

## ASX RELEASE



For Immediate Release – 29 January 2021

## QUARTERLY REPORT

### Quarter Ended 31 December 2020

- **The Company owns 100% of the world class Ovoot Coking Coal Project (“OCCP”) that boasts a total JORC (2012) compliant Coal Reserve of 255 million tonnes of coking coal. The Company defined a truck based transport logistics solution within the Ovoot Early Development Plan (“OEDP”) to connect the OCCP to the existing Mongolian rail network at Erdenet.**
- **During the quarter COVID-19 restrictions were re-introduced by the Government of Mongolia and continue to delay the holding of a local community meeting required in order to complete the Detailed Environmental Impact Assessment (“DEIA”) for the OEDP.**
- **The DEIA is required to be submitted and approved by the Ministry of Nature, Environment and Tourism (“MNET”) before development can commence. It is unclear when community meetings will be allowed to proceed and will depend on the success of current COVID -19 measures in reducing infection rates in the future.**
- **All other components of the DEIA have been completed.**
- **The Company continues to actively engage with the local community prior to the holding of the community meeting to discuss the DEIA. Summaries of the DEIA have been distributed amongst and discussed individually with many of the local residents.**
- **During the Quarter, the Company progressed the following important project steps:**
  - **A comprehensive time and task schedule was prepared confirming an 18 month period between receipt of DEIA approval and first delivery of washed coking coal, subject to the timing of additional funding and approvals being received within expected time frames.**
  - **Request for Proposal (“RFP”) was released to provide detailed engineering proposals and cost estimates for key infrastructure, including Coal Handling and Preparation Plant (“CHPP”) and Erdenet Rail Terminal (“ERT”) facilities.**

- **Road centreline data was prepared for a specialist consultant to simulate performance of various tractor-trailer combinations of variable payloads and to validate project cost modelling.**
- **Detailed capital and operating costs have been obtained for a wide range of plausible mine equipment options, with life cycle unit costs determined to underpin project cost modelling.**
- **Coking coal prices have improved significantly in China with coal sourced from Mongolia experiencing significant benefit on the basis of being a preferred source of supply. Mongolian coal export volumes continued to be hindered by virus management restrictions at China\Mongolian border ports.**
- **End of quarter cash balance of A\$35.1 million (USD 27.1 million) to provide initial funding for development of the OCCP. The drop in the cash balance in AUD dollar terms is principally due to the rise in the Australian dollar against the US dollar, which is the main currency in which the company holds its cash reserves.**

Aspire Mining Limited (ASX: AKM, **Aspire**, or the **Company**), focussed on the evaluation, exploration and development of metallurgical coal assets in Mongolia, presents its Quarterly Activities Report for the quarter ending 31 December 2020 (**the Quarter**).

The Company currently wholly owns 100% of the large scale, world class OCCP and a 90% interest in the Nuurstei Coking Coal Project (**Nuurstei Project**), both located in northern Mongolia.

## **Ovoot Coking Coal Project**

During the Quarter and by circumstance, the Company spent \$0.17 million on progressing the OCCP. Expenditure continues to be limited as the Company awaits access to the project license area. Access to the site to commence development on the ground, pending completion and approval of the DEIA, has been impacted by the deferral of local community engagement meetings due to COVID-19 control measures.

During the Quarter, COVID-19 restrictions in relation to holding public meetings were briefly relaxed but then reinstated before the holding of the community meetings could be confirmed. The Company continues to engage with the local community and is prepared to support the holding of the necessary community meetings when the Government allows. All other components of the DEIA have been completed and are ready for lodgement.

The OEDP Pre-Feasibility Study (“OEDP PFS”) prepared by FMS LLC and released on 28 February 2019 with an update on 11 November 2019<sup>1</sup>, focused on evaluating a production plan producing up to approximately 4 Mtpa based on trucking a washed coking coal product to an existing rail head in the city of Erdenet.

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<sup>1</sup> The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcements, and that all material assumptions underpinning the estimates continue to apply and have not materially changed.

During the Quarter, a detailed time and task schedule was completed mapping out the regulatory, financial and commercial path to delivering washed coking coal to end customers. This schedule confirmed that subject to the provision of additional funding and permitting as required, there is a path to deliver washed coking coal within an 18 month timeframe from access to the OCCP area being granted.

The OEDP PFS assumed mine operation using contracted fleet including conventional Off Highway Trucks (“OHTs”). The Company has now completed a first principles assessment of mine trucks using performance data provided by suppliers of both OHTs and Extra Heavy Commercial Vehicles (“EHCVs”). EHCVs have performed comparatively well in simulations and appear to be well matched to mine volume requirements, particularly in the early stages of the mine development (see Figure 1 for examples).

Aside from potentially lower machine operating unit costs, the use of EHCVs can enable other indirect cost benefits, including via reduced stripping ratios (on account of narrower roads required), reduced fuel consumption (on account of higher payload efficiencies), smaller ancillary and support equipment, and smaller supporting infrastructure requirements. Produced by leading manufacturers, these types of vehicles have millions of hours of use incorporated into their development, and extensive support networks.



*Figure 1: BAS Mining 10x4 Tipper (Left), Scania Mining G500 8x4 Tipper (Right)*

RFP has been issued to a range of engineering firms seeking proposals to design and estimate cost for CHPP construction, designed to meet the coal quality and washability requirements of the coal at the OCCP. Additional float/sink analysis of bulk coal sample representative of coal qualities expected over the initial 25 Mt scheduled to be mined is being undertaken in January 2021 in order to provide further dataset upon which to fine tune CHPP designs.

Two separate RFPs were issued in relation to the ERT facility. One for the necessary siding trackwork, and another for the site facilities including truck unloading, coal storage, train loadout and other supporting infrastructure. The focus of the Company’s approach to handling coal delivered to Erdenet by truck into rail wagons for export is to ensure lowest possible operating costs through use of materials handling infrastructure and avoidance of using mobile equipment, which at the same time will avoid negative community and environmental impacts.

Capital costs for road construction required between the OCCP and Erdenet to facilitate truck transportation of coal are currently being reassessed on the basis of revised road route and design assumptions. This work will underpin finalisation of Feasibility Study and Detailed Design for approval by the Ministry of Road and Transport Development (“MRTD”), which will be presented in conjunction with the safe and socially responsible transportation concept that the Company is fine tuning.

## Optimising Road Transportation

The road transportation costs from the OCCP to the nearest rail head at Erdenet was estimated at US\$32/t in the November 2019 update to the OEDP PFS and constitute over 40% of the C1 cost to the China\Mongolia border. This represents the largest component of total operating costs and was estimated upon quotes received from reputable bulk freight carriers.

The Company has now taken a first principles approach to establish and understand a trucking cost that reflects use of world class technologies and efficiencies to limit operating costs and greenhouse gas emissions. The Company has collected road alignment and vehicle performance data to provide to specialist logistics consultants to model specific truck performance across the modelled road path within an overall objective of achieving a 24-hour turnaround time per truck with maximum payload.

Several leading European based manufacturers have provided operational performance and lifecycle maintenance cost data for their tractors equipped with powerful and efficient engines of Euro V and Euro IV emissions standards. The performance of these vehicles is in the process of being simulated across the topography of the planned road alignment with different trailer combinations, payloads, engine power ratings, transmission and final drive ratios to determine the optimum combination and accurately forecast fuel consumption.

The preliminary findings are encouraging and point to potentially significant additional savings on trucking costs being plausible. This modelling will be completed shortly with an optimum truck trailer combination identified.

## Community Engagement

The Company is continuing with productive engagement with the local Tsetserleg soum Government and (subject to the constraints from COVID-19 restrictions) communities where the OCCP is located.

During the Quarter, the Company:

- Sponsored building of a washroom in the facility for the Border Patrol Unit based in the local Tsetserleg soum, Khuvsgul aimag.
- Sponsored the Khuvsgul aimag youth boxing team to participate in the State Boxing Championships in November 2020. The team consisted of the leading youth boxers from local soums of the Khuvsgul aimag. Roundtrip travel and accommodation expenses were covered by the Company.
- Donated necessary medical supplies to the local Tsetserleg soum hospital in response to a request from the hospital administration in December 2020. Medical supplies for prevention of communicable diseases worth 10 million MNT were donated.



Figure 2: Presenting Personal Protection Equipment to Tsetserleg Soum Hospital

- Met with the local Tsetserleg soum newly elected Governor and Speaker of the Hural. During the meeting, fruitful discussions were carried out regarding future cooperation and mutual agreement on development of the soum.

## Marketing

During the Quarter, the Australian Seaborne Coking Coal Market diverged significantly from Chinese domestic prices over the quarter to an unprecedented level. Under normal circumstances there would be a positive difference reflecting the cost of shipping and receipt port charges. However, with the obstacles currently being faced by Australian coal exports into China, FOB spot pricing reflects coal looking for alternative markets with the differential hitting a record US\$100/t in early January 2021. FOB spot pricing has since responded later in the month but the differential in pricing remains historically significant.

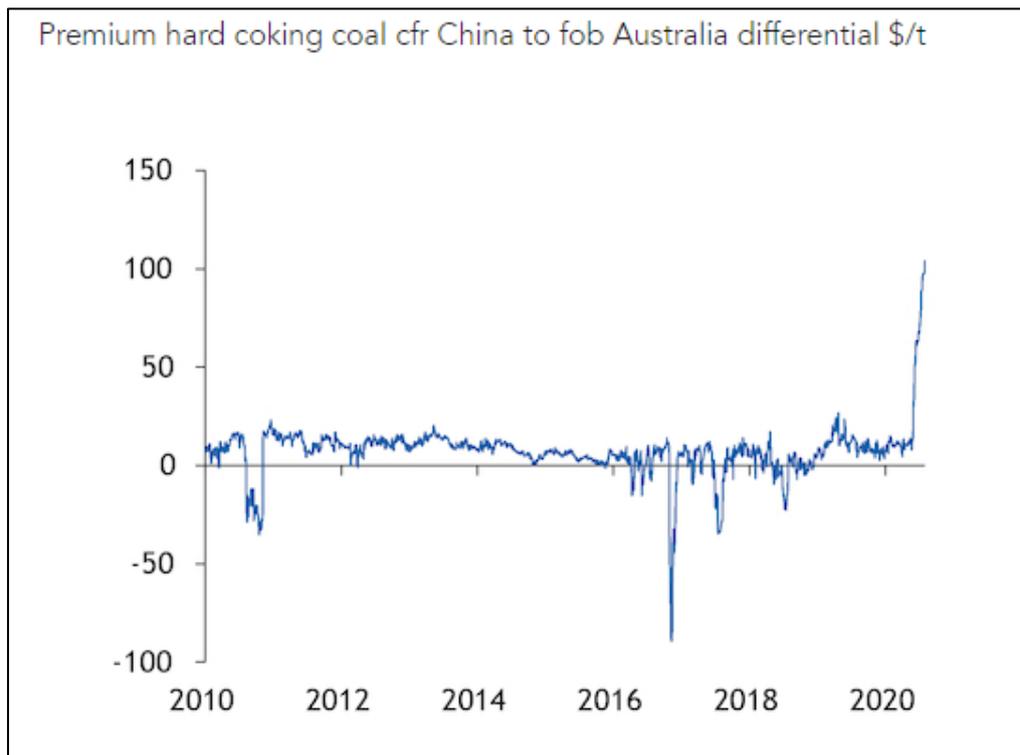


Figure 3: Price differential between China CFR Pricing versus Australian FOB Prices for Premium Hard Coking Coal. Source: Argus Media, 5 January 2021, "China's coking coal premium more than \$100/t above FOB".

The Chinese domestic steel industry is running at relatively high production levels, which is reflected in high iron ore and now coking coal prices. This Chinese coking coal import demand is being fed by imports from Canada, Russia and Mongolia.

Nevertheless, Mongolian exports to China have slowed in the December 2020 Quarter due to tighter border restrictions to manage the control of the COVID-19 pandemic. SX Coal has reported that Mongolia's 2020 coal exports of 28.6 million tonnes had fallen 21% from 2019 export volumes.



Figure 4: Monthly Mongolian Coking Coal Exports

However, scarcity of supply and strong demand saw washed Mongolian Coking Coal in Tianjin reaching prices not seen for several years.

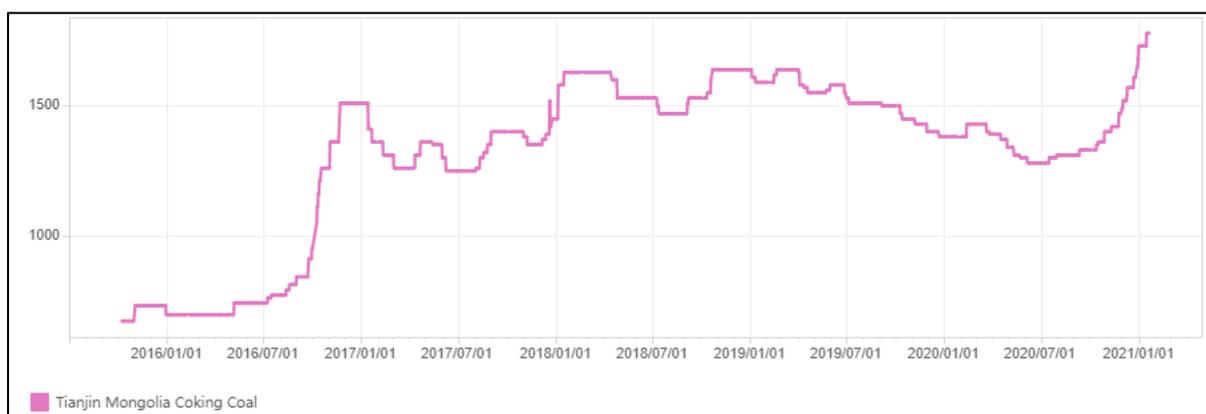


Figure 5: Tianjin Washed Mongolian Coking Coal Price RMB/t including VAT (Source sxcoal.com)

## Corporate

As at 31 December 2020 the Company had \$35.1 million (US\$27.1 million) in cash and term deposits. As the Company maintains the majority of its cash in US dollars, the appreciating AUD:USD exchange rate resulted in a further unrealised \$2.7 million foreign exchange loss during the Quarter.

The quarterly expenditure included payments to related parties of \$0.1 million, which comprised executive and non-executive directors' remuneration.

Substantial beneficial shareholders as at 31 December 2020 are:

Beneficial Shareholder	Number of Shares	% Interest
Mr Tserenpuntsag Tserendamba	266,376,470	52.47%
Noble Group	66,401,758	13.08%

## Capital Structure

The securities on issue at 31 December 2020 were:

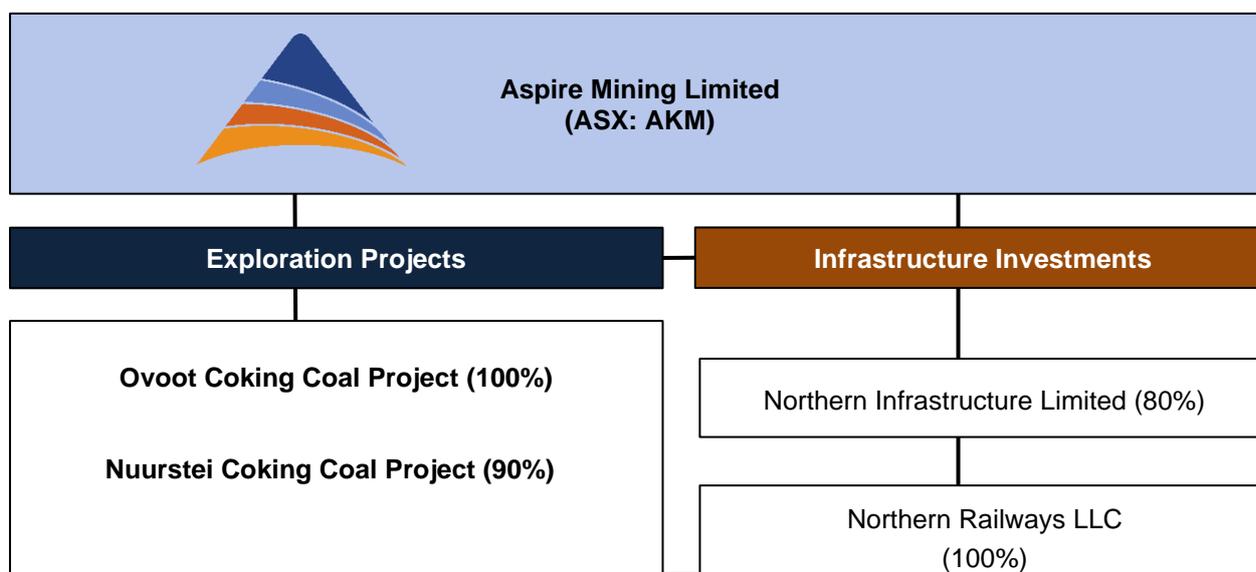
Security	No. on issue
Quoted Ordinary Shares	507,636,985
Unlisted Performance Rights	2,294,998

Interests in mining and exploration tenements at 31 December 2020

Tenement	Location	Attributable Equity
Ovoot MV-017098	Mongolia	100%
Nuurstei MV-020941	Mongolia	90%

During the quarter exploration license XV -014510 was relinquished as it had come to the end of its term. There were no other acquisitions, disposals, reductions or relinquishment of tenements in the Quarter.

## Group Investment Structure



## JORC Code 2012 Reserves and Resources

### Ovoot Coal Resources

JORC Code Resource	Ovoot Open Pit	Ovoot Underground	Total (Mt)
Measured	197.0	0.0	197.0
Indicated	46.9	25.4	72.3
Inferred	9.2	2.6	11.8
Total	253.1	27.9	281.0

### Ovoot Coal Reserves

JORC Code Reserves	Probable (Mt) (Arb, 2% moisture)	Total (Mt)	Marketable (Mt) (Arb, 9.5% moisture)
Open Pit	247	247	182
Underground	8	8	6
Total	255	255	188

The technical information and competent persons statements for the Ovoot Coal Reserves and Resources are reported in the Company's ASX announcements dated 2 November 2012, 31 July 2013 and 30 January 2013 (December 2013 Quarterly Activities Report) which are available to view on the Company's website and the ASX Announcements platform. The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcements, and that all material assumptions underpinning the estimates continue to apply and have not materially changed.

### Ovoot OEDP Reserves

The OEDP Reserves have been confirmed as:

Category	Coal Reserve (adb) ROM Mt	Coal Reserve Total Moisture 2.0% arb ROM Mt	ROM Coal adb Ash Content %	ROM Coal adb CSN%
Probable Ore Reserve Open Pit OEDP	36.8	37.6	17.2	7.9
Probable Ore Reserve Open Pit OEDP Plus OEDP Extension	53.8	54.9	18.0	8.5

Category	Marketable Reserve Coal Total Moisture 10% arb Mt	Product Specification adb Ash Content %	Product Specification adb CSN%
Probable Product Reserve Ore Open Pit OEDP	32.2	10.5	8.5
Probable Product Reserve Open Pit OEDP Plus OEDP Extension	46.2	10.5	8.5

The technical information and competent persons statements for the OEDP Reserves are reported in the Company's ASX announcements dated 28 February and 1 March 2019 which are available to view on the Company's website and the ASX Announcements platform. The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcements, and that all material assumptions underpinning the estimates continue to apply and have not materially changed.

### Nuurstei Coal Resources

JORC Code Resources	Mt
Indicated	4.75
Inferred	8.1
Total (Mt)	12.85

The technical information and competent persons statements for the Nuurstei Coal Resources is taken from the Company's ASX announcement dated 13 April 2016 which is available to view on the Company's website and the ASX Announcements platform. The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement, and that all material assumptions underpinning the estimates continue to apply and have not materially changed.

This announcement is authorised for release by David Paull, Chairman.

**- Ends -**

### 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**

Leading pure-play metallurgical coal project developer Aspire Mining Limited (ASX: AKM) is the 100% owner of the world-class Ovoot Coking Coal Project.

Aspire is targeting early production of washed coking coal from a first-stage development of the Ovoot Project, known as the Ovoot Early Development Plan (OEDP). The OEDP is focused on a truck and rail operation to deliver up to 4Mtpa to end markets in China and Russia. Operational expansion can occur following the construction of the Erdenet-to-Ovoot Railway, which is being progressed by Aspire's subsidiary, Northern Railways LLC.

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

### **About Northern Railways LLC**

Northern Railways LLC is a Mongolian-registered rail infrastructure company, mandated to pursue the development of the 547km Erdenet-to-Ovoot Railway, and supported by a consortium comprising Aspire Mining, China Gezhouba Group (CGGC) 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.

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. Completion of the conditions precedent for the rail development has been extended through to 8 September 2021.

#### **For more information contact:**

##### **Corporate**

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