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HD **Chinese Bid Values Gold Miner PanAust at $1.37B**

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SYDNEY--China moved to cement its influence in tiny Laos, with a state-owned company offering more than $1 billion to buy a copper-and-gold mining company that produces close to a third of the developing Southeast Asian nation's exports.

PanAust Ltd. said Tuesday it has rejected the bid from Guangdong Rising Assets Management valuing the Australian-listed company at about 1.46 billion Australian dollars ($1.37 billion), saying the offer was too low. PanAust added, however, that it has opened up its books to the state-backed Chinese company to encourage a higher bid.

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PanAust owns two active mines in Laos producing copper, gold and silver that account for nearly 8% of the country's gross domestic product.

Laos--a poor landlocked nation squeezed between China, Vietnam, Thailand, Myanmar and Cambodia--is gradually attracting more foreign investment to help extract its mineral riches and underpin its economic development, despite a flimsy regulatory framework and claims of corruption. Western companies including Coca-Cola Co. have started setting up facilities in Laos, although China and Vietnam have forged far deeper ties with the country's communist administration.

China Minmetals Non-Ferrous Metals Co. bought the Sepon gold-and-copper mine in 2009, while Chinese developers have built residential and commercial buildings in Vientiane, the nation's capital.

Guangdong Rising, which already owns 23% of PanAust, has offered A$2.30 a share for the rest of the company.

PanAust said it was also open to rival bids.

"We know the groups to approach to add competitive tension, so it's up to Guangdong to put their best foot forward and put up a better price," PanAust Chief Executive Gary Stafford said in an interview.

PanAust shares jumped 34% on Tuesday to A$2.12. Guangdong Rising and Laos's Ministry of Planning and Investment said they weren't immediately able to comment.

The Australian company also has prospects in Chile and Papua New Guinea, where it agreed last year to buy Glencore Xstrata PLC's controlling stake in the Frieda River copper-and-gold project. Mr. Stafford said the bid multiples implied by the Frieda River deal and other recent mine acquisitions indicated Guangdong's offer is "lowball."

Reg Spencer, a Sydney-based mining analyst at Canaccord Genuity, said Guangdong Rising's bid "more or less fully values" PanAust, partly given the risks associated with developing Frieda River, a project he said would cost more than PanAust's entire market capitalization to build.

"Given that Guangdong Rising owns 23% of PanAust, we think that it's unlikely that a counterbid will emerge," Mr. Spencer said.

Despite a recent pullback in commodity prices, a string of mine acquisitions in recent months indicate the resources sector globally is starting to recover as **China** looks to secure long-term strategic assets cheaply. Hopes of a soft landing for the world's second-largest economy have also boosted sentiment.

Earlier this month, Baosteel Group Corp. said it was working with Aurizon Holdings Ltd. on a bid for Aquila Resources Ltd., a deal that would unlock new **iron**-**ore** supply and represent **China**'s biggest **acquisition** of an Australian **mining company** in more than two years.

In other deals, Glencore Xstrata agreed last month to sell its Las Bambas Peruvian **copper** project to a **Chinese** consortium in an all-cash deal valued at at least $5.8 **billion**, while Rio Tinto PLC last year sold its controlling **stake** in the Northparkes **copper**-and-**gold** mine in Australia to a **Chinese company** for $820 **million**.

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