



Flash Note: CGN Mining (01164 HK)

快讯: 中广核矿业 (01164 HK)

Kevin Guo 郭勇
(852) 2509 5317

yong.guo@gtjas.com.hk

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Fundamentals of Uranium Remain Strong

- **We maintain the investment rating for CGN Mining (the "Company") as "Buy", with TP of HK\$1.85.** Our TP represents 9.4x and 8.7x 2024-2025 PER. We expect uranium price to continue to rise in 2024 due to strong fundamentals, and mining output of the Company to grow steadily.
- **Rising uranium price will still be the main profit driver.** Supply-demand fundamentals of uranium are expected to remain strong in the long term and we expect uranium price to continue to rise and stay high in 2024. Underinvestment in the uranium mining sector will have a long-term impact on global uranium supply and there will be only limited uranium output growth in the next 5 years. However, global uranium demand will grow steadily with increase in nuclear power installations. Government around the world had changed their policies regarding nuclear electricity, especially when the share of wind and solar electricity rises and require more stable power sources. As a result, more nuclear power plants will be planned with the development of wind and solar electricity. As a result, global uranium demand is expected to grow faster than the supply growth and supply-demand fundamentals of uranium are expected to remain strong in the next 5 years. As a result, uranium price is expected to be lifted to a higher level, which will significantly improve profitability of uranium mining companies. The ASP of mined uranium of the Company increased 28% to US\$64/lb in 2023, which significantly lifted the profitability of mining business of the Company. We expect uranium price to continue to rise in 2024.
- **Mined uranium output of CGN Mining is expected to grow steadily in 2024.** CGN Mining operates its uranium mining business through its joint venture Semizbay-U and its associate Ortalyk. Kazatomprom is the largest uranium mining company in Kazakhstan and the partner of CGN Mining. Semizbay Mine has a total production capacity of 976 tU and the Mynkuduk Mine from Ortalyk has a production capacity of 2,000 tU. Besides, the Zhalpak Mine from Ortalyk is under construction, and is expected to commence production in 2025 with a production capacity of 500 tU. Both the utilization rate of Semizbay-U and Mynkuduk Mine was 80% in the past two years, and Kazatomprom plans to maintain the utilization rate at the level of about 80% in 2024. However, there is a possibility that Kazatomprom may lift the utilization rate of Semizbay-U and Ortalyk if uranium price surges. The Company produced 2,620 tons of mined uranium in 2023, which was in line with its plan. We expect mined uranium output of the Company to grow steadily in 2024.

Table 1: Equity Mining Output of CGN Mining

| Mine | Reserve unit: tU | Total Capacity unit: tU | 2023 Plan Unit :tU | 2023 Output unit: tU | % Complete |
|----------|---------------------|----------------------------|-----------------------|-------------------------|------------|
| Semizbay | 5,800 | 400 | 415 | 407 | 101.8% |
| Irkol | 3,000 | 576 | 560 | 569 | 98.8% |
| | | | 975 | 976 | 100.2% |
| Mynkuduk | 18,400 | 2,000 | | 1,513 | |
| Zhalpak | 14,100 | 500 | | 131 | |
| | | | 1,720 | 1,644 | 95.6% |
| Total | | | 2,695 | 2,620 | 97.2% |

Source: the Company, Guotai Junan International.

- **Catalysts:** Rise in uranium price; more nuclear-derived electricity development plans.
- **Risks:** Nuclear power plant safety issues; fall in uranium price; change in mining investment policies in Kazakhstan.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

| Rating | | Definition |
|------------|----|---|
| Buy | 买入 | Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable. |
| Accumulate | 收集 | Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable. |
| Neutral | 中性 | Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral. |
| Reduce | 减持 | Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable. |
| Sell | 卖出 | Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable. |

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

| Rating | | Definition |
|--------------|------|--|
| Outperform | 跑赢大市 | Relative Performance > 5%; or the fundamental outlook of the sector is favorable. |
| Neutral | 中性 | Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral. |
| Underperform | 跑输大市 | Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable. |

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 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk