

Chinese investment – how much has it been worth in 09?

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DIRECT Chinese investment in Australia-listed mining companies in the past six months has come to \$A1.49 billion, still only a minor part of the capital that is helping keep the sector afloat. By Kate Haycock.

In the past year, the total equity raisings of Australian mining companies – excluding Rio Tinto's \$19 billion rights issue – came to \$5.76 billion, according to research by *MiningNews.net*.

At \$1.49 billion, direct Chinese equity investments represent around 26% of the money raised by the Australian mining industry in the past six months, again discounting the Rio deal.

The average size of Chinese investments in the six-month period was \$135 million, with seven of the 10 direct investments coming in under \$100 million, suggesting the size of most Chinese investments remains modest.

Most Chinese plays have sought less than 20% shareholdings in their investment vehicles, although there have been exceptions.

The single biggest direct Chinese investment in an Australian mining company in this period was Fortescue Metals Group's \$644.5 million deal with Hunan Valin Steel, giving the Chinese company a 17.3% stake in FMG.

The next biggest Chinese direct investment is the still-to-be approved Lynas Corporation deal with the China Nonferrous Metal Mining Group, which is worth \$252 million to the rare earths hopeful.

The sale will give CNMC a 52% stake in Lynas.

Until the Lynas deal goes through, the biggest investment in terms of the stake acquired was Zhongjin Lingnan, which bought around half of Perilya for \$45.5 million.

Other companies, like Mount Gibson Iron and Kagara, turned to Chinese funds in the first six months of the year after hitting troubled times.

For Mount Gibson, after customers defaulted on iron ore shipments, an investment from APAC Resources and Shougang Concord threw the company a \$96.5 million lifeline.

Kagara was faced with unwieldy debts and reduced production after flooding at its North Queensland operations. Chinese company Guangdong Foreign Trade Group kicked in \$57 million to help Kagara raise a total of \$226 million.

For a full list of the Chinese equity investments in the first half of 2009, see the table to the

right.

MiningNews.net's figures do not include the OZ Minerals sale of assets including the Golden Grove copper-zinc mine, the Century zinc mine and the Rosebery zinc mine in Tasmania to China's Minmetals for \$1.7 billion in June.

Including the OZ deal, Chinese investment in Australia's listed mining companies in the past six months comes to \$3.19 billion.

MNn's figures also do not include direct Chinese investment in Australian mining projects in the last six months, such as CITIC Pacific's Sino Iron play, Asian Iron's Extension Hill, or the work being done by Shenhua Energy in coal in New South Wales.