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China Guangdong Nuclear Offers \$990 Million for Kalahari (3)  
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(Updates with analyst comment in fourth paragraph.)

By Jesse Riseborough

Dec. 8 (Bloomberg) -- China Guangdong Nuclear Power Group Co. bid 632 million pounds (\$990 million) to buy Kalahari Minerals Plc as it seeks control of the world's fourth-biggest uranium deposit in Namibia.

Guangdong Nuclear offered 243.55 pence a share for London-based Kalahari in a deal recommended by the target's directors, according to a statement from China's second-largest reactor builder. Kalahari's 43 percent stake in Australia's Extract Resources Ltd. is its biggest asset.

China is pursuing new sources of uranium to feed rising demand for atomic power. Australian regulators have ruled that state-owned Guangdong Nuclear must offer A\$8.65 a share for Extract should it gain more than 50 percent of Kalahari, today's statement shows. That values Extract, owner of Husab, at about A\$2.2 billion (\$2.3 billion).

"Kalahari shareholders will probably view the offer favorably given broader market conditions," Edward Sterck, a London-based analyst at BMO Capital Markets who has a 'market perform' rating on Extract, said by phone. "It's difficult to see anyone else coming in to counter bid for Kalahari given the friendly nature of the offer and the relatively tightly held shareholder base of Extract and Kalahari combined."

Kalahari advanced 3.2 percent to 242 pence by 3:43 p.m. in London trading. Perth-based Extract declined 0.1 percent to A\$8.09 in Sydney yesterday. The stock was halted for the announcement. The Kalahari offer is conditional on Guangdong Nuclear getting acceptances of more than 50 percent.

#### Deadline Day

Guangdong Nuclear "is committed to supporting development of new supply capacity in the natural uranium market," it said. The company "is at the forefront of China's diversification from its reliance on fossil fuel sources."

The state-owned company had until today to say whether it will make an offer or seek an extension of this deadline, Kalahari said Nov. 10. The offer is at a 16 percent premium to the average price for six months prior to March 4, the last day prior to the first announcement by China Guangdong on a possible offer for Kalahari, it said.

Kalahari directors hold about 2.2 percent of the stock and Guangdong Nuclear has secured non-binding letters of intent for a further 3.9 percent stake, it said.

The price compares with an initial March proposal by Guangdong Nuclear of 290 pence and a reduced May offer of 270 pence that was barred by the U.K. Takeovers Panel. Kalahari said Nov. 10 that the companies were in talks for an offer of 243.55 pence.

#### Chinese Reactors

The acquisition will be the second-biggest Chinese takeover of a foreign mining company, according to data compiled by Bloomberg. The nation began its first commercial nuclear plant in 1994 and now has the highest number of atomic facilities being built, figures from the World Nuclear Association show.

China, the world's biggest energy user, has 13 generators in commercial operation and 28 under construction, according to the Ministry of Environmental Protection. China may have more than 100 atomic reactors by 2020, it said in June.

Extract is seeking to develop Husab at a cost of about \$1.7 billion with a mine that may last for more than 20 years. The company raised its estimate of reserves at the project in August by 37 percent to 320 million pounds of uranium oxide.

Rio Tinto Group owns 14 percent of Extract and 11.5 percent of Kalahari. It also has the Rossing uranium mine next to the Husab deposit.

#### Rio Involvement

"Rio Tinto is unlikely to come in with a direct counter bid to Guangdong Nuclear because they may be expecting to be part of development plans anyway," BMO's Sterck said.

Extract in February said it was in talks with London-based Rio about merging the companies' uranium projects in Namibia. Extract also said it was talking to Kalahari "to explore various options that might simplify the Extract/Kalahari shareholding structure."

Extract said today it is "working carefully to assess the details of the proposed offer and will consider all available alternatives for maximizing shareholder value."

Shareholders should take no action and await further guidance from the company's independent directors, Chief Executive Officer Jonathan Leslie said.

"While the Board is yet to opine on this offer, we believe that the interest from CGNPC clearly demonstrates the strategic nature of Husab as a Tier-1 asset as well as confidence in the long-term fundamentals of the uranium industry," he said.

#### Fukushima Crisis

Rio's Rossing mine is the third-biggest producer of uranium, accounting for about six percent of global supply, according to World Nuclear Association figures. Husab is about 7 kilometers (4.4 miles) from Rossing and 30 kilometers from Paladin Energy Ltd.'s Langer Heinrich project.

A March offer for Kalahari of 756 million pounds, or 290 pence a share, was derailed by Japan's nuclear crisis, which slashed the value

of uranium companies amid concern demand may wane. Japan's 40-year-old Fukushima Dai-Ichi plant was crippled by an earthquake and tsunami on March 11, causing radiation leaks.

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