



DEEP YELLOW

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6 May 2005

Geoff Prosser MP
Chairman
Standing Committee on Industry and Resources
Parliament House
Canberra ACT 2600

Dear Sir,

Re: Case study of the strategic importance of Australia's uranium resources

Thank you for the opportunity to contribute to the inquiry into the strategic importance of Australia's uranium resources. Our company is in the very early stages of the development of its uranium resource base and as such has only limited practical exposure to some of the issues for which you are seeking input. However we are pursuing a future focused on uranium exploration and development because we believe that uranium mining and nuclear electricity generation have an important role to play in the future of many countries facing the difficult task of balancing increasing electricity requirements against the environmental issues associated with greenhouse gas emitting fossil fuels. We also believe that Australia, as a stable liberal democracy strongly endowed with uranium resources, has a pivotal role to play in that future. Please find our responses below.

a) Global demand for Australia's uranium resources and associated supply issues.

Deep Yellow believes that the current shift in favour of nuclear electricity generation is being driven by the requirement for countries to meet Kyoto protocol targets while at the same time needing to increase electricity output to meet the requirements of their expanding and/or modernizing economies. Previous reservations about the safety of nuclear electricity have been significantly diminished by the high standards of safety set by the industry and the resulting excellent safety record of the last two decades.

The result is a rapidly increasing demand for uranium resources to fuel these power requirements, a process evident in the sharp increase in the uranium price in the past 18 months. Uranium resources are notoriously difficult to discover and a very prolonged period of depressed uranium prices has seen little exploration carried out in the last two decades. Now that the shortfall is evident, the countries in which new resources will be sought will be those already well endowed and hence regarded as having the best potential for further discoveries. Australia currently has in excess of 35% of the world's uranium resources and the potential to discover much more. The

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international community will look to Australia to provide the uranium resources necessary to meet their unavoidably linked environmental and power generation responsibilities.

b) Strategic importance of Australia's uranium resources and any relevant industry developments.

In addition to its strong natural endowment with uranium resources, Australia's position as a strong liberal democracy presents it as one of the most secure sources for reliable supply. Equally as important is the strong, open and accountable government capable of regulating uranium exports in a manner with which the international community can feel comfortable. This is not true of all countries rich in uranium resources.

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

The reduction of greenhouse gas emissions is principally dependent on the ability to find alternatives to fossil fuels in the generation of electricity. Evidence to date is that wind, wave and solar power can not provide the scale of electricity required without a backup facility powered by reliable fossil fuels. Geothermal energy is not yet proven on large scales.

Amongst existing technologies, zero-emissions nuclear electricity generation is increasingly being seen as the answer. Before this can happen, however, there will need to be a significant increase in the supply of uranium.

Australia is a stable liberal democracy well endowed with uranium resources. It has the ability to provide the international community with a safe and secure supply of the uranium resources needed to provide increased electricity supply while reducing greenhouse gas emissions. Conversely, without Australia's support, supply will need to be sought from a number of countries that are struggling to establish a strong democracy and from whom reliable, secure supply will be difficult to achieve.

The implications for global greenhouse gas emission reductions is quite simply that they will be significantly harder to achieve without the development and export of Australia's uranium resources.

d) Current structure and regulatory environment of the uranium mining sector

As a junior exploration company Deep Yellow does not have any practical experience regarding the structure and regulatory environment of uranium mining in Australia.

Our experience regarding the regulatory environment for uranium exploration in the Northern Territory is that the regulation is rigorous and serves as a strong educational tool to companies regarding their obligations to the various stakeholders in the process including community, government, environment and traditional landowners. Deep Yellow regards this as the right approach and believes that this approach serves to reassure the community that uranium exploration can be carried out in a safe and environmentally aware manner.

Once again thank you for the opportunity to make this submission. The company looks forward to the results of the inquiry.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Pratt', is centered below the text 'Yours sincerely'. The signature is fluid and cursive.

James Pratt
Director