COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON INDUSTRY AND RESOURCES

Reference: Developing Australia's non-fossil fuel energy industry

THURSDAY, 3 NOVEMBER 2005

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON INDUSTRY AND RESOURCES

Thursday, 3 November 2005

Members: Mr Prosser *(Chair)*, Mr Hatton *(Deputy Chair)*, Mr Adams, Mrs Bronwyn Bishop, Mr Cadman, Mr Martin Ferguson, Mr Haase, Mr Katter, Miss Jackie Kelly and Mr Tollner

Members in attendance: Mr Adams, Mr Martin Ferguson, Mr Haase, Mr Hatton, Mr Katter, Miss Jackie Kelly, Mr Prosser and Mr Tollner

Terms of reference for the inquiry:

To inquire into and report on the development of the non-fossil fuel energy industry in Australia.

The Committee shall commence its inquiry with a case study into the strategic importance of Australia's uranium resources. The case study shall have particular regard to the:

a) global demand for Australia's uranium resources and associated supply issues;

b) strategic importance of Australia's uranium resources and any relevant industry developments;

c) potential implications for global greenhouse gas emission reductions from the further development and export of Australia's uranium resources; and

d) current structure and regulatory environment of the uranium mining sector (noting the work that has been undertaken by other inquiries and reviews on these issues).

WITNESS

Committee met at 11.37 am

EGGERS, Mr Alan John, Managing Director, Summit Resources Ltd

CHAIR (Mr Prosser)—I am pleased to declare open the 10th public hearing of the House of Representatives Standing Committee on Industry and Resources into the development of the non-fossil fuel energy industry in Australia. The committee has commenced this inquiry with a case study into the strategic importance of Australia's uranium resources. The inquiry was referred to the committee by the Minister for Industry, Tourism and Resources, the Hon. Ian Macfarlane, on 15 March 2005. The committee has advertised the inquiry nationally and sought written submissions from interested companies, organisations, departments and individuals. Welcome to Summit Resources and thank you for your submission to the inquiry and for being prepared to travel from Perth to attend the hearing. I understand that you wish to give a brief presentation on the company's uranium project, so please present your presentation.

Mr Eggers—Thank you for giving me the opportunity to appear before the committee. I will skip through this as fast as I can. I am sure that the committee would have already covered a lot of the material. I have not been privy to all of that, so I am not sure what you have heard and what you have not but I will concentrate mostly on Summit's project and the policy problems that we have in Australia with uranium mining.

A PowerPoint presentation was then given—

To start with I will state that uranium mining is a major contributor to the reduction of greenhouse gases in an energy hungry world. Summit is operating up in north-west Queensland. We have uranium and vanadium resources. We are drilling advanced copper-gold projects and we have some iron resources and phosphate resources in the area as well. The company has been around for a while. A snapshot of the company shows that we have 188 million shares on issue, a market cap of about 120 million to 130 million. We have $9 million in the bank. We have not just jumped on the bandwagon recently. We originally listed in New Zealand in 1987 just before the crash and we intended to list on the ASX. We did not quite get there at the time. We did by 1994. I think the important think is that in 1990 we focused the company on pegging ground around Mount Isa looking for iron oxide and copper-gold deposits, which are the Roxby Downs style of deposits, which contain a number of valuable metals, including uranium.

The nuclear power industry is what it is all about. Around the world at the moment, there are 440 reactors operating. On the slide now is a percentage of nuclear power generated in each of these countries. I am not going to go through this slide; suffice to say, even though it is only 20 per cent of the power supply of the United States, they generate 30 per cent of the world's nuclear power. Australia's uranium is of strategic importance. We have free trade agreements being negotiated at the moment, and I believe that uranium will be part of those free trade agreements. The foreign minister has a select committee to pave the way for sales of uranium to China. As we know, China is building 40 new nuclear power plants over the next 20 years, Japan is building eight and India is building 12 new plants. Indonesia is considering nuclear power. Europe, North America and South America are expanding their capacity.

This slide shows what it is all about and what the fuss is about. At the moment, the world mine production is about half—around 80 million pounds—of the nuclear power industry's

consumption. The shortfall up until now been largely covered by reprocessing of weapons grade material. That will continue for some time; however, it is diminishing in its contribution and the industry is expanding. So a large shortfall of uranium is coming. This slide shows what has happened to the price. This morning, I think the US dollar spot price was $33.25 a pound. So the price has taken off and that is what is driving the new interest in uranium. Uranium is all around us. We are all introduced into a world full of radiation. It is quite normal. It is used in a number of industries around the globe. It generally generates zero greenhouse gas emissions and it is used in medicine in x-rays, electricity, science and even fire alarms.

Mr TOLLNER—It is not actually used in x-rays. It is used in imaging, not x-rays.

Mr Eggers—I will stand corrected. Uranium mines produce yellowcake, as I am sure you are aware. It is not radioactive. It is transported and stored safely in 44-gallon drums. It is kept damp. It has a toxicity similar to lead based paint. There are many more dangerous materials that we deal with day by day around the world. The nuclear fuel cycle is quite simple. You mine yellowcake. It is enriched to three per cent U235. It goes into a nuclear power station. The spent fuel is reprocessed, re-enriched and sent around in this cycle. The recovered uranium, plus the plutonium, is re-treated. You need 97 per cent enrichment to make a bomb. You cannot use nuclear fuel for a power station to make a weapon. It requires high technology enrichment to go to that end and civil plutonium is unsuitable for weapons production. Obviously we have world-wide surveillance monitoring as safeguards on all Australian uranium—in fact, all uranium produced in the Western world.

This slide shows a little to do with the radiation exposure that you might receive. Most of you fly quite frequently. This is the biggest exposure anybody gets in the world at the moment. You can see that we have normal terrestrial gamma radiation. It is in your food and drinks. It is in x-rays. This slide shows your average exposure for the average person per year. You can see down here that nuclear power and uranium mining radiation is negligible.

In terms of energy, one pound of uranium oxide is equivalent to 8½ tonnes of black coal, and one tonne of yellowcake is equivalent to nearly 20,000 tonnes of black coal. So we are proposing that we may produce around nine million pounds of uranium oxide a year at Mount Isa, and that would supply ten 2,000-megawatt power stations. So it is a significant contribution to energy, with no emissions. It is equivalent to replacing 76 million tonnes of black coal and coal-fired power stations which generate 160 million tonnes of greenhouse gases.

On the waste products: all waste is managed and dealt with. Here is the equivalent coal-fired power station, which takes in two or three million tonnes of coal per annum, depending on the quality of that coal, and that would produce about seven million tonnes of waste. None of that waste is managed. It either goes up the flue or is just stacked beside the plant, and it also contains uranium. The equivalent nuclear power station needs 25 tonnes of uranium oxide. It is enriched to three per cent and to fuel rods. It is in the power station. It generates about one tonne of high-level waste per annum. That waste is vitrified into quite small tablets, if you like, and stored quite safely. There is one tonne of waste here, compared to seven million tonnes of waste in a coal-fired power station.

The nuclear power industry is the safest form of power generation that man has used to date. As we know, the coalmining industry has a record as well, and it is not so good. I am not here to

slate the coalmining industry but, as a comparative figure, between 10,000 and 15,000 coal miners are killed per annum around the world. China contributes largely to that, with over 6,000 deaths per annum in their coal mines. In comparison, in power stations, coal-fired power stations since 1997 have killed 6½ thousand people; natural gas, 1,200 people; hydro, 4,000 and maybe more, but this is usually to do with dam failures; and the nuclear industry has killed 31 people. I think that figure was the original deaths at Chernobyl.

Mr HATTON—Is that in Australia or—?

Mr Eggers—No, this is worldwide. I will explain this. Thirty-one deaths were the original deaths in the Chernobyl accident when it blew up and collapsed. Since then, the figure has climbed to 58 deaths directly attributable to that accident. These 31 were not all killed by radiation or anything like it; they were killed by concrete beams and various parts of the explosion. It was nothing to do with leakage. A UN report just released in the last month or so has come out and stated that there are now 58 deaths directly attributable to that nuclear accident—there have been no deaths from Three Mile Island or anywhere else—and they expect up to 2,000 premature deaths from cancers from the exposure that went across that part of Europe. So at most we are saying that there are slightly over 2,000 deaths attributable to the nuclear power industry.

Here in Australia LNG is a very hazardous product. It is also a terrorist target. One of these tankers leaving the North West Shelf has the equivalent of 55 Hiroshima bombs sitting in it. This is mitigated, but, as we all know, it could cause up to hundreds of thousands of deaths in a major city where they deliver this fuel. Since 1989, Australia has shipped 1,600 shipments of these cargoes out of Australia without incident, due to a stringent safety regime.

Moving on to what is happening here in Australia and our project: it seems to us at the moment that the federal government has the will to proceed with freeing up the uranium mining in Australia. I would like to just state that the three mines policy was abolished in 1996 and does not exist. The Labor policy is not to approve new mines. The Labor policy does not ban uranium mining, or we would obviously need to close the existing mines. The Commonwealth government also has other issues to deal with, including the national interest.

On the non-proliferation treaty, Australia gave a written undertaking, when we were one of the architects of that treaty, to freely supply uranium oxide to country signatories. I put it to the committee that Australia are not fulfilling that obligation, because we have a restricted supply policy here at the moment. We are not freely opening our mines at all.

The federal government also needs to comply with the free trade agreements—which I mentioned earlier—with the USA, China and perhaps Indonesia. I am sure uranium will be on that list. The federal government can also act in the national interest if the project has greater than $1 billion worth of export income. As we have seen recently, the minister has made some moves in the Northern Territory—although I clearly understand that the Northern Territory is not a fully-fledged state compared to the other major mining states.

This slide shows a list of resources in Australia. I will not go through them. Suffice it to say that BHP-Billiton and Rio Tinto and its subsidiary ERA have the largest resources in Australia, and they are mining. The next company in the list is Summit, with our resources at Mount Isa.

This shows a map of Australia. You can see that most of the uranium deposits in Australia are concentrated in the traditional mining states of Queensland, Northern Territory, WA and South Australia. Summit's deposits are right around the mining town of Mount Isa.

This is a graphical presentation of the known resources in Australia at the moment. You can see Valhalla. If we stack Skal and Andersons on top, because it is one project effectively and will have one plant, we are as big as Kintyre—we will be larger shortly. We are drilling at the moment. The other projects are around at Jabiluka, which has its own series of problems up here in the Kakadu park. At Olympic Dam that graphic goes right through the ceiling. That is a massive deposit, but it is about a third of the grade of our Mount Isa deposits. Ranger 3 is being mined at the moment. It is due for completion in 2008 and complete treating in 2011. This is where the future of the uranium mining industry is in Australia, along with Olympic Dam.

I am sure you all know where Mount Isa is. There are a number of world-class deposits in the area. We are just north of Mount Isa. We have about 20 deposits that we are drilling. We are drilling eight this year. We have a number of resources here. These are all within 30 kilometres of each other. We will be establishing—and we are keen to establish—a central treatment plant just north of the city of Mount Isa, and we would have a number of satellite open pits feeding into it.

Mr KATTER—What is the distance to Mount Isa?

Mr Eggers—This one is about 15 kilometres, and it is about 40 kilometres to our furthest deposit.

Mr KATTER—How far is Andersons from Mary Kathleen?

Mr Eggers—Andersons is about 15 kilometres out. Mary Kathleen would be about another 35 kilometres across. We are drilling up there at the moment. As you know, it is historically an exploration and mining part of the world. This is a picture of some of our drill holes. You can see some of our red rock alteration, which is a style of mineralisation very similar to that at Roxby Downs. These are massive world-class deposits. There are 90-odd metres of over four pounds per tonne, or over 0.2 per cent. It is very high grade: three or four times the grade of Roxby Downs in terms of uranium content. We plan to open pit it down to 350 to 400 metres. We are not under the Sydney Harbour Bridge, but this picture gives you an idea of the scale of the deposits. These are world-class deposits. They are not minnows and they are worth the battle.

I will not bore you with this, but we have done quite a bit of metallurgical test work and pre-feasibility studies. We know that we can get this material out via this processing circuit. It is quite a simple processing circuit using conventional technology. There is nothing unusual in it. In fact our mineralogy is identical to the latest drill out at Roxby Downs. It is brannerite mineralisation and haematite breaches. We produce yellowcake.

The reason that smaller companies such as Summit can get on and develop this project is that we have all of our infrastructure in place. We are not looking for government subsidies or handouts. We will be tapping into the existing Mount Isa infrastructure. It will not be fly-in fly-out. We have established quite a large base in Mount Isa. We have permanent staff in the city. We

have had for 10 years. We would just launch off that existing power, gas, communications et cetera infrastructure.

Mr KATTER—How many people have you got employed now?

Mr Eggers—We have got 10 but we have about 35 including contractors at the moment on exploration effort. We are spending about $2.5 million to $3 million a year. As for the mine life, this is a snapshot of the project. The mine life at the moment is about 10 years—if we including the inferred resources, it is 25 years. If we include the current drilling we are undertaking, we will have a 50-year-plus mine here. This mine will be around for a long time.

So these are the grades. We intend to mine 2½ million tonnes a year to start with and we will produce six million pounds of uranium, which will make it Australia's third-largest uranium mine. After three years we intend to scale that up to four million tonnes per annum and we would be producing nine million pounds of uranium oxide, or 4,000 tonnes, which is the equivalent of the current production from Ranger.

This is a snapshot of the project finances. We generate a large number of royalties. We would spend $400 million in capex in the district and we would spend another $600 million in operating costs, largely on wages, salaries and contractors in the district. Our operating cost per pound is US$8.15. We provide for rehabilitation and obviously we make quite a handsome surplus, and we would generate export revenue of $2½ billion in six years.

We would employ 600-odd in the initial construction and mining phase, but that would probably settle down to about 400 to 500 employees in the town—that is full-time employees with the company. We would be a major contributor to the PAYG and GST and, as I said, we already have a base in the city. We have been expanding at quite a rate up there for some time.

Mr TOLLNER—Why would you need so many employees? That is almost twice what is at Ranger.

Mr Eggers—We are going to be operating several open pits at the same time, and quite a large plant. This next slide shows the current resource. At current prices there is over $3 billion of yellow cake sitting in the ground up there. In comparison to a gold resource—because most people have been used to these things for some time—it is already equivalent to more than a 6½ million ounce gold resource sitting there, and it is expanding.

As for its history, it was found by prospectors in 1954. It has been through a chequered history but let us just say that we pegged the ground in 1990 to 1992, and by 1996—the end of the three mines policy—away we went. Howard and Warwick Parer abolished the three mines policy and the Borbidge state government was in office in Queensland. We wrote to the then state minister for mines and resources, Tom Gilmore, and I went and had a meeting with him. Tom Gilmore gave us a written undertaking on his ministerial letterhead that he would grant us an ML for uranium mining in Queensland.

We were doing very well and we got stuck in. We invested $5 million in drilling on the project but by mid-1998 the Borbidge government lost office, the Beattie government came in and they stated that the government would not allow the mining or processing of uranium in

Queensland—end of story. It really was the end of the story for Summit, and this is the Beattie government's policy: they will not grant a mining lease for the purpose of mining uranium in Queensland. Of course, Summit was doomed. We lost a lot of money. We were unable to raise any further funds. Our share price went from 60c to four or five cents and our investors certainly lost out. However, prior to that we had everything in place and we were entitled to be doing what we were doing.

There was a sovereign risk to do with this policy. I would say that this issue has plagued the Australian uranium mining industry for many years. The notable examples, and I think we need to remember them, are Jabiluka and Pancontinental in the early 1980s—that was a sorry affair—Coronation Hill and Newcrest in the 1990s and us at Mount Isa in 1998. These projects were all blocked due to political decisions not ones of law and, as we know, the problem has been around for a while. Perhaps this is where some of it stems from. We know now that environmentalists—the founder of Greenpeace and some very prominent environmentalists in Britain—have come out in favour of nuclear power. So we are not alone. We have the traditional owners supporting us at Mount Isa. We have resolved all the native title matters with them and we are able to get on with our work.

The public opinion is not necessarily as some people would say. This next image is of a poll by Westpoll taken in June or July of this year, I think, in WA. It came out with 48 per cent in favour of lifting the ban compared to 44 per cent saying no. There is always eight per cent sitting on any fence. The latest Morgan poll says that most Australians, 61 per cent, believe that Australia should develop and export uranium for peaceful purposes and that 32 per cent think they should not—that is okay. The eight per cent are still sitting on the fence. This has received a majority support in Australia on the Morgan poll since 1977, so it is not true to say that the public are not with us.

We have union support. Bill Ludwig has recently come out in Queensland and said that he is prepared to take on Premier Beattie over this issue and thinks that we should be mining uranium. There are also jobs in it, I guess, for his union. It is just in the last couple of weeks he has come out. He has been up to Mount Isa and had a look at our operation and he is very supportive. So we have union support as well. We see a shift in the Labor Party. There are a number of Labor Party people that have come out suggesting we have this debate and re-look at the issue. In fact, the architect of the three mines policy has recently come out and said that they should abandon this policy. As I have said, there is no three mines policy. We really need to abandon the 'no approval of new mines' policy.

So the decision not to permit new mines just transfers the economic, environmental and social benefit to the Canadian producers, entrenches Australia's existing three producers and provides an opportunity for countries that are not signatories to the treaty to supply uranium without safeguards and without it being tagged. It can go anywhere. Australia's place as a responsible monitor of the NPT and uranium product use, management and safe storage is in question if we continue with this policy. Australia is already producing 22 per cent of the world's uranium oxide anyway. We are the world's second-largest producer of the product so we are in the business. Outside of Olympic Dam, there is sufficient uranium already known about in Australia to supply China for 20 to 30 years. It should come from Australia, which is 'politically stable'. It is an existing producer. We are nearby to the markets. It is strictly monitored. I say that the

current policy is unsustainable, has no basis in fact and no environmental, economical or commercial basis whatsoever.

We need to change the policy to encourage investment in exploration, investment in technology and investment in new mines. We need the policy to deliver certainty that explorers responding to the commodity demand can develop discoveries into mineable assets. We definitely need certainty where large investments are required over several years to develop new mines. We need to remove this political or sovereign risk from the industry and approval process. We already have the highest safeguards in place to develop our potential, meet our obligations and be a responsible, dependable long-term supplier. As I said, we have the support of the community, the traditional owners, the trade unions and, as I just finished saying, the Australian public. The Commonwealth government, the Queensland state government and the city and people of Mount Isa should not be deprived of the significant economic, environmental and social benefits that new and sustainable uranium mines' processing and export operations will deliver over a significant period of time.

CHAIR—Before we proceed to questions, I should advise you that the committee does not require you to give evidence under oath. I further advise that a hearing is a formal proceeding of the parliament. I remind you that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. I also remind you that the committee prefers that all evidence be given in public; however, at any stage you may request that your evidence be given in private and the committee will consider that request.

I will take the privilege of asking the first question. I notice that page 21 of your submission mentions a joint declaration made by heads of the US and Russian nuclear agencies in relation to an ambitious plan for nuclear energy development, including a more carefully controlled fuel cycle and full utilisation of fissile material. Can you provide further information on this declaration? Is this a reference to the US government's advanced fuel cycle initiative? Can you describe how this initiative will reduce risk of proliferation and terrorism?

Mr Eggers—I would have retrieved this out of an announcement made. It came from the US. I am unsure of the exact sources. Is that part of your question?

CHAIR—Yes.

Mr Eggers—I could get back to you with that, but I cannot recall the source exactly.

Mr HATTON—First up, we have the presentation in paper form. It is extremely well done, apart from a few typos. Is it possible to get it on CD or in electronic format?

Mr Eggers—Certainly.

Mr HATTON—That would be very good. Given the fact that 40 per cent of current world demand is for reprocessed nuclear material—weapons grade stuff—and comes largely from the Russians, it is possible, and in fact probable, that going forward part of the unmet demand will be for other weapons grade material that the Russians or the Americans determine to reprocess. So that will be one factor affecting the availability. It is almost impossible to say, but in factoring

for the future shortfall, do you think that will be significant, or do you think the shortfall will be made up by new mines worldwide?

Mr Eggers—I think the shortfall needs to be made up by new mine production worldwide. The information that we have from the Uranium Information Centre and the World Nuclear Association in London is that the contribution of reprocessed weapons grade material is going to diminish. It is not going to disappear, but it is going to diminish. The current demand is about 170 million pounds consumed in nuclear power stations, and particularly as China, India and the US expand their capacity at existing facilities, they will increase the shortfall. So new mine production must come on-stream to supply that.

Mr HATTON—You have already run through the safety record and done the comparisons and so on with regard to that. Do you know much about the fourth-generation nuclear generators?

Mr Eggers—I know a little bit. Really the person to answer that question is someone like Ian Hore-Lacy, from UIC, who is very knowledgeable on those issues. I am not sure whether he has appeared before the committee.

Mr HATTON—Yes, he has.

Mr Eggers—I would leave it to others on that. I am more a geologist and interested in our project. But I think they are going to be much more efficient, and another level of safety is involved in those plants—in the pebble bed reactors et cetera.

Mr HATTON—Given the exploration that you have already done and the fact that you had the knock-back from the Queensland government, what other activities enabled you to sustain the position of Summit Resources?

Mr Eggers—We refocused on looking for the same styles of ore body but looking for copper and gold and ignoring uranium. So we have pegged large tracts of tenements in the Mount Isa district—we have about 7,500 square kilometres of tenements—and we have undertaken geophysical surveys and a lot of geological mapping and sampling and things. We have a number of advanced copper-gold targets which we are drilling there. We would see that in the future we will also be delivering non-uranium type mines in the district to the company and be developing them.

Mr HATTON—What is the economic impact of that Queensland government decision? Did you seek to take any legal action, or were you prohibited from doing that by the fact that there was a change of government?

Mr Eggers—We sought a meeting with the then minister, the Hon. Tony McGrady, who was the minister for resources in Queensland. We finally did get to see Tony in late 1998. At the time, I understand that the Beattie government had a by-election on. There was some problem in Townsville. I forget what it was, but just after they won office they had to go back to the electorate in Townsville for some reason. Premier Beattie was somewhat distracted with that, and Tony McGrady said: 'Leave it with us. Once that's out of the way'—on 2 December, I think—'I'll bring this to the Premier's attention and we'll see what we can do.'

In the interim, the minister made a press announcement that Summit was somewhat naive and foolish to have been proceeding with uranium exploration in the state knowing full well that it would not be granted a mining licence and could not develop its mines. That is not the case, as I pointed out in my presentation. We had a written undertaking from the previous minister that we would be granted a licence and we had the full support of the federal government. We then sought either some form of compensation or for them to at least say, 'This policy applies to tenements granted from now or to companies that start exploring now.' Summit had already made a substantial investment and we wanted to proceed. Basically, we were not permitted to. With the falling price of uranium at the time, we were forced to mothball the project. We had a substantial loss: about $60 million or $70 million in market capital, which is really investors' funds, just the same as if you have your superannuation shares or whatever. People lost money.

Mr HATTON—You gave a very good explanation in terms of the size of the deposit and how you expected to mine it and so on. Can you tell me a little about the ore body itself and the comparison with the Olympic Dam ones? In evidence given in relation to their ore bodies, part of their problem was the nature of the rock and the difficulty of extracting the uranium ore from that. You have a higher grade, but you have got similar rock types. So what processes do you need to go through?

Mr Eggers—We have done quite a bit of metallurgical test work on it. It is the brannerite mineralisation in these haematite breaches. Our deposits, at this point anyway, are not as large as at Roxby Downs but are certainly two or three times the grade. The issue was one of recovery of the metal in an acid leach. There is technology around—but we are trying to avoid it—where you can go high pressure and high temperature and improve your recoveries. We have managed to get our recoveries to a satisfactory level at about one atmosphere, which is normal pressure but slightly elevated temperatures to reduce the residence time in the plant of the ground-up material, which allows us to maintain production.

It is a little bit difficult to explain, but I will do my best. At Roxby Downs, their grade is about one-third of ours. Let us say they have got 500ppm and we have got 1,500ppm. The problem is that the first 200ppm, or about that, is locked up and we can never get it out. Our recoveries at 500ppm would be, say, 65 per cent, whereas at 1500ppm our recovery is about 85 per cent. We still cannot get the same 200 or 300ppm out—that bit that is locked in—so in one sense it is a larger problem for Roxby Downs because of their lower grade. Our recoveries improve dramatically with grade, because it is that one phase of the brannerite that we cannot leach.

Mr HATTON—Thank you very much for that explanation. My last question is about the expected life of the mine. You said 10 or 25 or a possibility of 50 years. What is the basis of the expansion of that, just the probabilistic nature of saying, 'If we've got this, there should be more'?

Mr Eggers—Under the JORC code, which you may or may not have heard a little bit about, we are required to report resources in Australia to certain levels with certain levels of confidence. We have about 15 million tonnes of about 3.2 pounds per tonne or 1.4 kilos per tonne of uranium in the measured and indicated category which, subject to commercial factors, government approvals, permitting and meeting all the guidelines, would shift over to proofed and probable reserves. But, at the moment, they are just resources, because we are not allowed to go there. We have based the 10-year mine life just on our measured and indicated. We have

another 20-odd million tonnes in inferred resources, which would take the mine life out to 20-odd years, and we are drilling a number of deposits at the moment. We would be confident enough to state that we will be adding to those resources. I cannot give you a figure. We will have the figures come out early to mid next year.

Mr MARTIN FERGUSON—On page 35 of your document, you argue that in some circumstances the Australian government more than the Northern Territory has the power to approve uranium mining in the national interest. Do you have a legal opinion to that effect?

Mr Eggers—No, I do not have a written legal opinion to that effect.

Mr MARTIN FERGUSON—On what basis do you advance that proposition? It is the first time such an argument has been advanced. It was not in questions to the Northern Territory government, but no-one in this inquiry has advanced that the government has a capacity to go beyond the Territory.

Mr Eggers—This information came to Summit when, in late 1988, we were in trouble in Queensland and we made representations at that time, as I have said, to the Queensland government, but we also came here to Canberra. I was accompanied by Mr George Savell, who was then the head of AMEC. We met with a number of people, including Warwick Parer, who gave us that advice. That was confirmed by the then shadow minister Martyn Evans, I believe, from South Australia. That was confirmed at that time by them. That is the basis of that information.

Mr MARTIN FERGUSON—Is there any correspondence relating to that from the government's point of view?

Mr Eggers—No.

Mr MARTIN FERGUSON—Secondly, if there was a change in policy, what period would be required before you actually started work on the ground in terms of preparation and building the processing plant et cetera?

Mr Eggers—As you are aware, we are already on the ground at the moment resource drilling. The moment we saw that we could get the green light, we would need to do a feasibility study and apply for a mining licence. The situation in Queensland is that you need to put in a full environmental impact statement, mine plan and feasibility study to apply for a mining licence. So we need to do all that work ahead of time. To do that, the moment we get a green light, we need to do one year of environmental flora and fauna studies. This information takes about 18 months to compile. During that time, we would be doing the drill out and undertaking a full-blown bankable feasibility study. Those documents would be put together, we would hope, within 18 months of being given the green light. It then needs to come here to Canberra and to the state authorities. They need a six-month public scrutiny period because it is uranium, so that takes us out to two years. I would say that we could start digging or pouring concrete within 2½ years at best, but that is because of those constraints I have just outlined.

Mr MARTIN FERGUSON—What about after you have commenced to the point of processing?

Mr Eggers—This is an aside but there is a bit of a worry in Australia and the industry at the moment about steel and actually acquiring things but, putting that to one side, I think that we could, from getting all the permits in place, build and be in production within a year. It is not a complex plant.

Mr MARTIN FERGUSON—Queensland Mines operated Nabarlek, didn't they?

Mr Eggers—Yes, they did. I think I mentioned that.

Mr MARTIN FERGUSON—QML had a pretty good policy with respect to Indigenous employment and training. Have you got any framework understandings with the Indigenous community about an Indigenous land use agreement and training and employment?

Mr Eggers—Yes, we do. We have been operating on the Carlton Hill Station at Mount Isa for over 20 years. That is in fact owned by the Kalkadoons themselves. So we were operating long before native title. We have a very good working relationship with them. In fact, they supply some of the equipment now for exploration activities. On the original tenement EPM 9221, we are not obliged to do anything apart from the normal native title protection conditions because it was granted prior to native title. However, we have been working with them and we treat them the same and offer them the same opportunities and do the same site clearances and site inspections as if we did have to comply with the agreements that we have.

We have a number of agreements with the traditional owners. Most of them are very similar, and they do provide the opportunity for them to provide us with services, staff and workers at this point. They do provide that we would need to negotiate new agreements for the mining phase. Along with the application for the mining licence, we need to go to the next phase with the traditional owners. We would obviously be addressing those questions in more detail then.

Mr HAASE—Thank you for your presentation. I did not get all of it. I am sorry; I was running a little late. Further on from the questioning so far, I would like you to explain what has pushed you over the edge at this point in time as a company to proceed with further exploration and proving up of resource.

Mr Eggers—Summit have been in the business, as I explained earlier in my presentation, for a number of years, and we have been looking at these deposits since 1990. When we were dispossessed in the way we were in 1998, we mothballed it. By around September-October 2004, the company and I were under a lot of pressure from investors to basically dust off our uranium exploration projects and take another look at them. That was simply being driven by investor interest and interest worldwide in uranium deposits and the need for them. It was for simple commercial reasons that we were forced to take another look at them.

Mr HAASE—Is Summit concerned that this further investment may be money down the drain because the policies will not change and you will not be permitted to go ahead and mine?

Mr Eggers—No. I understand the question. Really, as I say, there is no ban on uranium mining in Australia; it is the Labor Party policy of not approving new mines that gives us all uncertainty. There is not a state that I am aware of that has had a Labor government forever.

Mr ADAMS—Forty years in Tassie.

Mr HAASE—They are traditionally a little slow down there!

Miss JACKIE KELLY—It is really part of New Zealand!

Mr Eggers—If we have a resource that it is in the national interest to develop, we think both the state and federal governments should know about that resource. We are acting at the moment and investing the money wisely on behalf of our shareholders. We are also bringing the project's attention to this committee and to the government of Australia, because I think it is a significant project.

Mr HAASE—You have a strong belief that commonsense will prevail, in the end.

Mr Eggers—I am a geologist, not a politician.

Mr HAASE—What would you like to see changed with respect to approvals and commitments of various governments to your cause that would give greater certainty to the process? You have the experience of having been granted assurance by a state government, and then of course the show was mothballed. Can you identify any particular certification process that would guarantee you the right to mine once you prove a resource?

Mr Eggers—Under the Westminster system, no government—even one of the same persuasion or political leaning—that is re-elected is bound by undertakings of the previous government, state or federal. So in fact there are no cast-iron guarantees that can be delivered to Summit. We would like to see that we are not facing this uncertainty of either a federal change in government or a state change in government during our feasibility studies. By the way, it would cost us in the order of $20-odd million to achieve those. That is a significant expenditure, with the doubt left there that we might get to the end of that and not be granted approval. So I quite clearly see that as being the only impediment in our way. We have got to meet all the other normal guidelines, environmental standards et cetera. We accept that. We understand the sensitivity of uranium.

It is this policy of the Labor Party which creates the doubt. That is a federal issue. My understanding—and I am sure there are other people in the room who could correct me—is that the state Labor governments are bound by that federal policy. They may espouse it in different ways, but, really, until that policy is changed, regardless of what they say, they probably cannot give us approval. I would go further and say that South Australia is a fully-fledged state and that I have it on record that Mike Rann has asked for the policy to be abolished because he wants to approve new uranium mines in that state and cannot. So there is an instance of a Labor Premier who is in favour who cannot proceed because he is bound by this federal policy of the Labor Party. I see that as the single most important issue that needs to be addressed.

Mr HAASE—You made the statement just then that you accept the process of application for approvals because of the sensitivity of uranium.

Mr Eggers—Yes.

Mr HAASE—You have confessed to being a geologist and perhaps not a nuclear physicist, but with your understanding of the nature of the product yellowcake do you believe that the public sensitivities in relation to uranium are justified or do you think it is due to perceptions rather than realities?

Mr Eggers—It is totally due to perceptions. I addressed some of that earlier in the presentation—I am not sure if you were here. I mentioned other dangerous goods that are transported around. Uranium is about as dangerous as lead based paint, and that is the end of it. But it is a public perception that it is a lot more dangerous.

Mr HAASE—Do you have any solutions as to how we improve the public perceptions and create reality?

Mr Eggers—Education from preschool to university.

Mr TOLLNER—In your presentation you said that you have nothing against the coal industry. Reading your submission, you seem to support the Kyoto accord. Having just been in Europe, I cannot see how a 35 per cent jump in electricity costs to the point where they are paying four to five times what we are paying here in Australia for electricity has helped anyone. To me, a lot of this uranium debate is being driven by the greenhouse argument rather than commercial arguments. Can you comment on that?

Mr Eggers—Yes. I do not have the information in front of me but, again, Ian Hore-Lacy from the Uranium Information Centre I know has presented this information in other forums. In fact, whilst the capital cost of a nuclear power plant is enormous to start with, nuclear power is commercially competitive with all other forms of power generation at the moment. As I said, I do not have those exact figures in front of me, but I can produce them. If power is costing 35 per cent more in Europe than it is here—

Mr TOLLNER—No, four to five times more than it costs here. When they started their carbon trading, almost overnight power costs increased another 35 per cent.

Mr Eggers—That has nothing to do with the commercial viability of a nuclear power plant; that is to do with the structure of that carbon trading policy.

Mr TOLLNER—Hang on: you are saying Kyoto is a good thing. I am wondering whether you can comment on whether it is a good thing to have a 35 per cent jump in power costs overnight to the point where you are paying five to six times more for electricity than you are in Australia.

Mr Eggers—Kyoto is a good thing. I think I might have made the statement that, in the Western world, it is largely the US and Australia that have not signed—most other countries have. Tony Blair in fact has been very supportive of Kyoto. If Kyoto meets its targets—it will not, but if it does—and reduces greenhouse gas emissions by 60 per cent, all that will do is halt global warming at best. Nobody believes that Kyoto is going to make those targets. The current models for global warming are out. I did not have time to put that up today, but you can get it off my web site. If the current greenhouse gas emissions continue as they are, or even are reduced somewhat, it is expected that warming will increase by between one and 11 this century. That

might sound like a big band, but that is two different models that have been published in *Nature*. The least of those will give a rise of sea levels by five metres this century. That is significant. There are going to be a lot of displaced peoples. In poorer parts of the world, there are a lot of coastal communities that are going to be wiped out. I can assure you that in the wealthier parts of the world there is a lot of very valuable coastal real estate that is going to disappear. This is reality. Summit does not generate these models. This is published information.

Mr TOLLNER—But you must also understand the reality that, as the world's energy consumption has increased, there has been a corresponding decrease in the amount of people living in poverty. Right?

Mr Eggers—Yes.

Mr TOLLNER—The argument would be the more we can increase energy production the better off we are going to be and the more people we will drag out of poverty. It seems to me that Kyoto is all about cutting energy consumption, destroying industries and jobs. I cannot for the life of me see how that can benefit anyone.

Mr Eggers—I think Kyoto is more about trying to reduce greenhouse gas emissions and the burning of fossil fuels.

Mr TOLLNER—How do we replace fossil fuels in that whole equation? We cannot replace them all.

Mr Eggers—No, but what we have to face is that China's economy is growing and they want to improve their standard of living. The biggest thing that the Chinese are going to consume is not KFC and not Coca-Cola but energy. If we sit here and just keep letting them build more coal-fired power stations, we are all going to suffer. The other alternatives, which I have not had time to address today but which I am happy to, are the renewables.

Mr TOLLNER—You would get a different argument from the coal industry, of course.

Mr Eggers—That is fine. The coal industry is going to go on. I just say that these economies which are going to require the energy are already developing the facilities to generate the energy. We have the fuel.

Mr TOLLNER—On page 27 you talk about coal mining generating 30 times the greenhouse gases and coal transport generating 19,000 times more greenhouse gases. I fail to understand how you came to these conclusions about the mining and the transport.

Mr Eggers—It is very simple. This is based on the amount of energy out of one tonne of rock from mining.

Mr TOLLNER—That is not mining. That is energy production, isn't it? That is coal power generation.

Mr Eggers—No, this is the greenhouse gases generated out of the actual mining activity—those big yellow trucks and things digging it up. One tonne of uranium rock at our grades

contains as much energy as 30 tonnes of coal. They need 30 times more trucks coming out of the pit than we need to bring up the same amount of energy and put it on deck. One tonne of yellowcake is very easy to transport, and that is equivalent to 19,000 tonnes of coal. So we can transport one tonne of yellowcake and they need to transport 19,000 tonnes of coal to deliver the same energy to the coast.

Miss JACKIE KELLY—I am not a geologist; I am a politician. You would be amazed at the number of geologists who come to this committee and claim they have public support for further uranium exports. They say that they are using a Morgan poll. I do not know too many serious politicians that take Morgan seriously.

Mr HAASE—It used to be that the Liberal Party did.

Miss JACKIE KELLY—Not anymore. It has not asked the right question. The question is: of the 40 per cent of Australians who do not support development and export of uranium, how many would change their vote on this issue? Therein is the political conundrum, because if the two major parties move position and people turn to vote for a minor party then major parties do all sorts of silly things for that vote, as we saw in the last federal election with logging in Tasmania. How do you suggest we remove the political risk from the approval process given that very stark political factor? You say you have to remove the sovereign risk, but can you give me a solution?

Mr Eggers—I can only state again that I am not a politician. What I would say is that we are a signatory to the non-proliferation treaty. Why don't we all take a look at Canada as a model? They have an economy not that different to Australia's. They have a resource based economy. They have a well-educated, intelligent community. They deal with it day by day in a matter-of-fact way and it is not an issue. Why can't it be like that here in Australia?

Miss JACKIE KELLY—I just explained that. Ten per cent of people are going to change their vote on this issue.

Mr Eggers—Maybe. But I cannot help that. Ten per cent of people will sit on the fence and change their vote on any issue.

Mr KATTER—Six million tonnes will be going out each year—is that right?

Mr Eggers—No. We are talking about producing 2,750 tonnes of uranium oxide, yellowcake, a year and then scaling up to 4,000 tonnes.

Mr KATTER—The product you send away is called yellowcake.

Mr Eggers—Yes.

Mr KATTER—And there would be two million tonnes of that per year.

Mr Eggers—No, 4,000 tonnes. That is equivalent to about 76 million tonnes of coal. It is 4,000 tonnes of freight.

Mr KATTER—I got the wrong figure there. On Jackie's point, after the last election in Tasmania I am more inclined to think the 10 per cent will move our way, to the people that are pro uranium mining, that is—I do not mean 'our' in a political sense. But there is a perception out there that needs to be dealt with. In one evening on the television I watched seven government-paid pro environment ads, and some of them were enormously anti industry, whatever the industry was. Here is an industry that is producing $100,000 million a year and you do not put a single advertisement out. Then you expect us to go out there and be murdered because nobody out there knows anything.

Surely, Alan, some of you people have a responsibility to talk to your mining council and, instead of running around in suits here in Canberra, get someone out there. I am not talking through my hat. When I was minister, I approached the mining companies and they agreed to give us $2½ million a year. The government, through our royalties, would put in $1½ million a year, and we would run a campaign to educate people. It was not necessarily pro mining—but to educate them so at least you are dealing with a more intelligent viewpoint than you are dealing with at the present moment, running around fighting phantoms.

Mr ADAMS—Informed debate, I think.

Mr KATTER—Yes, informed debate rather than uninformed debate.

Mr Eggers—I would have thought the formation of this committee is part of that process. We have to get the information to all levels of the community. I would say that, yes, there is room for the environmentalists and their view. There is room for all views in our democracy, I would have thought. But uranium is sensitive. However, as I presented, the founder of Greenpeace and several very prominent environmentalists who are informed are coming out now and have come to the conclusion that there is no alternative for base load power. We need to get that information out. We also have companies to run and everything else. We cannot all be full-time lobbyists either. It is a wide community problem. I would say that, in the last year, you would have had to be asleep not to notice that perhaps once or twice a week in the national press there is a fairly positive article on uranium mining. It has been in other forms of media as well. I believe the debate has swung a long way in the last 18 months—further than I would have said if you had got me in here 18 months ago. Then, I would have said that it was a very difficult issue and the public are not going to be with us. I do not believe that any longer. I really think it has swung a long way.

Mr KATTER—I urge Mr Eggers in the strongest possible way that these people have to sell this to their party rooms and their branches and that there be adequate lobbying done—not by you, Mr Eggers; you do not have the resources to do this. I mean by the CSIROs and BHP and people like that earning huge money from this. We need them down here in the parliament but, more importantly, in the national media. I urge that of you, Mr Eggers.

CHAIR—Alan, thank you for agreeing to appear before the committee today. If the committee has any further questions the secretariat will contact you.

Mr KATTER—Can we get the DVD, Chair?

CHAIR—As to the matters that you were going to supply, please get back to the secretariat.

Is it the wish of the committee that the submission and slides provided by Summit Resources be received as evidence to the committee inquiry and authorised for publication? There being no objection, it is so ordered.

Resolved (on motion by **Mr Katter**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 12.39 pm