



18th February 2020

ENVIRONMENTAL, SOCIAL & CORPORATE GOVERNANCE REPORT

Building our Social License to Operate

Background

Aspire Mining Limited is seeking to establish a new medium scale open pit metallurgical coal mine in Northern Mongolia. This project development will have material and significant impacts on the local community and the Company is committed to deliver favourable outcomes for the communities in which it operates.

The Ovoot Early Development Project (OEDP) is based around a mine plan that delivers up to 4 million tonnes per annum of washed coking coal for an initial 12 year period. The operation is based on establishing a 560 kilometre dedicated road access to the nearest rail head at Erdenet where the washed coking coal can be exported north to Russia and south to China.

This report is designed to communicate the Company's policies, procedures and performance in relation to how the Company manages the environmental, social and governance impacts of this project development.

On 20 June 2019 the Company signed the Voluntary Code of Practice for Responsible Mining along with a number of other leading Mongolian Miners in order to promote openness, transparency and sustainable development in the Mongolian mining sector.



Signing Ceremony: Voluntary Code of Practice for Responsible Mining

Further the Company supports the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. We are committed to making the UN Global Compact and its principles part of the strategy, culture and day to day operations of our company advancing the UN's Sustainable Development Goals.

A Commitment to the Environment

Aspire is committed to developing its metallurgical coal assets in accordance with the International Finance Corporation's ("IFC") "Equator Principles" (Refer Appendix 1).

The environmental base line studies, operational management plans and rehabilitation strategy are intended to meet both Mongolian Environmental laws and where required adopting the higher standards to meet Equator Principles.

In the selection process for the Coal Handling and Preparation Plant (CHPP) the net amount of water consumption net of recycle will be a key determinant of technology selection.

As part of this process the Company will undertake annual independent environmental audits once production commences with the results made available to provide accountability and transparency.

The Company believes that the company's coking coal product when added to a coke batch enhances the value and efficiency of other coking coals. The Company does not produce a thermal coal product.

Coking coal is a necessary ingredient for steel making for blast furnaces where it is a reducing agent for iron ore and contributes heat and carbon to create steel. Steel is a fundamental building block for the global economy and at present there is no viable alternative to this process. Steel making contributes around 7% to global greenhouse gasses.

Steel is an important component in developing renewable energy capabilities (every wind turbine requires 200 tonnes of steel) and is used in building the infrastructure our cities need that can lead to more efficient energy consumption patterns.

The Company's OEDP will create CO₂ emissions through the use of diesel powered heavy earth moving equipment (22 m litres of diesel per annum at full capacity).

The Company seeks to limit total emissions by planning to install a 5MW Solar PV Power Station and battery system at site as well as connecting to the existing grid to supply 100% of the site power needs. Once in operations the government will put in place a plan to reduce the amount of greenhouse gases produced from its operations both directly and through the implementation of offset programs.

Provide a Positive Influence to Local Communities

The OEDP Project is located in Tsetserleg Soum within the Khuvsgul Airmag of Mongolia.

The Tsetserleg Soum has a population of approximately 5,000 people with the majority of the population engaged with animal husbandry and government employment. Unemployment is +20% and there has been progressive depopulation over the last 20 years as particularly younger mobile workers seek employment elsewhere.



Aspire sponsored trainees at the Erdenet Technical Institute.



Local residents planting for the Greenhouse Project, a local business initiative

There is currently an unsealed road which connects Tsetserleg and Ovoot to the Khuvsgul capital of Murun some 230 kilometres away. Access to the capital of Ulaanbaatar via Erdenet is achieved via a recently completed sealed road.

Aspire intends to develop a special purpose road length from Ovoot – Murun – Erdenet for a total distance of 560 kilometres with an estimated cost of approximately US\$165m.



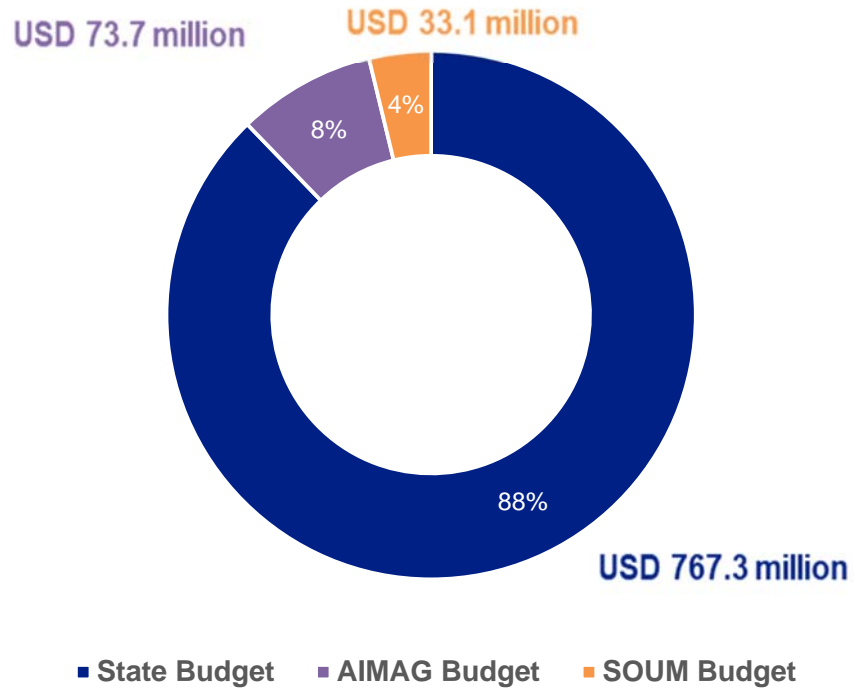
Approved 560 km road alignment: Ovoot – Murun - Erdenet

The OEDP can step in and specifically fund infrastructure such as this special purpose road that will provide for the people of Tsetserleg and other surrounding soums access to a sealed road to connect to Murun providing local communities with improves access and trade links with the rest of the country. The leveraging of resource development to fund infrastructure is a key part of Mongolia’s Resource Development Policy.

The OEDP development will provide over 200 high paying jobs in Tsetserleg and a significant boost in local government incomes. There is also a further 250 jobs in driving and servicing the trucking fleet and road maintenance required to move the 4 million tonne per annum from the Ovoot site to Erdenet which will cross 3 airmag’s and 14 soum’s which will be targeted to provide employment.

The following chart shows the estimation of taxes and fees payable to the Soum, Airmag and the State over the first 10 years of the OEDP.

Breakdown of taxes and fees to be paid (USD)



To put the above in context the annual administrative budget for the Tsetserleg Soum is US\$200,000.



Local residents attending an Open Day event organized by Aspire to inform the community about its ongoing activities and plans



Prior to Mine Development the Company will enter into a “Community Cooperation Agreement” (CCA) which will outline the Company’s priorities in relation to social investment in the Soum. The Company has already jointly funded with the Khuvsgul airmag the 28 bed Tsetserleg Soum medical centre and has provided financial assistance and distributes feed to sustain livestock numbers in affected areas in winter. The additional direct support, over and above the increased budget revenues above will be determined in the final negotiation of the CCA.

A medical check-up at a health event organized at Tsetserleg soum to provide care to residents in remote areas



Distributing feed to local residents to sustain livestock numbers in the winter

The Mongolian labour laws require a 95% Mongolian participation rate. The Company’s goal is to exceed this minimum however to do this it will need capacity building in the local labour market. The Company has already partnered with the Erdenet Technical Institute School to provide a range of vocational courses. The first intake in 2019 were trained in heavy earthmoving equipment with participants sourced locally.

The Company’s employment policies will promote gender equality, competitive pay, targeting local candidates and building capacity gaps where needed.

Further the Company’s procurement policies will be targeted at:

- Building diversification into local industries
- Building capacity
- Spreading the economic growth benefits of the OEDP into the wider community with an emphasis on reducing social and economic inequalities.

Governance

On 20 June 2019 the Company signed on to a Voluntary Code of Practice on Responsible Mining, along with other leading Mongolian Mining Companies. The Code of Practice was developed by the Ministry of Mining and Heavy Industry and the Mongolian National Mining Association.

The stated objective of the Code of Practice is to promote, introduce and pursue good standards of responsible mining in the Mongolian Mining sector and cooperate towards sustainable development of the sector.

The Code places a high emphasis on transparency and accountability, much of which the Company already maintains due to its observance of ASX listing rules, as well as environmental protections.

The Company maintains Board approved policies in relation to:

- An anti-corruption policy
- A Human Resource Policy that sets out measures to ensure anti-discrimination based on sex, race or religion.
- An Occupational Health and Safety Policy and risk assessment.

In order to support Governance the Board of Directors has established a number of sub committees relating to finance, technical, remuneration and audit and risk. These have been populated based on existing governance best practice and recommended by ASX guidelines to ensure separation of duties, accountability and Board oversight independent of management.

Summary

As the Company moves into operations it will be guided by the above Policy framework. The Board is committed to develop a culture in which these policy directions and established in conjunction with the Company's commercial goals such that all stakeholders will benefit from the Company's operations.

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About Aspire Mining Limited

Aspire Mining Limited (ASX: AKM) is a metallurgical coal and rail company focused on delivering premium ‘fat’ coking coal from the world class 281Mt Ovoot project in central northern Mongolia.

Ovoot Coking Coal Project (100%)

Ovoot’s 255Mt reserve is the third largest identified coking coal reserve in Mongolia.

In February 2019, Aspire completed the Ovoot Early Development Plan (OEDP) Pre-Feasibility Study (PFS) on a 4Mtpa, 12.5 yr initial LOM truck/rail open cut mining solution for Ovoot.

The PFS outlines attractive 2nd quartile average net direct operating costs of \$US81/t delivered to the Chinese border (total costs delivered into China of US\$100/t including royalties), by installing a 560km private haul road from Ovoot to existing rail capacity at the town of Erdenet.

The OEDP has been designed to deliver expedited coal sales from 2021 into the Chinese and global coal market facing sustained shortages of premium ‘fat’ coking coals.

Nuurstei Coking Coal Project (90%)

Aspire has a 90% interest in the early stage 13Mt Nuurstei Coking Coal Project located in northern Mongolia. Nuurstei is a hard coking coal deposit, located ~130km east of Ovoot – offering future potential to benefit from planned coal transport solutions developed for Ovoot.

About Northern Railways LLC

Northern Railways LLC (Northern Railways) is a Mongolian registered rail infrastructure Company, with the exclusive 30 year concession to develop and operate the Erdenet to Ovoot Railway (AKM 80%, Noble Group 20%).

The planned 549km Erdenet to Ovoot Railway will connect Erdenet to Aspire’s Ovoot Project, as well as being the first link of the planned 30Mtpa multi user Northern Rail Corridor from Erdenet to Arts Suuri on the Russian border – enabling transport of bulk materials, agricultural and general freight between China, Mongolia, Russia and seaborne markets.

Leading Chinese EPC specialist China Gezhouba Group International delivered a positive Erdenet to Ovoot FS review in June 2018 and Northern Railways is now advancing land use agreements and environmental impact planning as key precedents to financing.

APPENDIX 1

EQUATOR PRINCIPLES

PRINCIPLE 1	Review and Categorisation	When a Project is proposed, as part of its internal social and environmental review and due diligence, the Project is categorized based on the magnitude of potential environmental and social risks and impacts. This is based on the Criteria of the International Finance Corporation (IFC).
PRINCIPLE 2	Environmental and Social Assessment	<p>For each Project, the Company must conduct a Social and Environmental Assessment Process to address the relevant social and environmental impacts and risks of the proposed Project to workers, affected communities and the environment. Assessment documentation can be prepared by either the Company, consultants or external experts and is also to include assessments on potential adverse Human Rights impacts and Climate Change Risk.</p> <p>The assessment documentation should propose mitigation and management measures relevant and appropriate to the nature and scale of the proposed Project. If there are confirmed potential impacts and risks, the Company should develop measures and actions to avoid, minimize, mitigate, compensate for, or offset potential adverse social and environmental impacts, or in the case of positive or beneficial impacts, to enhance them.</p>
PRINCIPLE 3	Applicable Environmental and Social Standards	<p>Companies operate in diverse markets; some with robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the environment; and some with evolving technical and institutional capacity to manage environments and social issues.</p> <p>The Company will, with supportive advice if necessary, from an Independent Environmental and Social Consultant, evaluate the Project's compliance with the applicable standards as follows:</p> <ul style="list-style-type: none">- For Projects located in non-designated countries, compliance with the applicable IFC Performance Standards on Environmental and Social Sustainability (Performance Standards) and the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines)

		<ul style="list-style-type: none"> - For Projects located in designated countries, compliance with relevant host country laws, regulations and permits that pertain to environmental and social issues.
PRINCIPLE 4	Environmental and Social Management System and Equator Principles Action Plan	<p>The Company will develop and/or maintain an Environmental & Social Management System (ESMS).</p> <p>Further, an Environmental and Social Management Plan (ESMP) will be prepared to address issues raised in the Assessment process and incorporate actions required to comply with the applicable standards. Where applicable standards are not met, an Equator Principles Action Plan (EPAP) will be implemented. The EPAP is intended to outline gaps and commitments in line with the applicable standards.</p>
PRINCIPLE 5	Stakeholder Engagement	<p>The Company will continually engage with Stakeholders in a structured and culturally appropriate manner, with affected communities, workers and where relevant other stakeholders.</p> <p>For Projects with potentially significant adverse impacts on affected communities, an Informed Consultation & Participation Process free from external manipulation, interference, coercion and intimidation will occur.</p> <p>To facilitate Stakeholder Engagement, consistent with the Projects risks and impacts, The Company will make the appropriate Assessment Documentation readily available to the affected communities, and where relevant Other Stakeholders, in the local language and in a culturally appropriate manner. The Company will take account of, and document, the results of the Stakeholder Engagement process, including any actions agreed resulting from such process. Disclosure of environmental or social risks and adverse impacts should occur early in the Assessment process, in any event before the Project construction commences, and on an ongoing basis.</p> <p>Indigenous Peoples may represent vulnerable segments of Project Affected Communities, and as such are subject to further rights and protections for Indigenous Peoples, contained in relevant national law.</p> <p>Where Stakeholder Engagement, including with Indigenous Peoples, is the responsibility of the host government, the Company will collaborate with the responsible government agency during the planning, implementation and monitoring of activities.</p>

PRINCIPLE 6	Grievance Mechanism	To ensure that consultation, disclosure and community engagement continues throughout construction and operation of the project, the Company will establish a grievance mechanism as part of the management system. This will allow the Company to receive and facilitate resolution of concerns about the projects social and environmental performance raised by individuals or groups from among project-affected communities. The Company will inform affected communities and workers about the grievance mechanisms in the course of the Stakeholder Engagement process in a culturally appropriate, readily accessible, free manner.
PRINCIPLE 7	Independent Review	Depending on the risks involved and how serious they are, an Independent Environmental & Social Consultant may be required to carry out an Independent Review of the Assessment process to determine whether the Company is compliant with the Equator Principles.
PRINCIPLE 8	Covenants	<p>An important strength of the Equator Principles is the incorporation of covenants linked to compliance. The Company will covenant (agree) in the financing documentation:</p> <ul style="list-style-type: none"> - To comply with all relevant host country social and environmental laws and regulations; - To comply with the Action Plan during the construction and operation of the Project; - To provide periodic reports in an easy to understand format, prepared by in-house staff or third-party experts; and - To decommission the facilities, where applicable and appropriate, in accordance with an agreed decommissioning plan.
PRINCIPLE 9	Independent Monitoring and Reporting	As an element of its Management System, the Company will continue to monitor and measure the effectiveness of the management program. For Projects with significant impacts that are diverse, irreversible or unprecedented, the Company may involve qualified and experienced external experts (Independent Environmental & Social Consultant) to verify its monitoring information. The extent of monitoring should be relevant to the Projects risks and impacts.
PRINCIPLE 10	Reporting and Transparency	The Company will at the very least provide a summary and make it available online on how its Equator Principles are met, including a summary of Human Rights and Climate Change risks and impacts.