

SE Business
HD **China to Buy Stake in Namibia Uranium Mine; Deal With Australia's Paladin Energy Furthers Beijing's Nuclear Ambitions**
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SYDNEY—**China** National Nuclear Corp. agreed to buy a large **stake** in one of Africa's biggest **uranium** mines, giving the state-owned power generator better access to cleaner-burning **energy**.

A unit of CNNC agreed to buy 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 number of reactors as the world's No. 2 economy tries to reduce reliance on **coal** for its ballooning **energy** needs.

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

China's leaders have stepped up efforts to introduce cleaner **energy** while penalizing polluters more harshly after the heavy smog hit Beijing and other cities last year. Up to 80% of **China**'s **energy** is produced by burning **coal**.

China's tougher stand on pollution underscores concerns that environmental problems represent a growing threat to economic prosperity and social stability—and a deviation from a growth-at-all-costs philosophy that had been followed for years.

China 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. "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."

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

The agreement gives Paladin, which is based in Perth, Western Australia, much-needed cash. A sharp decline in **uranium** prices since the Japanese nuclear-power crisis in early 2011 has contributed to losses at the **company**.

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

The world market for **uranium** hasn't yet recovered from the earthquake and tsunami that devastated Japan's Fukushima Daiichi power plant, bringing the country's large nuclear industry to a halt. The crisis also prompted countries such as Germany and France to consider reducing their reliance on nuclear power. In the U.S., some utilities have abandoned plans for new plants.

The spot price is US\$35 a pound, near an eight-year low and around 50% below where it stood before the disaster. Still, Paladin Chief Executive John Borshoff told reporters that he saw **China**, the Middle East, Russia and India as a 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 **uranium** deal for **China** was when **China** Guangdong Nuclear Power Group Co., as it was then called, bought Australia's Extract Resources Ltd. in 2012. The Paladin deal "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 capable of producing 5.2 **million** pounds of **uranium** concentrate a year. Paladin has said productivity improvements this year could help bring the level up to 5.7 **million** pounds.

Paladin said the deal with **China Uranium** Corp. is expected to gain approval from **Chinese** regulators by midyear.

CO chinuc : China National Nuclear Corp. | palrs : Paladin Energy Limited

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