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## David Paull :There is a bigger return than just our resource project



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*The following is an interview with the Managing Director of Aspire Mining David Paull. Aspire Mining has the license for the Ovoot Coking Coal Project in Northern Mongolia.*

**-Can you tell me about the Ovoot Coking Coal Project?**

-The project is a new discovery which was made in 2010. We acquired the project in February 2010. We went about drilling and have been continually and consistently drilling for two and a half years. In that time we have drilled about forty kilometres of holes. We've identified a project that currently has an open pit reserve of around 178 million tons of coking coal. When you wash coal it needs to be done properly so it can get a proper international grade. When you wash it, the yield (the amount of tons you get out) is very high – over 80 percent. And it's all coking coal.

**-You have been planning to build a railroad. Can you tell us more about this?**

-The nearest railway currently terminates at Erdenet and that is approximately 600 kilometers away from the Ovoot Coking Coal Project. We can look at small scale mining, with long distant tracking to Erdenet, but it's expensive. And it will be inefficient; volumes will be low and environmentally it's not sustainable long term. So having a railway means you can mine the deposit, which is a very large deposit – not just for Mongolia. This project can produce more than ten million tons per year of high quality coking coal.

**-What are the biggest challenges for Aspire in implementing the project?**

-Our challenges at this point don't seem to be related to the project. We have been blessed with a terrific deposit to start with; it's a high quality deposit. Unless you have that, you can't do much. The challenges are the raising of capital. This is a very significant project. The plant required for the project site is over five hundred million USD to start. Then there is a rail requirement. The return is there because it's such a terrific deposit. But in the global environment it is getting harder to find large pools of capital for resource development projects. It's affecting Mongolia. It is affecting Australia; it is affecting everywhere.

**-Where are you at with rail proposals?**

-We are still at early stages. We completed a pre-feasibility study and that is now subjected to modification. There is some misunderstanding that we have already received our rail licences or some form of rail approval. (So you haven't?) No we haven't. What we did receive was some encouragement to continue to look at the connection from northern areas to Erdenet, all the way to Ovoot. Some encouragement was put to the cabinet and they said it looks like a project which will be good for the country. But more work needs to be done. We need to do more work and they essentially left it for the new ministries and the new government to consider. So at this point we still need to confirm what alignment it is, let alone getting approvals for an alignment.

**-When do you expect this matter to be resolved?**

-I don't expect this matter would be considered by the new government for some time. So next year maybe.

**-You said that this project will benefit Mongolia. How so?**

-In many ways. There is a direct benefit, which are simply royalties and taxes on

development of the project. To give you some idea, based on our pre-feasibility study, half of all the cash flow out of the project will go to Mongolia. And that's just based on the current royalties and taxes being applied to the project so there is no risk to the Government at all, there isn't any capital that need to be employed. We have to find the capital and employ it. But there is a bigger return than just our resource project and that is, to develop a resource project we need to build the railway and building a railway in that part of the world will have a long lasting positive impact on most of the people living there. Most of the people there are herders. And we believe that by bringing a railway to that part of the world will significantly reduce the cost of getting meat products to the market. And people who will benefit from extra saving are the herders, because they will be able to halve prices when they sell their meat. We also want to expand this by considering pre-feasibility studies on establishing meat processing factories in Murun. The Khuvsgul, Zavkhan and Bulga provinces have some of the largest herds in the country, but there are no facilities to upgrade the quality of the project, which should improve the income. By processing the product into package, you can brand it, say that it's made in Mongolia or made in Khuvsgul. The efficiency of the product transport becomes many times better when it is packaged. The railway needs to be built because a railway is the thing that will reduce the cost of transport for the herders, as well as reducing the cost of excess to Khuvsgul and too many tourists, Mongolian and international tourists who want to go to Khuvsgul because it's a terrific place will now be able to get there easily.

-Khuvsgul is very natural environment. What precautions will you take to preserve the environment?

-The government has allocated an area for the national park where no resource development can occur. And that is the fiftieth degree latitude, north. So everything around that, unless it assists tourism, can have no development. We then looked at the southern part which is south of Murun, we also looked at the western side where Ovoot is and some other coal mining project is. They said that that is an area which we could focus on mining and there are some areas on the eastern side which are potentially good for cropping and herding. Again, cropping could work if you get cheap transport which a rail can deliver. So the Khuvsgul government in their five year plan is planning for a railway to come for tourism and agricultural purposes. This will be paid for by resource projects. So it's very smart and simple.

On top of that we have to develop the project to a World Bank environmental standard so we would like to see banks such as the World Bank get involved. For them to be involved they need to see the best environmental principles adhered to. That's the way we are approaching it from day one. In terms of our own environmental and social impact assessment; it's all being done to those high standards now.

**-Who will buy your product once you start?**

-Our coal is quite different, because we are in the north. It is very different from Tavan Tolgoi, South Gobi's coals. It's what with call fat coal. So it has similarities to coal found in Russia. It has very high fluidity so it swells in heat. You use these in batches of only about ten percent. And you use 50 to 60 percent of Tavan Tolgoi's coal. It just complements and improves the performance of semi soft and lean or one third coking coal; coals that don't swell so much. It's what makes them perform better. Because it's only ten percent of a batch, we want to sell this product all over the world. The demand will be there. We can't just sell it all to China. China will buy lots of it, but it needs to be sold to Korea, Japan, India, Taiwan, Thailand, and Turkey and in Eastern Europe. All those places are obvious targets for this product.

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