

**Chinese uranium appetite remains voracious** – Mr. Melbye noted that Chinese demand remains strong and reported that uranium producers that could physically import uranium via the seaport of Shanghai or the rail port of Alashankou on the Kazakhstan border, “have all reported very willing buyers for as much as they can deliver there”. Mr. Melbye noted that this was also his experience while he was with Uranium One in relation to its Kazakh operations. Mr. Melbye further noted that domestic Chinese production of uranium is currently 4 M lbs annually and while exploration activity is ongoing, the country does not expect to satisfy its growing demand from internal sources.

Investments in foreign mines remains a major future supply channel for China with investments in Husab and Langer Heinrich in Namibia being the two largest examples but also including assets in Niger and Kazakhstan. The recent investment into the French company Areva is another example. While these operations may not be very economic in the current environment, China is increasing its share of future global production (and making it unavailable to other consumers).

**China’s uranium stockpiling and its impact on the market** – According to Chinese Government statistics, 223M lbs of uranium has been imported into China since 2009 – 55 M lbs in 2014 alone. By comparison, the world’s number one consumer of uranium is the United States at 50M lbs. The impacts of this stockpiling are:

1. **Spot market bypassed** - Chinese uranium purchases primarily come directly from uranium miners and bypass the spot market. As such, their activity is not reflected in the spot market.
2. **Producers are heavily committed under contract** - The contracting activities by the Chinese, Emiratis, Indians, and others, has largely committed the previously unsold production of a number of global producers. The result is less uncommitted producer supplies overhanging the spot market. The absence of year-end producer selling for cash flow in Q4 2014 would support this view. Driving home this point is the fact that the 55 million pounds bought by the Chinese in 2014 drew off 37% of global mine production last year.
3. **Chinese are still aggressively buying** – While some have theorized that China has purchased enough for its needs and will back away from the spot market, import statistics show otherwise as deliveries for uranium are increasing (2014 deliveries were up 12%). The difference is that the Chinese are looking at uranium from the perspective of security of supply of electricity for a growing country with a rapidly expanding nuclear reactor fleet – not from the perspective of an investor-owned utility.
4. **Chinese economic slowing will not impact uranium demand** – The Chinese nuclear power development program is not dependent on economic growth. It is a, “focused government commitment to meet massive base load energy demand and do so in an environmentally acceptable manner (reduction of air pollution of being a #1 public policy priority). If anything, look for the Chinese Government to increase their nuclear growth targets”.



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