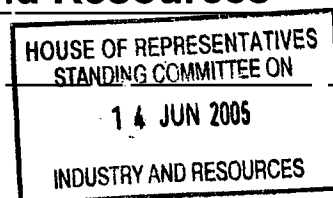


**Submission to the House of Representatives Standing
Committee on Industry and Resources**



**The Strategic Importance of Australia's
Uranium Resources**

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by

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General

Heathgate Resources supports the submission to the committee by the Uranium Information Centre Limited. In addition, the company has some specific comments on matters being addressed by the inquiry, as follows:

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

After nearly 30 years of very limited activity worldwide, the uranium business appears to be entering a boom period. This increased activity level is being fuelled in part by the growing need for affordable, reliable and safe electricity around the world and of course concerns with regards to global warming.

With the current shortfall of new production verses the actual requirements for uranium to be converted into electricity via nuclear power plants, additional uranium mines will be required.

For the first time in nearly 30 years, the uranium business is moving towards primary production. The need to resume uranium exploration is required in order to find and develop more low cost uranium reserves and resources. Certainly this is the case for Heathgate Resources and affiliated company Quasar Resources, which are both actively exploring in South Australia.

One-third of human-induced greenhouse gases come from the burning of fossil fuel to generate electricity. Nuclear power plants do not emit these gases and are the single most significant means of limiting the increased greenhouse gas concentrations while enabling access to abundant electricity.

Australia, with its large undeveloped reserves and resources has a very important role to play in meeting the world's demand for uranium fuel and should not be inhibited from doing this by inter government regulatory and legislative differences.

Over the past 30 years or so, Australia has been viewed as largely politically unstable in terms of supporting a sustainable uranium industry and this needs to change.

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

Exploration

Australia's uranium resources have been well document by others. A key point is that the existing reserves and resources were discovered in a period of intensive exploration following the uranium price rise of the 1970s and 1980s. This resulted in

discovery of a substantial number of deposits, many of which have not been developed because of depressed prices and lack of favourable government policies.

The recent price increases have fostered an expansion of uranium exploration activity in some states. Because of Australia's favourable geology, this will inevitably lead to additional discoveries.

Quasar Resources, a sister company to Heathgate Resources, has in May 2005 announced the discovery of the Beverley – 4 Mile Prospect some 8km NW of Beverley where ore grade uranium mineralisation is located in Mesozoic sandstones in widely spaced drilling. In 2002 Heathgate discovered additional Beverley style ore in the Deep South Prospect, some 3-5km south of Beverley.

The existing uranium mines such as Beverley are clearly a strategic Australian asset and policies of State and Federal Government should continue to support their continued operation and the continuation of near mine exploration as is undertaken at Beverley.

Native Title Agreements

The establishment of the Beverley Uranium mine has resulted in a number of benefits for the Adnyamathanha and Kuyani people who are the traditional claimants to this area adjoining the northern Flinders Ranges. These benefits include:

- A site workforce with employment of over 25% Aboriginal persons from the Flinders Ranges area;
- Community and Administration payments;
- A regular consultation process with Aboriginal representatives;
- Royalties totalling approximately \$1.0m per annum paid to the whole of the Adnyamathanha and Kuyani communities; and
- Cross cultural training and awareness for Heathgate workers.

The benefits of mining (including uranium mining) accrue across many communities and because mining is often in remote areas, funding benefits are likely to have strong impact in these remote areas. An expansion of uranium mining is likely to have continuing positive benefits to Aboriginal communities in remote Australia.

Current structure and regulatory environment of the uranium mining sector

Regulatory Requirements

Heathgate Resources has found the South Australian regulatory bodies to be extremely supportive in both the obtaining of approvals to operate and the ongoing regulation of an operating mine, while at the same time ensuring operations are conducted according to all legislative requirements.

South Australian regulators have provided constant assistance to Heathgate Resources in fully understanding their legislative obligations. This is done by both

the provision of published guidelines and when required more specific written or verbal clarification on how a project or process can proceed with the least impact to the workers, environment and where applicable members of the public.

Some recent changes to the regulatory regime in South Australia have had a small impact on the fluidness of the approval process. For many changes to process that occur frequently, approval might be required from several regulatory departments and at times from different divisions of the same department. The approvals on occasion need to have separate applications lodged. This system has the potential for the operator to unintentionally miss one of the required approvals, thus proceeding with construction and operation without all the necessary documentation. A streamlining of this system would be helpful to both speed up approval process and ensure inadvertent mistakes do not occur.

Denial of Transport for Class 7 Material (Uranium Ore Concentrates)

The nuclear industry have been experiencing difficulties transporting Uranium Oxide Concentrates (UOC) in bulk quantities that contain very low concentrations of naturally occurring radioactive material categorized as Class 7. Denial of transport services is evident and appears to be increasing.

Australia's three producers of UOC currently supply approximately twenty seven per cent (27%) of the world nuclear power raw feed material stock. The Australian supply could possibly increase to around thirty five per cent (35%) in future years.

Currently political sensitivities restrict Australian producers of UOC to the use of two export ports located in Adelaide, South Australia and Darwin, Northern Territory. There is the pervasive promotion of 'nuclear free zones' encouraged by 'non government groups' and local governing councils, which to some extent prohibit growth in this industry.

Reasons for denial of service include but are not limited to the following:

- The policy of the vessel owners not permitting Class 7 cargo on their vessels – uneducated and easier to ship alternative cargo.
- The policy of the vessel operators (shipping line/carrier) not to accept Class 7 cargo – excess paperwork, consortium will not give authorization, uneducated, insurance difficulties.
- The policy of vessel operators (within shipping consortiums) not to accept Class 7 cargo.
- Restrictions imposed by port authorities or countries, through which vessels carrying Class 7 cargo may need to either, transit through or tranship (transfer to another vessel). Nuclear free zones – political fears and lack of awareness.
- Difficulties and/or delays with port authorities and government regulators imposed on shipping line/carriers when applying for approvals and permits.
- Restrictions imposed by safeguards regulators due to issues surrounding bilateral treaties etc.
- The high cost of delays resulting from issues surrounding the misinterpretation of shipping documentation associated with the clearance of Class 7 cargo into discharge ports. Excess paperwork can become confusing.

- Ongoing fear that any simple singular issue arising from the carriage of Class 7 cargo may result in refusal of entry of the vessel into a port.
- Inability for some transport carriers/shipping lines/carriers/owners to obtain adequate insurance cover for the carriage of Class 7 cargo.
- Poor education of radioactive material by the ultimate decision makers.
- Continually increasing demands stemming from ever changing legislative requirements in response to the threat of international terrorism.

Reasons for delay of service include but are not limited to the following:

- Shortage of space on a vessel or preference given to other commodities, sometimes for seasonal reasons.
- Overbooking.
- Unexpected re-routing of both initial and/or subsequent on-feeder vessels resulting from.
- Vessels not being registered to carry Class 7 cargo
- Vessel owners or operators not agreeing on the acceptance of the cargo.
- Instances whereby the shipping line/carrier alters requirements outside the agreed standards and/or contract terms.
- For example. Canadian Pacific Ships with clearance certificate requirements.

Greater acceptance of the uranium industry by local State and Federal Governments, political parties, community groups and the public at large is likely to lead to improved acceptance of the industry and possibly reduce concerns about shipping denial and restrictions. However, it should be stressed that, already, this trend has resulted in increased transport costs to the existing uranium producers. Continuation of the trend is likely to impact on Australia's ability to deliver its UOC products to market in a cost effective and timely manner.

Conclusion

Heathgate Resources is proud of its reputation as a new, competitive, environmentally and community sensitive and technically innovative producer of uranium to its utility customers in USA, Japan and Europe. We plan to increase our existing mining and exploration operations in the Beverley area and are actively seeking additional uranium investment opportunities in Australia.

We would be pleased to present additional information, if requested, and also to make available key personnel on any of the above issues or other matters should the committee decide to visit Adelaide or Beverley. We look forward to the results of your deliberations on these strategic uranium matters.

Mark S. Chalmers
Senior Vice President and General Manager