

Expansion of Chinese Zidjin in Serbia

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Zijin Mining, a Chinese mining company, purchases the lower zone of the Chukaru Peki Copper and Gold Reserve near Bor for \$ 390 million from Friport McMoran, an American company, becoming the sole owner of the site.

Zidjin is planning to open a copper mine at the site, and exploitation is expected in a year or two, as announced by the Serbian government.

Zidjin, one of China's largest gold producers and the second largest in the production of copper ore, which in 2018 took over the local copper producer Mining and Smelting Basin (RTB) Bor, is expanding its stronghold in Serbia with this new project.

"This is a move by a company that wants to improve its business, but is happening in a broader context of a political partnership between the two countries and a Chinese company that has been operating in Serbia for more than a year," said Stefan Vladislavljev, program assistant at the non-governmental Belgrade Fund for Political Excellence (BFPI).

Zidjin increases copper and gold reserves

Zidjin announced that it would buy from Friport McMoran the copper and gold reserves in the lower zone of Chukaru Peki, while already holding a 100 percent stake in the upper zone of the reservoir, which it purchased at the end of December 2018 for \$ 1.4 billion from Canada of Nevsun heavy metal processing company.

In that package, Zidjin also received 60.4 percent of the lower zone, while the rest belonged to Friport.

Mining company Friport, based in Phoenix, Arizona, has confirmed to RSE that it has begun a transaction to sell its remaining stake in the Timok exploration project, better known as Chukaru Peki in Serbia.

Freeport currently owns 39.6 percent of the lower zone, and after completing the feasibility study, Freeport's share will increase to 54 percent.

Zijin, headquartered in Shanghan, Fujian province China, will significantly increase its copper and gold resources by this transaction, expected to be completed by the Chinese company no later than February 29, 2020.

Namely, the move will increase their total controlled copper resources by 7.72 million tonnes, or 15.6 percent, to an estimated value of 57.24 million tonnes, increase resources by 161

tonnes, or 9.3 percent to 1,889 tonnes.

New 'Chukaru Peki' mine in 'year or two'

Dusan Simic, director of the Jantar Group, a research and consulting firm in the fields of geology, mining and environmental protection, says that the potential of the Chukaru Peki site is very high.

"Based on the results published so far, it is actually as large as a copper and gold deposit," Simic said.

The Government of Serbia did not respond to Radio Slobodna Evropa's request for the opening of a mine near Bor, while in early November State Secretary at the Ministry of Mining and Energy Stevica Dejansky said that Zidjin was speeding up activities to open a copper mine "Chukaru Peki", and that the start of exploitation is expected already in a year or two.

"We expect Zidjin as a strategic partner of RTB Bor to increase the level of investment in mineral exploration. The company operates in 11 countries worldwide and is one of the most dynamic Chinese companies," Dejansky said at the opening of the ninth International Mineral Resources Conference in Serbia.

The agreement on the development of the Chukaru Peki project, whose initial investment is close to \$ 500 million, was signed in the Chinese city of Xiamen in early September. The memorandum of understanding for the development of the upper zone of the Timok copper mine near Bor, ("Chukaru Peki"), was signed on behalf of the Serbian Government by Minister of Mining and Energy Aleksandar Antic, and on the Chinese side by "Zidjin Mining Group" company Jin Chen.

The opening of the mine is a good thing for both the local government and the state itself, according to Dusan Simic of the Jantar Group.

"The opening of a mine in addition to the jobs generated by the mine itself generates about five times as many jobs in various subcontracting companies. In addition, the state receives an ore rent which in our country amounts to 5 percent of the revenue, not from profit, but from the company's revenue from that ore which is being excavated, "explains Simic.

The project of the Chukaru Peki copper and gold site near Bor is of great importance to Serbia and represents a great economic potential, Energy and Mining Minister Aleksandar Antic said at the beginning of the year.

He said in March at the International Mining Summit in Toronto, the ministry said that Serbia has a large number of potential mining sites, but also a modern legislative framework that provides security for investment.

At that time, Antic said, in front of about 200 representatives of mining companies, that Serbia, according to a study by the Canadian Fraser Institute, was ranked 4th among European countries in terms of attractiveness for investment in the mining sector.

'Zidjin' in Serbia crucial for 'One Belt, One Way'

When Ning Jizhe, Vice President of the National Reform and Development Commission of the People's Republic of China, visited the Zidjin Bor Koper Company in July and visited mines, smelters and refineries, he said that the Zidjin investment project in Serbia was crucial to the One Belt, One Way Initiative ", and that he hopes this project will become a model for China-Serbia cooperation. This was reported by the newspaper "Kolektiv", published by "Serbia Zidjin Bor Koper". The Bor company now operates under that name.

Dusan Simic from the Jantar Group says, explaining the reasons for Zidjin's arrival in Serbia, that mining produces great added value to the investment.

"The second reason is that the Chinese want to be close to Europe, so it certainly has to do with the Belt and Road Initiative. Third, the Chinese need raw materials to further develop their industry," Simic said.

Chinese company Zidjin acquired RTB Bor as majority owner on December 18, 2018. Zidjin acquired 63 percent of ownership and pledged to invest \$ 1.26 billion over the next six years, 75 percent of which he would invest in the first three years, as well as conserve 5,000 jobs. Zidjin immediately repaid all of RTB Bor's debts in the amount of about \$ 200 million.

The takeover agreement was signed by the Minister of Mines and Energy of the Government of Serbia, Aleksandar Antic, and George Fang, the Executive Director of the company.

Serbian lobbying for Chinese investment

RTB Bor, the only producer of copper and precious metals in Serbia, received a buyer in the fifth attempt, after four failed sales in more than 10 years.

In November 2016, the then Prime Minister of Serbia, Aleksandar Vucic, told reporters that he asked Chinese Prime Minister Li Keciang to help Serbia resolve the RTB Bor case in much the same way that they "helped" around Zelezara.

Vucic then met with Keciang at the Fifth Summit of Heads of Government of Central and Eastern Europe and China in Riga, Latvia.

"That initial purchase (RTB Bor, cf. aut.) was something that was conditioned by a very good partnership between Serbia and China. The potential that Bor has is very large because the sites that were owned by RTB Bor at the time of purchase, and she which Zidzin later bought

can provide a long-term supply of ores even up to 50 years, "says Stefan Vladisavlev, a researcher who at one time worked on the study" China's Cooperation with the Western Balkans and the Visegrad Group ".

Vladisavlev states that the announced purchase of Friport says that Zidjin has taken his position in Serbia quite seriously and that it wants to improve production and increase its influence in the surrounding countries.

"By purchasing additional sites from Nevsun and Friport, they will in fact have a monopoly on mining in the Eastern Serbia region," Vladisavljev points out.

RSE's questions as to whether they are planning to buy some more mines in Serbia and whether they plan to expand their business in the Balkans from the Zidjing headquarters by the time this text is concluded, have not been answered.

Domestic officials say Zidjin is already recording results in Serbia. State Secretary at the Ministry of Mining and Energy Stevica Dejan's RTB Bor said last year produced 42,000 tonnes of cathode copper from its own concentrate, with an expected 47,000 tonnes this year.

He added that after the completion of this investment cycle and the opening of the Chukaru mine, it is expected to produce between 200,000 and 250,000 tonnes, and perhaps 300,000 tonnes.

"Production has increased, investments have increased, but based on the claim of the local population, air pollution in Bor has increased. So the state should take some measures and control it," says Dusan Simic of the Jantar Group.

The Chinese company addressed the public in early November, stating that "environmental problems in Bor existed well before the takeover of RTB Bor by a new investor."

The management of the company then announced that all plans for significant short- and long-term improvement of the environmental performance of the production capacity of the company are carried out in the anticipated dynamics and within the set deadlines.

Serbian officials, meanwhile, continue to lobby for Chinese investment.

Last week in Geneva, where he participated in the "Strategic Dialogue on the Western Balkans" organized by the World Economic Forum, President of Serbia Aleksandar Vucic told TV Pink that he was proud of Serbia's position and that he was not ashamed of cooperation with Russia and China.

"Why should I be ashamed of cooperation with China and Russia? Because someone has something against it? I don't care what you think," Vucic said.

Serbian Prime Minister Ana Brnabic told the RTS, also last week, after the visit to Shanghai, where China's second International Export Fair EXPO was held, to expect even more Chinese investment in Serbia, especially in the fields of innovation, technology, research and

development of all that will bring Serbia rapid development and competitive advantage in the future.

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