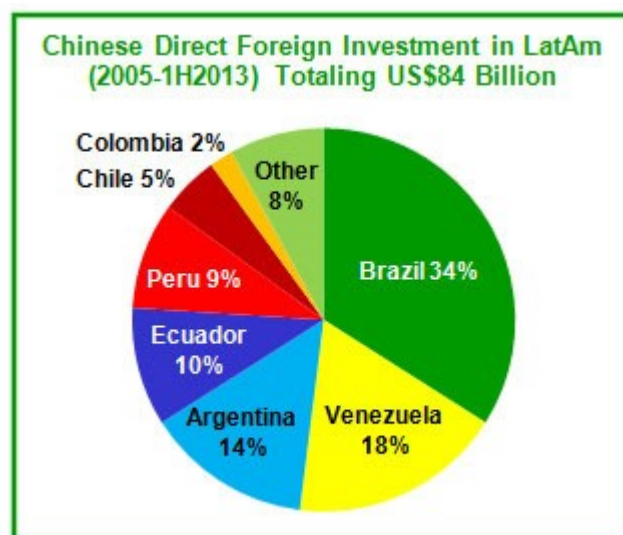


# South America is the 2nd largest destination for Chinese direct foreign investment

Trade and foreign direct investment (FDI) relations between China and Latin America and the Caribbean are growing in the past 15 years by a factor of 25 according to the Economic Commission for Latin America and the Caribbean (ECLAC). The majority of Chinese FDI is directed towards the banking



sectors of the Cayman Islands and the British Virgin Islands, but Chinese companies have increasingly been targeting the Latin American natural resource and industrial sector. China has targeted several countries but Brazil and Argentina, which are rich in land, as well as mineral resources, are among the countries to experience the largest trade increase. U308 Corp (TSXV: UWE | OTCQX: UWEFF), a Canadian company developing uranium, phosphate and vanadium deposits in Colombia and Argentina could benefit from this rising phenomenon.

In the past nine years, China has invested about US\$ 10 billion in Argentina. Estimates suggest that China could become the main importer of South American goods (Brazil, Chile, and Peru) by 2030, surpassing the United States. The region is preparing for the shift through infrastructure projects that will facilitate trade with China: largely, this means more ports and links to ports. The Chubut province in Argentina will likely build a railway linking it to Chilean

ports, reducing distances to ports in China. It so happens, that U308 Corp (TSXV: UWE) is developing a uranium/vanadium project in the Laguna Salada district, in the Chubut province of Argentina.

Uranium is another resource that China needs and in this respect the combination of China's rapidly increasing investment and trade flow with South America, particularly in energy and agriculture, could benefit U308 Corp, which is nearing the production stage at its low-cost uranium deposit.

U308 Corp. is active in the uranium space in Argentina because the country has adopted policies that favor the development of nuclear energy and resources. Argentina's has an advanced nuclear industry that started in the 1950's. Argentina has even developed unique modular reactors – the first of which is being built now. U308 Corp also owns the Berlin deposit in Colombia which is close to production stage with resources in uranium, vanadium, phosphate and rare earths. Therefore, U308 Corp is in a position to both supply Argentina's growing nuclear appetite (which includes a nuclear powered shipping fleet) and take advantage of growing Latin American trade opportunities with China with which Argentina has a nuclear co-operation agreement.

Chinese investors are drawn to Latin America as they search for new markets; they want to establish production facilities in the region to help Chinese enterprises reduce trade conflicts (Many Latin American countries have adopted anti-dumping measures against products made in China) because they find it more difficult to do the same in the so-called fully developed countries. Moreover, Latin America is eager to give China access to energy and natural resources. Naturally, given the size of its economy and population, China sees Brazil as the big 'prize' location and the vast majority of Chinese investment has targeted its natural resources, particularly oil and gas. China has also taken advantage of the vacuum left by the absence of North American players in Venezuela to

engage that country's electricity, construction, food, technology and even satellites sectors. China maintains important economic relations with other countries such as Mexico, Chile, Peru, Ecuador and Cuba. In fact, while Brazil may be the main target now, historically, Peru has been the largest Latin American recipient of Chinese investment in the mining sector.

In March of this year, Chinese investment has intensified further as large conglomerates have been targeting the Latin American agricultural sector. Chinese state-owned COFCO, a huge conglomerate responsible for essentially feeding millions of Chinese citizens, has taken over Noble, the largest private trading company (energy, metals and agricultural products) in Asia. One of the most important factors motivating this transaction is the fact that Noble has many investments in Brazil and Argentina, which has now given COFCO, control of Noble's South American warehouses of sugar, cereals and oil seeds (as well as cotton, coffee and cocoa from Africa or Asia).

This is merely the beginning. Beijing has given up subsidizing Chinese agriculture by using fixed procurement mechanisms for such staples as rice, soy or cotton as in the past. Moreover, Chinese soil has been degrading rapidly and this will make China ever more addicted to other countries for food. The Chinese are already the largest importer of soybeans in the world and becoming the largest importers of corn to feed their livestock, and for the past three years they have been net importers of rice. China consumes 20% of global food supply, but has only 9% of the world's acreage under cultivation.

China, therefore, needs to find alternative lands to secure food supplies. In this regard, Brazil, offers 500 million acres of arable land and it is the world's third largest market for fertilizer for which demand is increasing. Currently, Brazil has to import about half of its phosphate needs and South American phosphate and potash producers will

be in a position to benefit from China's agricultural 'invasion'. Fertilizer use in Brazil has risen by 70% over the past 15 years and the government is very keen on stimulating phosphates and potash mining, which could presumably include an increase of royalties for mining companies. Brazil produces many fertilizer intensive crops – soya, maize and sugar cane (some 80% of total agricultural output) – that are necessary for food production and for biofuel, which is an important alternative fuel in South America. These crops respond very well to phosphate based fertilizer. Brazilian soil needs external nutrients in the form of mineral fertilizers.

Here is a quicklink to our latest interview with Richard Spencer of U308 Corp.: