

SOUTHERN GOLD LIMITED

THE STRATEGIC IMPORTANCE OF AUSTRALIA'S URANIUM RESOURCES

**PUBLIC HEARING MELBOURNE
FRIDAY AUGUST 19 2005**

INTRODUCTION

Mr Chairman / Ladies and Gentlemen

As Chairman of Southern Gold Limited (SGL), I thank you for providing the company with the opportunity to speak at this public hearing inquiring into the development of the non-fossil fuel energy industry in Australia.

Southern Gold is a junior exploration company listed on the ASX in April 2005 to explore for gold, nickel and base metals in Southern Australia.

During the gestation period of the company, Directors identified an evolving opportunity to explore for and develop uranium resources within our substantial South Australian tenement portfolio. Southern Gold is now attempting to unlock some of Australia's uranium wealth, a role that has been abrogated by the majors in the industry with the rationalisation of the mineral resource industry and downturn in the economy during the 80's and 90's.

Southern Gold has announced the formation of a new wholly owned subsidiary, Southern Uranium Limited (SUL) which provides the vehicle dedicated to rapidly developing the uranium interests of Southern Gold in order to capitalize on the current and forecast state of the world uranium market.

Southern Gold has available senior experienced personnel from former large explorers, sound exploration ideas and concepts, a large portfolio of highly prospective tenements in a State supportive of exploration for and development of uranium resources and the drive and enthusiasm to bring them to fruition.

Directors of Southern Gold strongly support the development of Australia's uranium resources and the world-wide nuclear power generation industry.

WHY DO WE SUPPORT URANIUM EXPLORATION?

- There is general agreement within the international scientific fraternity that increasing global temperatures and serious climatic extremes are attributable to increased CO₂ levels in the earth's atmosphere.
- We believe that the world's energy generation industry will require serious adjustment either through regulatory control, new technologies or alternative clean fuel sources in order to reduce greenhouse gas emissions and curb global warming. The issue is not just looking at Australia's energy requirements but the world's future energy needs, particularly in developing nations
- The rapid development of emerging industrial economies such as China, India, Africa and parts of South America will significantly increase energy demands and exacerbate the potential for greenhouse gas emissions to the atmosphere.
- Southern Gold understands that 31 countries currently rely on nuclear energy to generate substantial amounts of their energy requirements with some 17% of the world's electricity generated by nuclear power stations. China, for example, is planning a four-fold increase in nuclear energy production by 2020. With world wide electricity demand expected to treble by 2050, nuclear energy is clearly a clean and sustainable energy source.
- Global demand for uranium is currently around 80,000 tonnes of which approximately 60% is supplied from primary production. This significant shortfall has resulted in a rapidly escalating price forecast to reach US\$40.00 /lb affording Australia the opportunity to generate export earnings and Government revenues through taxes and royalties.
- Southern Gold firmly believes that Australia is in a position to meet the projected shortfall of uranium production to take advantage of the lucrative world market and create jobs and wealth and export earnings for the Australian community.
- Southern Gold envisages Aboriginal groups and regional Australia benefiting through the creation of employment, the provision of royalties and the establishment of new infrastructure.
- More particularly, South Australia, with a supportive exploration and development environment provided by the State Government and highly prospective, under-explored geological terrains is in a strong position to further develop an already existing uranium industry.

INDUSTRY IMPEDEMENTS

- **Infrastructure:**
Mineral deposits commonly occur in remote parts of the continent. Localities in which Southern Gold is exploring are generally difficult to access and adds significant costs in the provision of roads, power, water, transport, accommodation and communications.
- **Labour and skills shortage:**
Boom times in the mining industry have led to a shortage of geoscientists, mining engineers, drilling contractors, miners and tradesmen. This seriously slows the exploration industry and adds significant cost to mineral exploration and mine development.
- **Taxation/Finance:**
Taxation concessions provide compensation for the large capital investment involved in resource development. Competing for investment funds is competing against countries which provide incentives for economic development.

Other impediments which impact upon the resource development industry are:

- Environmental e.g. Native Vegetation Act:
- Regulatory:
- Global competition e.g. access to finance, markets:
- Trade barriers:
- Access to resources e.g. Native Title,

POSITIVES FOR AUSTRALIAN URANIUM DEVELOPMENT

- **Conducive economic climate:**
In general the Australian economy is stable and attractive to business investment. However, the discovery and development of mineral sources has a relatively long gestation period. Governments must ensure that interest rates continue to be predictable and competitive, inflation remains low and that there is a continuing strong capital market available.
- **Strong market demand:**
There has been a significant increase in the price of uranium over the past 12 – 18 months due to the uncertainty of supply, in particular the availability of secondary supply. Australia currently provides almost 30% of the world's production and has 40% of the world's resource and is therefore in a strong position to satisfy market demand.

- **Low sovereign risk:**
Australia is perceived as having a low sovereign risk. Investment of large sums of capital in mining projects depends upon the confidence that the legislative regime and relevant Government administration will not change dramatically.
- **Need to reduce greenhouse gas emissions:**
The production, delivery and use of energy, particularly fossil fuels, entail environmental impacts of various kinds, the most significant issue being the effect of greenhouse gases on global climate. Electricity generation using fossil fuels is a major source of greenhouse gas emissions. The growing demand for electricity provides a very real opportunity for the development of nuclear energy.

BENEFITS FOR ENCOURAGING URANIUM DEVELOPMENT IN AUSTRALIA

Southern Gold believes that Australia stands to gain significantly through the development of the uranium industry and sees the following benefits as being positives for the betterment of the Nation.

- Increased employment:
- Improved export earnings:
- Development of regional Australia:
- Increased Government taxation revenue and royalties:
- A cleaner environment

CHALLENGES FACING SOUTHERN GOLD

- Inconsistent State policies – hence our focus in South Australia
- Limited capital funds – requires Government to provide a competitive economic climate to encourage investors into the market
- Skills and equipment shortages caused particularly by brown field's activity of the majors on other commodities e.g. Cu, Au, Fe and HMS.
- Inability to fund and participate in collaborative Government research like CSIRO to make Australia a competitive uranium exploration development environment
- The usual impediments of access (Native Title) and regulation (environmental controls)

SOUTHERN GOLD WISH-LIST

- Creation of a competitive investment market through taxation, regulation, environmental, geoscientific data and infrastructure incentives
- Provision of a skilled and equipped labour force
- Provision of infrastructure in regional Australia and isolated areas
- Education- both of the Australian community of the advantages of a clean and safe uranium industry and also to provide technicians, geoscientists and tradesmen for the resource industry
- Encourage further processing and use of Australia's uranium resources

SUGGESTED ACTIONS

- Develop overseas markets:
Particularly in countries that are considering building nuclear plants to meet their energy demand e.g. China and Egypt.
- Provide uniformity of regulations between States and Federal Government and reduce duplication of legislative requirements. We need to ensure that regulations are consistent and provide the safe guards the community insists upon and yet encourages investment in the uranium industry to make our products competitive on the world scene.
- Subsidies for infrastructure development in regional Australia:
- Provision of high quality geoscientific data and encouragement to industry through programs such as South Australia's PACE concept which is a useful and efficient way of attracting both Australian and foreign investment.
- R and D by Government into safe storage and handling. Australia needs to be at the technological forefront of the safe use of nuclear energy and this requires significant government involvement including the development of further processing opportunities.
- Change Government policies:
- Increase training at schools and universities and provide training subsidies:

- Form an industry, Government and interested parties forum to discuss the mining and use of Australia's uranium resources by countries who have agreed to use uranium for peaceful purposes

CONCLUSION

In conclusion, Southern Gold believes there is an urgent need for the world wide development of a nuclear energy industry as an alternative to the use of fossil fuels in power generation. Nuclear energy is seen as a clean energy source that can reduce greenhouse gas emissions to the atmosphere.

Southern Gold supports the development of Australia's uranium resources and encourages Government to provide a consistent regulatory regime that encourages investment in the industry while providing adequate safeguards.