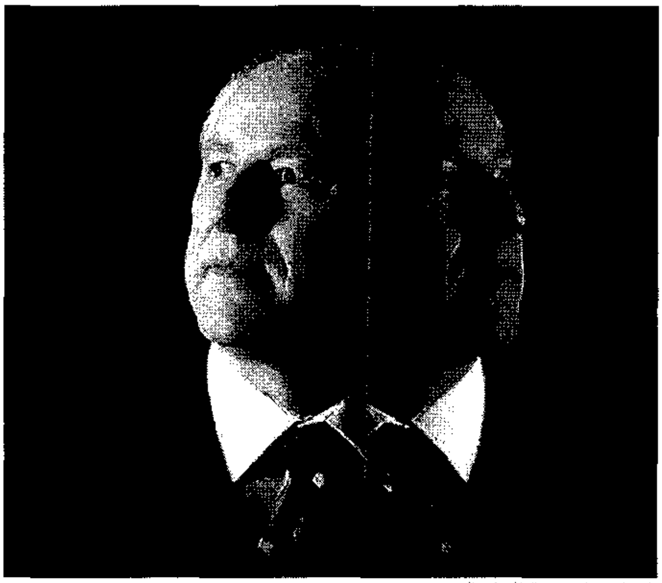


PETER J. THOMPSON / NATIONAL POST

Ihor Wasylkiw, vice-president of Calgary gold junior miner Alhambra Resources Ltd., says, "In Asia, the first question there is, 'Tell me how you will make more money.'"

Canadian junior Alhambra joins rush to tap Asian investor vein

Hong Kong lures miners

By Eric Lam

When Ihor Wasylkiw and the rest of the management team of Calgary-based junior gold miner Alhambra Resources Ltd. went into the private market last summer looking for an infusion of cash to continue work on their exploration projects in Kazakhstan, they had modest expectations.

The company, with a market cap of less than $100-million, wanted only US$6-million to expand production and exploration efforts on its 11,000 square-kilometre swath of land in the Charsk gold belt, where Alhambra has been producing gold commercially since 2006.

Instead, Alhambra struck a rich vein of investor interest in Hong Kong and China, enough that by September when the company closed its private placement, it came in at an oversubscribed US$8-million to accommodate all the new investors.

"The vast majority of our investors are in North America, and the average investor here doesn't even know where Kazakhstan is," Mr. Wasylkiw, Alhambra's vice-president and chief information officer, said in an interview from Calgary. "The first thing most ask about is the risks involved with investing in Kazakhstan, which is a fair question. But in Asia, the first question there is 'Tell me how you will make more money.' For them, Kazakhstan is right next door. And they view Kazakhstan as less risky than their own country. It's a different perspective."

Having gotten this quick lesson in geopolitical perspective, Alhambra soon hired a Hong Kong-based PR firm in October to help drum up more interest and exposure in Hong Kong and China. And in November, the company retained the services of CITIC Securities Corporate Finance Ltd. as a financial advisor, primarily to help Alhambra seek a dual listing on a stock exchange in Asia by the end of 2011.

While Mr. Wasylkiw demurred when asked whether Alhambra was specifically considering listing on the Hong Kong Stock Exchange as the company is currently knee-deep in regulatory filings, it would not be surprising if they were.

"Hong Kong is a developed, mature market," Raj Karia, a corporate finance lawyer with Norton Rose Group, said from London. "I'm not sure whether the Shanghai or Shenzhen exchanges are ready for international markets just yet."

Mr. Karia specializes in advising companies in the natural resources and energy sectors, and he is aware of at least three companies expected to list in Hong Kong in the first half of the year. They will join major companies including Vale SA and UC Rusal that have already taken the leap. Glencore International AG is also reportedly considering a dual Hong Kong-London listing.

Canadian coal producer SouthGobi Energy Resources Ltd. listed in Hong Kong in January 2010, and Mr. Karia expects more Canadian companies to follow.

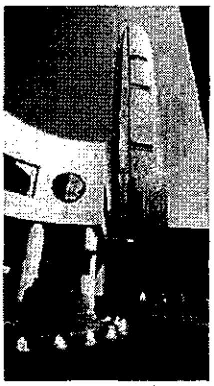
Hong Kong, under British rule until 1997, has long been considered one of the financial capitals of Asia and a safe, stable gateway into the rest of the region. Now a Special Administrative Region under the Chinese government, Hong Kong has also become in recent years an intriguing access point for millions of suddenly rich investors from the rapidly growing mainland.

"There's lots of Chinese money, and certainly the interest is there from that end," John Hughes, mining analyst with Desjardins Securities, said in an interview. "They see the rest of the world very differently than the rest of the world sees China. Us investing in China is much different from them investing in European or North American stocks. I think they'd jump at the chance."

> It makes sense to put Hong Kong on your road show schedule

With Chinese demand for commodities, especially metals and other minerals, continuing to grow and push prices higher, retail investors know there is money to be made investing in resource companies, even if they are foreign, Mr. Hughes said.

If listing in Hong Kong, usually about 12 hours ahead of Toronto's eastern time zone, makes it a little bit easier to connect Chinese investors with Canadian companies, then it is worth the hassle.



JEROME FAVRE/BLOOMBERG NEWS

International Financial Centre in Hong Kong: A new mecca for mining shares?

"We're supposed to be technically fluent enough that time differences don't make a difference, but the reality is it does have an impact," Mr. Hughes said.

Hong Kong Exchanges and Clearing Ltd., the exchange's controlling company, is well aware of the burgeoning demand for resource investments.

In June 2010, HKEx introduced new rules that simplified the requirements for resource companies to list on the exchange.

Before the new rules, resource companies had to prove at least three years of profitability, a tall order for many mining companies, especially those still in the exploration stage.

Now, companies need only prove that they have an independently verified portfolio of indicated resources, plans to proceed with production with dates and costs if they have not begun production, competent management with at least five years of industry experience, and enough cash to sustain operations for at least 12 months.

However, a Hong Kong listing can be quite cost-intensive.

Kishore Sakhrani, a director with Hong Kong-based ICS Trust Ltd., warned that it can cost as much as US$2-million to list in Hong Kong, and the process can take anywhere from nine months to a year. There's also all the legwork needed after you list, to drum up interest.

"The real question is are you able to create a following?," Mr. Sakhrani said. "If you're going to do this for the visibility, you are going to need to make the time and effort to do it."

ICS Trust, a consulting firm with more than 25 years experience helping entrepreneurs and private businesses incorporate in Hong Kong, was founded by a Canadian, while Mr. Sakhrani was educated in Canada. For smaller mining companies, there is plenty of private capital out there as well, he said.

"Private placements, getting out there into the underwriting community, is an option as well," he said. "It certainly makes sense to put Hong Kong on your road show schedule."

It is, of course, still early. The market is watching how SouthGobi does with its listing, which is one reason why there has not been a greater Canadian crush into Hong Kong yet, Mr. Hughes said.

"It is a learning curve for investors and the companies. The door is opening, but it is opening slowly," he said.

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