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First China mining JV turns 20

Any joint venture needs a number of things to go right in order to last 20 years. In the case of the Hebei Hua Ao Industry JV, one of the few successful partnerships involving a foreign mining company in China, it was largely a case of good timing.

[Nadav Shemer](#) | 01 Jan 2015 | 12:00 | [Feature](#) |



AIM-listed Griffin Mining established the joint venture with Zhangjiakou city government and the Hebei Province Geological Bureau in 1994. As part of the JV, Griffin acquired an interest in the Caijiaying zinc mine in 1997. It was the first foreign company to obtain an exploration licence, a mining licence and construct a new mine in China. Caijiaying produced more than 800,000 tonnes of ore last year. Griffin has gradually increased its interest in the joint venture to 88.8% and has agreed to extend the JV to October 2037.

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“There was a window of opportunity and Griffin’s timing was good,” Jeff Elliott, managing director of CSA Global, the Australian resource-industry consultant that has served Griffin since 1997, told *Mining Journal*.

“Time may tell whether that was a once-in-a-lifetime opportunity or cyclical – because the

Chinese are suggesting they do want to expand their mining industry and increase productivity and efficiency and safety and so on.”

The first movers from the global mining industry into China during the economic reforms of the late 1980s and early 1990s were the majors such as BHP, Barrick Gold and the now-defunct WMC Resources. It was during a second mineral rush in the late 1990s and early 2000s that a handful of smaller foreign companies – namely Griffin, Eldorado Gold, Sino Gold (since acquired by Eldorado Gold), and Pacific Minerals (later Jinshan Gold Mines and now China Gold International Resources) turned exploration projects into mines.

Rupert Crowe, founder of CSA Global and now a non-executive director at both CSA and Griffin Mining, was responsible for the re-interpretation of the Caijiaying zone III pre-mining resource model.

He said there was a strong sense this was an “unusual” joint venture when then-Griffin shareholder and now-Australian federal communications minister Malcolm Turnbull visited China in the early 90s as part of an Australian state delegation aimed at opening up trade ties.

“Even at that stage we realised we had a bit of a window of opportunity because there was very little activity by foreign companies in the country at the time,” Crowe said.

“There was one Australian company working on gold but was struggling a bit, and a lot of foreign companies were interested in getting involved but none of them had an established joint venture like this one was. And also we were looking for base metals, not for gold like most foreigners.”

Crowe said Caijiaying was quicker and easier to develop than other projects he had been involved in, including a number of mines in Australia and the Lisheen zinc mine in Ireland (now owned by Vedanta Resources).

“There was so much infrastructure and expertise there. We did the feasibility study in the West but we used Chinese consultants to do the implementation,” he said. “They were at that stage starting to become the biggest producer for zinc in the world anyway, so there was a well-established mining industry in China. It wasn’t very sophisticated by Western standards, but they were keen to learn so we got a lot of cooperation and it was goodwill, and it was actually quite smooth. The biggest challenge really was having to build a mine within a very short summer weather window before freezing conditions made it difficult.”

Elliott said the mine was very much a Western operation, built and run within a Chinese framework.

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[Caijiaying is] run with a lean expatriate management in some of the key roles. Some of those expatriates are Chinese that have left China, got degrees and experience in Australia and are now back there as expatriates, which is a huge benefit culturally for the bilingual nature of the project," he said.

"Very few of the mines in China are mechanised. This mine is moving towards that ... but there's a lot of change in management required in terms of training and maintenance of equipment."

Crowe was coaxed out of early retirement to join the Griffin board, and he is looking forward to the challenge of increasing production.

"The mine was originally only planned as a small underground mine. It's been expanded every couple of years since, basically. Now they're doing an increase to 1.5 million tonnes which will make it one of the largest producers in the country – and as China's the biggest consumer of zinc that's quite an important position."

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