

SE Business
HD **China's** gentle warning to WA on **gold** royalties
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The chairman of **China's** biggest **gold** miner says Australia has a big part to play in Zijin **Mining's** quest to compete with the world's biggest players but warned the State Government this week that any change to **gold** royalty rates could derail investment in WA.

Zijin chairman Jinghe Chen says Australia will play a key role in Zijin's plans to have half its **gold** production from outside **China** within the next 10 years.

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The **Chinese company** became the majority owner of Norton **Gold** Fields following its \$229 **million** takeover of the Kalgoorlie miner in August 2012.

Despite losing to rival bids in the past year's wave of WA industry consolidation, Mr Chen says Zijin is still hungry for growth by **acquisition** and it will only take one big deal to change the face of its Australian presence.

Depressed commodity prices and a fall in the value of Australian **mining** companies set off a wave of merger and **acquisition** activity led by **Chinese** investors.

Steelmaker Baosteel has teamed with Australian haulage provider Aurizon for a \$1.4 **billion** tilt at Tony Poli's Aquila Resources and Guangdong Rising Assets Management launched a \$2.30-a-share bid for PanAust.

It is far from the heady days of 2011 when **China** Inc launched more than \$11 **billion** worth of takeover plays in the Australian market.

Mr Chen said the trend would continue, confirming that Zijin, through Norton, was still in the market for new assets.

"The time for **M&A** is pretty good because the market is lower — particularly in **iron ore** and **copper**," he said. "The **Chinese** Government is encouraging companies to go out and expand their business. Those two things have created the wave of deals at the moment."

Mr Chen said the **company** would not overpay for assets, saying Zijin's cautious approach meant it succeeded where other high-profile **Chinese** entrants failed.

Norton declared a net after-tax profit of \$22.5 **million** for 2013, a solid result considering last year's plunging **gold** price. Zijin's investment in Norton is in contrast to **China's** Shandong **Gold**, which poured \$225 **million** into Focus Minerals in 2012. Focus shut down its WA **gold** mines as the **gold** price fell in 2013.

"In some of the (**Chinese**) **M&A** activities they purchased the asset but they didn't pay a lot of attention to their cost control and they failed," he said.

"The **company** has no ability to control the selling price in **gold** but we do have the ability to control our costs.

"The Zijin board is very professional, very sensible and make sensible decision and don't want to make acquisitions when prices are high.

"Zijin's vision is to be high-tech and highly profitable — we don't just want to be big, we want to be profitable."

Mr Chen warned Zijin's interest in WA could wane if the State Government lifted **gold** royalties as part of a review that it estimates will lift royalty revenue by \$180 **million** a year from 2015-16.

It is understood Mr Chen made that point to Mines Minister Bill Marmion in person this week.

"Australia is a mature **mining** country, has a good regulatory system and a stable political system so Zijin rates Australia highly as an investment destination," he said.

"Australia also has a very skilful workforce but the problem is it also has very high labour costs and, in terms of production costs, one of the highest in the world.

"We met with Bill Marmion this morning and expressed our concerns about the **gold** royalty talk."

That aside, Mr Chen said he believed strongly in the future of **gold** and in Zijin's foray into the Australian industry.

"We think the **gold** price should remain around \$US1300 for now, but in the medium to long term we are bullish about the price," he said.

"**China** has a big market and **Chinese** people like **gold**, so that creates a huge market for **gold** sales in **China** and we think it has the potential to grow in **China**."

CO	nogofe : Norton Gold Fields Ltd
IN	i22472 : Precious Metals i211 : Metal Ore Mining imet : Mining/Quarrying i22 : Primary Metals i224 : Non-ferrous Metals ibasicm : Basic Materials/Resources i2112 : Gold Ore/Silver Ore Mining
NS	ccat : Corporate/Industrial News reqrrm : Suggested Reading Metals/Mining redit : Selection of Top Stories/Trends/Analysis reqr : Suggested Reading Industry News
RE	china : China austr : Australia apacz : Asia Pacific asiaz : Asia ausnz : Australia/Oceania bric : BRIC Countries chinaz : Greater China devgcoz : Emerging Market Countries dvpcoz : Developing Economies easiaz : Eastern Asia
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