

China shopping for commodities deals

Asian investors beating a path to B.C. mining and exploration companies as economic landscape yields bumper crop of bargains

KRISENDRA BISETTY

China's largest iron and steel company is leading a charge into resource-rich B.C., scouting for bargains amid a global slump in commodity prices and company values.

"The Chinese have been through several times in recent weeks looking to see what's available," said **Pierre Gratton**, president and CEO of the **Mining Association of B.C.** "I think we'll see more of that."

Many mining and exploration companies are trading below their cash value, providing an alluring incentive for the world's biggest commodity consumer to cherry-pick deals.

"There are some projects out there that could potentially be more affordable than when commodity prices were going through the roof, like they were a year ago," said Gratton, whose association represents the interests of operating coal, metal and industrial mineral mining companies. "We're not in a position to tell them which

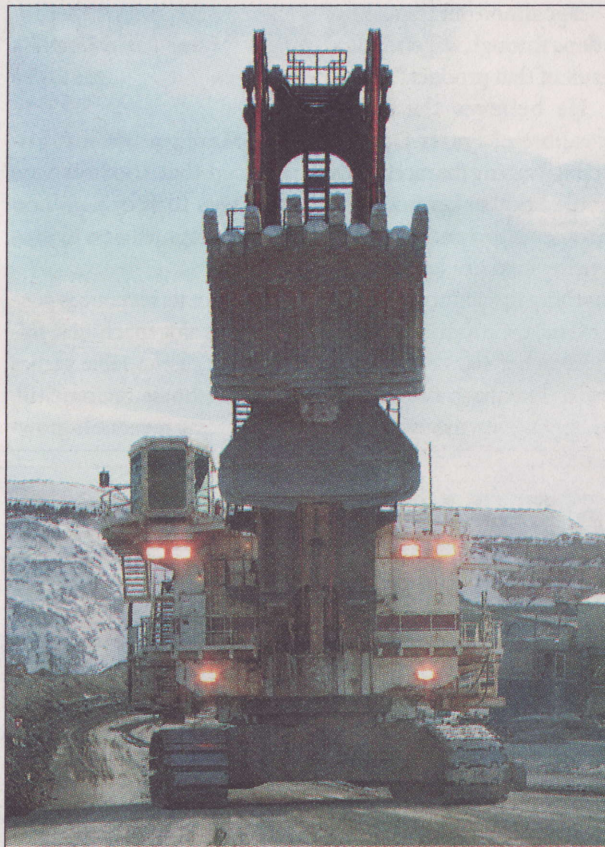
companies to go after, but they come asking questions about the general state of mining. They're looking for opportunities."

Among them is **Tangshan Iron & Steel Group**, whose merger with **Handan Iron and Steel Group** last year created China's largest steel company.

While not a steel producer, B.C. is Canada's only producer of molybdenum, which is used to strengthen the metal. The province is also Canada's largest exporter of coal, a key ingredient in steel-making.

"They're very interested in producing mines or those close to production and in almost anything, from iron-ore to copper to nickel to zinc, as long as it's a reasonable price," **Michael Chen**, founder and managing director of **DoubleOcean Financial Group**, said in an interview from China.

The Vancouver-based advisory company, which also has offices in the U.S and China, specializes in helping North American companies expand into China and Chinese companies in their



Quadra Mining's Robinson copper-gold mine: a China mining group now has a 19.9% stake in the Vancouver company

efforts to go global. Chen said the Chinese prefer to buy assets outright, although they're keen to invest in local companies.

As a global hub for min-

ing and mineral exploration companies that have projects around the globe – approximately 850 mining development and exploration company offices are located

in Vancouver – there's more than one reason for the Chinese to come calling. "There are deals to be had," said Gratton. He added that while China is not immune to the effects of a global economic slowdown, its growth in gross domestic product is still at a healthy 6%.

"There's still money in China. There are still a lot

"We're seeing very, very high numbers of inquiries and interest"

– Duncan Wright,
trade commissioner,
Foreign Affairs and
International Trade Canada

of companies in China with money."

And that's what Canadian mining and exploration companies desperately need.

The sobering numbers were presented in a recent report by auditing and advisory firm **Ernst & Young**. In January, according to the report, 28 of the top-100 Canadian mining companies had less than \$25 million in the bank.

For some, that's more than their market capitalization after share prices started their downward spiral in the middle of 2008 as the global econ-

omy slowed and demand for commodities began to fall.

Add in a tough financing environment, and companies are happy to bring partners on board.

"There's been a multiple-fold number of inquiries and requests for assistance in trying to find some international investors," said **Duncan Wright**, a trade commissioner with **Foreign Affairs and International Trade Canada**.

He added that in spite of the economic downturn, there's been a spike in Chinese interest in Canada's raw materials.

"We're seeing very, very high numbers of inquiries and interest."

Scores of Chinese delegates were at the Prospectors and Developers Convention in Toronto earlier this month trying to find worthy projects, but the government trade commissioners' office has also been funnelling potential Chinese suitors to stakeholders in B.C.

"China is growing massively, and Canada is recognized as a great place for getting raw materials, processing them here and exporting them abroad," said Wright. "And it's also a very stable environment to invest in and develop mining projects." ■
kbisetty@telus.net