Northern Rail Corridor linking the Port of Tianjin with the Trans-Siberian Railway through Mongolia. Part of China's One Belt One Road initiative.
- First Stage Rail Feasibility Study commenced in August 2016 and was completed in January 2017 confirming that the Rail Project was both technically and financially feasible with a US\$1.25bn cost before contingencies.

- Letter of intent received from China Development Bank to fund up to 75% of the EPC Contract cost in October 2016.
- A non-binding cooperation MOU with CGGC was agreed on 6th June 2017.
- Binding MOU agreed with CGGC on 12th October 2017 to complete the Rail Feasibility Study.

END

About Aspire Mining Limited

Aspire Mining Limited is listed on the ASX (ASX: AKM) with mining and exploration licenses in Mongolia's Northern provinces and is focused on identifying, exploring and developing quality coking coal assets.

Ovoot Coking Coal Project (100%)

Aspire is 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 full realisation of the Ovoot Project is dependent on the construction of the Erdenet to Ovoot Railway which is being progressed by Northern Railways LLC.

Nuurstei Coking Coal Project (90%)

On 26 July 2017, the Company's shareholders approved the increase in the ownership interest from 50% to 100% in the corporate entity that has a 90% interest in Nuurstei Coking Coal Project (Nuurstei Project) located in northern 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 of the Erdenet to Ovoot Railway.

Depending on the further analysis of the results of an intended 2017 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 access the new Erdenet to Ovoot Railway two years from commencement of its construction.

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 549 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 licenses, permits and approvals, and negotiations for the EPC contract.

For more information contact:

Corporate & Investor Relations

David Paull

Aspire Mining Ltd

+61 8 9287 4555

Managing Director

Email: info@aspiremininglimited.com