

HD China Nuclear Firm in Africa Uranium Deal**BY** By Rhiannon Hoyle**WC** 789 words**PD** 20 January 2014**ET** 20:35**SN** Dow Jones Newswires Chinese (English)**SC** RTNW**LA** English**CY** Copyright © 2014, Dow Jones & Company, Inc.**LP**

SYDNEY--China National Nuclear Corp. bought a large stake in one of Africa's biggest uranium mines in a deal that gives the state-owned generator better access to cleaner-burning energy that Beijing is eager to promote.

A unit of China National Nuclear Corp, or CNNC, bought 25% of the Langer Heinrich operation in Namibia from Paladin Energy Ltd., the Australian uranium producer said Monday.

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CNNC is one of China's largest generators of nuclear energy, and has been rapidly expanding its fleet of reactors at a time when the world's No. 2 economy is trying to reduce reliance on coal for its ballooning energy needs.

The \$190 million deal allows CNNC to buy a quarter of the Namibian mine's output at the prevailing spot-market price--which can often be cheaper than negotiated long-term contracts--with the option to buy more at normal market rates. Paladin still owns the remaining 75% of Langer Heinrich.

China's leaders have recently stepped up efforts to introduce cleaner energy, while penalizing polluters more harshly after the worst smog in recent memory hit cities like Beijing last year threatening a political backlash. Up to 80% of China's energy is produced by burning coal.

Beijing's strengthening rhetoric on pollution underscores top-level-leadership concerns that environmental problems represent a growing threat to economic prosperity and social stability, and a deviation from the growth-at-all-costs philosophy followed for years.

China now has the largest pipeline of new nuclear power plants in the world. There are 20 reactors in operation on the mainland and another 28 under construction, according to the World Nuclear Association, an industry body.

"China has ambitious nuclear-electrification programs extending for decades into the future," Paladin said Monday. "Obtaining direct access to sufficient global uranium supply is an essential element for China to be able to safeguard and grow this strategically important sector."

The agreement gives Paladin, based in Perth, Western Australia, a much-needed cash injection after a prolonged period of losses incurred largely as a result of a sharp fall in uranium prices since an earthquake triggered an atomic crisis in Japan in early 2011.

As far back as October, Paladin said it was looking to sell a stake in Langer Heinrich to help repay debt, including a \$300 million convertible bond due in 2015. The announcement came after Paladin reported a \$420.9 million loss for the year through June, which widened from a loss of \$172.8 million the year prior.

The world market for the radioactive fuel hasn't yet recovered from the earthquake and tsunami that devastated Japan's Fukushima Daiichi power plant, bringing the country's massive nuclear industry to a halt. The crisis also prompted countries elsewhere, like Germany and France, to look at reducing their reliance on nuclear power, while in the U.S., some utilities have abandoned plans for new plants.

The spot price is currently \$35 a pound, near an eight-year low and around 50% below where it stood before the disaster. Still, Paladin's Chief Executive John Borshoff told reporters Monday that he saw **China**, as well as the Middle East, Russia and India, as the growth engine for nuclear power in coming years.

"The big positive is that the **Chinese** have returned to the **uranium** market to complete a new deal after a hiatus of two years," said Simon Tonkin, a Perth-based analyst at Australian stockbroker Patersons.

The last one was when **China** Guangdong Nuclear Power Group Co., as it was then called, bought Australia's Extract Resources Ltd. in 2012. "This should be positive for the **uranium** market sentiment and could flow through to the **uranium** price in the short term," Mr. Tonkin said.

The Langer Heinrich mine, with an anticipated two-decade life span, has been expanded twice since it began producing in 2007. It is currently capable of producing 5.2 **million** pounds of **uranium** concentrate a year. Paladin has said productivity improvements this year may help bring the level up to 5.7 **million** pounds.

In Paladin's statement, CNNC's director-in-general of the department of geology and **mining**, Du Yunbin, described the deal as mutually beneficial. Spokespeople for CNNC couldn't be reached for further comment.

Paladin said the deal with the **Chinese** unit, **China Uranium** Corp. Ltd., required approval from **Chinese** regulators, including the National Development and Reform Commission, the country's economic planner. The green light was expected midyear, the **company** added.

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