

# China aggressively acquiring gold, copper and cobalt assets



China Molybdenum (CMOC) has long earned its reputation as a highly acquisitive company. In 2015, it made its intentions known that it would pump around \$2bn into acquiring mining

assets outside of China. Traditionally a molybdenum and tungsten producer, CMOC has targeted copper in recent years, paying \$820m for Rio Tinto's Northparkes copper mine in New South Wales in 2013 and bidding for Barrick's Zambian mine in 2015.

Earlier this year the company revealed that it had earmarked \$4bn to acquire assets following its agreement to purchase Anglo's Brazilian niobium and phosphate operations, which is regarded as a diversification from the more volatile metals market.

In April, Minmetals vice president, Jerry Jiao confirmed that China was short of copper resources and would be making acquisitions as a way to stabilise their supply chain. This culminated with the announcement that China Molybdenum has acquired the DRC's flagship asset, Tenke Fungurume from Freeport for a consideration of \$2.65bn.

In addition to the copper-cobalt deposit, CMOC has the option to acquire Freeport's interests in the Kokkola Cobalt Refinery in Finland for \$100m and the Kisanfu exploration project, located in the DRC for \$50m.

China consumes around 11m tonnes of raw copper and produces 7m tonnes of copper cathode, but can only supply 1.7m tonnes from

its domestic mining. Additionally, growth sectors such as automotive and renewable energy is increasing the intensity of copper use in China and is therefore increasing the urgency for China to invest in the sector.

**Gold is another commodity that is being aggressively sought by Chinese miners.** Though gold prices have already improved 16% from the beginning of the year, relatively few gold companies have been bought by Chinese companies. However, as China is the world's largest gold consumer (China consumes around 1,000 tonnes of gold annually) and refined gold producer, it is expected that cash-flush Chinese firms will earnestly embark on a new gold rush to reduce its dependency on international producers.

Zijin, the Chinese firm that can now boast as being the third largest gold producer has been steadily shoring up offshore assets. In 2015, the company acquired a 50% stake in the Barrick Gold entity that owns 95% of Papua New Guinea-based Porgera gold mine for a consideration of \$298m.

Last year the company opened its purse and purchased 49.5% of the Kamoanga copper project from Ivanhoe Mines in the DRC for a consideration of \$412m. **The company has confirmed that it will be looking to acquire more gold mining companies.**

These sentiments were echoed by China Hanking, which is predominantly an iron ore and nickel operation, but is planning to aggressively acquire gold assets. The company is currently preparing for an initial public offering (IPO) for its gold projects in Australia.

Similar to the Great financial crisis (GFC), China has a unique window of opportunity to acquire mining assets for the long term. Prices have been beaten down considerably and a number of Western miners are falling over in debt. Tenke is one such example, which was committed to reducing its debt by selling off some of its assets- TFM was therefore earmarked

for sale. Moreover, China's policy on non-intervention in international conflicts enables them to bid for assets in jurisdictions where Western miners may fear to tread for political reasons.