



Submission to the Infrastructure SA 20 year State Infrastructure Strategy

Heathgate Resources Pty Ltd (Heathgate)

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1. Executive Summary

Heathgate has been mining uranium since 2000 from the Beverley, Beverley North and Four Mile sites east of Arkaroola, 550 kilometres north of Adelaide.

Heathgate currently employs about 220 people. It was the first SA miner to commit to and achieve a 20% employment target for aboriginal workers for its non-professional site workforce, drawn from the native title holders, the Adnyamathanha people.

Heathgate has;

- invested \$1.7 billion in SA
- paid more than \$37m in state royalties and c\$10m in state payroll tax
- and paid many millions in native title payments (NB this figure is confidential)

All supplies are trucked to the site. All exports are trucked from the site and shipped out through the Port of Adelaide. The operation relies on more than 100 road trains a month.

The company strongly supports the State Government's vision for a 20 year plan for Infrastructure. Such planning is crucial for long term future development.

However, we must stress that before new projects are planned or funded, existing critical economic infrastructure must be repaired.

Importantly, there must be an on-going commitment to adequate maintenance of these assets into the future.

The operation is facing increasing cost pressures and risks from deteriorating public roads that are inadequately maintained, especially the Yunta to Teatree Outstation road (Yunta Rd). A six-hour trip to the mine some six years ago is blowing out towards 12 hours as trucks are forced to reduce speeds to continue safely at 30kmh.

Freight companies engineer specially ruggedized semi-trailers to cope with the severely corrugated roads and travel in convoy so drivers can stop and help each other replace blown tyres on Yunta Rd. New truck tyres alone can cost tens of thousands of dollars a month.

Heathgate is not seeking for the Yunta Rd to be sealed and it is not seeking a road that guarantees 365 days a year access – flood events do cut roads and stall work in the far north.

Heathgate is seeking the Yunta Rd to be repaired to a reasonable standard and for it to be adequately maintained. The company is willing to make an appropriate contribution to an agreed program to help achieve that.

It is understood a major repair of the worst section of the road has been estimated at c\$16m.

This work is urgently needed and must commence within a year or two, not in five, ten or 15 years. The road continues to deteriorate, and further delay will only make repair more expensive and lift maintenance costs.

Inadequate maintenance of the Yunta Rd is proving an obstacle that increases the costs and risks of our operation right now as well as threatening its future growth.

As an investor and employer in this State for more than 20 years, Heathgate believes the Yunta Rd problem – and other problems of poor infrastructure that threaten economic activity - must be addressed before longer term initiatives.

Fixing current public infrastructure that help create wealth, income and jobs for the State must be the SA Government's priority before other projects divert focus and funds.

Heathgate strongly supports the SACOME proposal to create a category of '**Resources Roads**' recognising their economic importance and attracting appropriate priority in funding and maintenance. Yunta Rd should be declared such a road.

2. Mine operations and the Yunta Rd route

Heathgate has positioned itself as a technology company using the low impact in situ recovery (ISR) process to mine uranium. ISR is used in the uranium mining industry around the world. It involves drilling recovery wells, pumping and extraction (analogous to oil and gas) using a chemical solution to recover the uranium.

There is no open pit, underground mining or tailings and the well fields are easily rehabilitated after mining.

On recovery, the product is processed in the onsite plant into uranium ore concentrate (UOC) – also known as yellowcake – placed into drums then secured in 20-ft containers for road transport to the Port of Adelaide. The mine exports more than four million pounds, or more than 1800 tonnes of UOC per year.

The wellfields and processing plant, plus the requirements of the camp that operates 24/7, 365 days a year, demand up to 150 tonnes a day of chemicals and supplies. Chemicals trucked to site include salt, peroxide, caustic, sulfuric and ferric acids along with food supplies for the onsite workforce.

More than 100 road-trains a month use the route north via the Barrier Highway taking a 218km journey on the public Yunta Rd. (*see the attached map*)

The journey continues on 80km of the EPIC Energy Right-of-Way (EPIC RoW) which runs alongside the Moomba to Adelaide gas pipeline. Under agreement with EPIC, Heathgate pays for its right to use the EPIC RoW by meeting 100% of the cost of maintaining this section of roadway.

Heathgate also meets all the costs of making and maintaining roadways on its mining leases; some 70km in all.

In total Heathgate spends more than \$1m annually on roads in and outside the mine.

Alternative routes to the Yunta Rd have been examined but rejected by way of community consultation or economics, including travelling further north to join the Strzelecki Rd. This would involve a new 40km section of road to gain access.

There has been regular focus on the Strzelecki Road and a major c\$500m plan to seal that road. Heathgate does not oppose that project but given its location 80km north of the mine, the state of the roads that lead there, plus the time it would take to complete that much larger project, a Strzelecki upgrade is of no value to Heathgate's operations.

A 2017 traffic study revealed that Heathgate vehicles made up about 6% of the vehicles using the Yunta Rd. A total of 50 vehicles a day traveled the road, with only 23% of all movements being heavy vehicles. Other heavy vehicles include those used by the pastoral industry and other mineral explorers.

About 75% of the traffic was light vehicles including tourists.

The Yunta Rd has deteriorated markedly over the past six to seven years.

Originally the travel time stood at six hours. It has now passed 10 hours on average for each truck independent of load type with estimates it will soon reach 12 hours, a doubling of travel time.

This extended time triggers further delays and costs in relation to drivers as safety breaks force extra crewing arrangements.

Trucks are specially ruggedized to cope with the severely corrugated roadway.

Trucks often travel in convoy so drivers can assist each other changing tyres. On occasion a vehicle can lose multiple tyres in a single journey.

It's understood early estimates by DPTI in 2017 on the costs of repair for the poorest stretch of the Yunta Rd were in the order of \$16m.

A detailed study of the current state of the road would obviously be required to cost options and determine the best program of work. Heathgate would co-operate closely involved in that process.

3. The Challenges

Worker and environmental safety are of the greatest priority to Heathgate.

The state of the Yunta Rd poses an ever-increasing challenge to the company.

It adds to the cost and difficulty of the operation.

Transport to and from the Heathgate operation is a major cost for the company.

There are unique costs and risks surrounding the transport of uranium.

Uranium is subject to the strictest international, nation and state regulation, including in its transportation.

Each transport of uranium concentrate – yellowcake – must be notified to State and Federal agencies.

Any yellowcake spill is reported to state and national authorities and becomes the subject of international coverage.

In 2016 a UOC transport vehicle rolled over on a regional highway near Saskatoon, Canada and spilled a small part of its load. This incident resulted in international media coverage and sparked an on-going review of worldwide uranium transport including in Australia led by Federal Government agencies.

Concern about any disturbance of drums and containers carried on transport from Heathgate has led to the company developing the highest levels and standards (now recognised as world leading practice) of strapping and securing loads.

In terms of environmental and work safety risk, a turnover of a container of peroxide or sulfuric acid poses an even greater threat than a yellowcake spill.

Heathgate operates its mines extremely safely. The company has done so successfully for 19 years. The state of the Yunta Rd makes that task more expensive and difficult as it deteriorates.

4. Conclusion

Heathgate is ready to do its part in an appropriate plan to fix the Yunta Rd, including considering appropriate co-funding of what is a public road used by many interests.

Heathgate strongly endorses the SACOME proposal to recognise roads such as the Yunta Rd as **“Resources Roads”** that must be prioritized for repair and maintenance.

This would be consistent with the Government’s **“Royalties for Regions”** program where a significant percentage of royalties generated in a region are committed to be returned to that region.

It’s important to note Heathgate is a regional employer.

While many mine site workers are FIFO from Adelaide, at times almost 20% of the workforce is FIFO from Pt Augusta.

Heathgate wants to see the Yunta Rd fixed and maintained for the benefit of all users including pastoralists, tourists and other explorers and miners as well as for the on-going operation and continuing development of the Beverley mines.

The company hopes Infrastructure SA and the State Government will recognise the need to deal with Yunta Rd as an urgent priority ahead of larger, new projects.

Adequate repair and maintenance of existing infrastructure offers the cheapest and quickest return on investment for the State, helping to secure existing jobs and grow new jobs at established projects and acknowledging those with a long term and proven commitment to South Australia.

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Map follows.

