Mainland and Hong Kong investors snap up mines despite gloomy outlook

Toh Han Shih in Shenzhen

Bullman plans to buy gold mines in Guinea and neighbouring countries in West Africa to expand its gold ore resources to more than 800 tonnes from 60 tonnes at present, said Peter Yue Shi, its mainland-born chief executive. The cost of acquiring the mines would run into tens of millions of US dollars, he estimated.

China Shouguan Mining, listed on the US OTC Bulletin Board, plans to buy gold mines in Australia, North America and Southeast Asia, company chairman Zhang Fei said. Shouguan is 40 per cent owned by mainland investors, with the rest held by international investors including Hong Kong investors.

Through its acquisitions, Shouguan hoped to raise its gold ore resources to 100 tonnes in five years from its current 40 tonnes, Zhang said.

"Gold is an eternal business," he said. "We think in one or two years, gold will recover."

Barry Davies, head of research at Paradigm Securities, an Australian stockbroking firm, said the mainland would import 1,200 tonnes of gold this year, while worldwide production was 2,800 tonnes.

Shenzhen Zhongjin Lingnan Nonferrous, a Shenzhen-listed company, is seeking to acquire nonferrous metal mines around the world, preferably in developed countries, senior manager Zheng Daling said.

Cott Resources, a Toronto-listed company, is seeking investors and strategic partners on the mainland, its chief executive, Nicolas Perrault, said. Cott's other shareholders are in Europe and the United States.

Cott, which is not profitable, owns gold and tungsten mines in Portugal. Perrault said Cott's gold mines would start production in 2015 and its tungsten mines would start production in 2016.

In July, Worldlink Resources, a Hong Kong firm, paid C$6 million (HK$36.6 million) for a 9.5 per cent stake in the company.

Another Toronto-listed company, Northcliff Resources, will spend C$67.9 million on a tungsten and molybdenum mining project in New Brunswick, Canada, its chief executive, Christopher Zanovels, said. Northcliff's shareholders include private mainland investors.

The New Brunswick project holds one of the world's largest undeveloped tungsten reserves with 334 million tonnes of ore, Zanovels said. The mine will probably go into production by 2017, he added.

Mainland companies would also want to invest in iron ore companies to boost production and reduce iron ore prices, Gravelle predicted. "Urbanisation in China will continue, so we have a long road to go in metals usage in China," he said.