

## HD **Chinese Gold** Producer Hunts for Foreign Assets

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TIANJIN, **China** -- Shandong Zhaojin Group Co., one of **China**'s largest **gold** producers, is in talks to acquire **gold-mining** assets in North America and Australia, Chairman Lu Dongshang said on Wednesday.

The state-controlled ingot producer is in variously advanced and preliminary stages of discussions with potential targets, Mr. Lu said on the sidelines of an industry conference. He declined to disclose the identities of the targets.

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Even as **gold** prices have fallen 10% this year, **Chinese gold** producers have continued to scour the world for **mining** assets, betting that resilient longer-term domestic demand will underpin their investments.

**China** consumes about 1,176 metric tons of **gold** a year but produces only 428 tons, leaving considerable room for imports, according to the **China Gold** Association. **Gold** imports are tightly controlled by the government, with only a handful of banks and state-owned **gold** producers permitted to undertake shipments.

While an avid buyer of domestic assets, Zhaojin has lagged behind larger **Chinese** rivals like **China** National **Gold** Corp., Zijin **Mining** Group Co. and Shandong **Gold** Group Co. in pursuing foreign acquisitions.

Despite recently failed talks to acquire Ivanhoe Mines Ltd.'s African properties, **China** National **Gold** said earlier this year that it was still on the hunt for global assets.

Zijin's \$223 **million** takeover of Australia's Norton **Gold** Fields Ltd. in 2012 gave **Chinese** state-owned **gold** miners one of their most significant successes in securing offshore assets, paving the way for more **Chinese** ventures abroad to try to plug output shortfalls in resource-scarce **China**.

Shandong **Gold** failed in its \$1 **billion** bid for Brazil's Jaguar **Mining** Inc. in 2011, but successfully took a \$238 **million stake** in Australia's Focus Minerals Ltd. the following year.

**Chinese gold** consumption and output last year reached record levels as the country overtook India as the world's top bullion consumer, despite 2013 being a lackluster year for the precious metal's prices. The World **Gold** Council is projecting relatively flat demand growth this year.

Shandong Zhaojin's Mr. Lu said foreign **acquisition** targets would have to yield at least five grams of **gold** per metric ton mined as a basic criterion, while domestic acquisitions must produce at least two grams per ton. He said that is because foreign mines tend to have far higher costs of production.

Overseas asset targets would also have to have **gold** deposit reserves of 50 tons "at the very least," he added.

Shandong Zhaojin said it is intent on shoring up its market share at home. "We're also considering domestic assets for consolidation," Mr. Lu said.

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