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Chinese miner Hanking is searching globally to fill this one growing need as electric vehicles go mainstream

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China Hanking Holdings [1], the largest privately owned iron ore producer in northeast China, will actively seek opportunities to acquire mines of lithium, cobalt and nickel in Australia, buoyed by Beijing's effort to promote new-energy vehicles.

Yang Jiye, chairman and chief executive of China Hanking said that the company's overseas operations are likely to account for half of its total revenue in 2020 as it actively pursues overseas expansion.

"Apart from mines for precious metal such as gold, we are adamant in making acquisitions of assets related to the development of China's new-energy vehicle," he said. "They include lithium, cobalt and nickel."

The materials are in high demand as they are used in auto parts such as batteries and high-strength alloys.

The chairman said he was unable to give an exact figure for Hanking's investment plans for the mines, but added that the company will focus its search for assets in markets outside China.

"China is still a resource-short market and the high cost of relocating densely-populated residents to pave a way for mining is another big concern," Yang said. "We want to focus on overseas markets to expand output and supply."

The mainland, already the world's largest new-energy vehicle market, reported sales of 777,000 electric and plug-in hybrid cars in 2017, up 53 per cent from a year earlier.

The number represented 2.7 per cent of the country's overall vehicle sales last year.

Chinese authorities have set an ambitious target, whereby new-energy vehicles will account for a fifth of total sales by 2025.

Smart, self-driving and electric: China's vision for the car industry on full view at Auto China 2018 show in Beijing [2]

"It is certain that the new-energy vehicle industry will witness stable growth over the next 15 to 20 years given the huge potential," Yang said. "The industry is still at a rudimentary stage and we are highly bullish on the growth prospect."

Hanking, which listed in Hong Kong on September 2011, posted net profits of 865 million yuan (US$136 million) last year, recovering from losses of 214 million yuan in 2016.

"The country's electrification drive in the auto industry is by all means ushering demand for specific materials," said Gilbert Zhou, a senior executive with Fuyang Group, a Shanghai-based trading and logistics firm. "Companies that operate mining assets abroad are likely to benefit if they can effectively control costs in production and transport."

China Hanking chairman and CEO Yang Jiye. Photo: Handout

Hanking launched a takeover bid for Australia's Primary Gold in February with a plan to build a long-term Australian gold business, valuing the target firm at A$37.5 million (US$29.6 million).

In April, the deal received approval from the Australia Foreign Investment Review Board.

Yang said, if the takeover is successful, the company's output of gold in Australia would hit 200,000 ounces by 2020.

"Foreign acquisitions also help us improve efficiency in our domestic operations since we learn and incorporate management expertise," he said.

At Maogong iron ore mine in Liaoning province, the number of employees declined to 300 last year from 420 in 2016, although output jumped from 680,000 tonnes to 1.35 million tonnes.

Shares of Hanking have fallen 22.5 per cent since the start of the year, closing at HK$1.07 on Friday.

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