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HEADS OF AGREEMENT

between

the Government of the Commonwealth of Australia of the first part, the Government of the State of South Australia of the second part, and the Combined Development Agency of the United States and the United Kingdom of the third part.

1. The Government of South Australia (hereinafter called "the State") agrees to sell and the Combined Development Agency (hereinafter called "the Agency") agrees to buy the uranium output of the Radium Hill Mine for the term of this Agreement.
2. This Agreement shall be for a term of seven years which shall commence from the certified date of full production, or from the first day of January, 1955, whichever is the earlier, provided that the State may at its option reduce the term if at any time after delivery of six hundred tons of $U_{30.8}$ the reasonably assured ore reserves at Radium Hill are less than will provide six hundred tons of $U_{30.8}$.
3. The Agency indicates its desire for expanding the programme outlined in Annexure "A", and is prepared to consider any proposals submitted by the State which would increase production.
4. The Government of the Commonwealth of Australia (hereinafter called "the Commonwealth") concurs in the making of this Agreement between the State and the Agency, and in matters involving Commonwealth authority will assist the programme outlined in Annexure "A". The Commonwealth will not exercise any of its powers under the Atomic Energy (Control of Materials) Act 1946 so as to impair the fulfilment of this Agreement by the State, and will not in the exercise of its powers under any other Act discriminate against the carrying out by the State of the programme abovementioned.

5. For the purposes of this Agreement the "certified date of full production" means the first day of the calendar quarter following the calendar quarter in which the State certifies that the development and construction programme outlined in Annexure "A" has been completed and that full scale operation has started.

Programme

6. The State agrees to undertake the programme of development, construction and production outlined in the letter and attachments dated 21st March, 1952, from the Honourable Thomas Playford, Premier of South Australia, to the Right Honourable R.G. Menzies, Prime Minister of the Commonwealth. Copies of the abovementioned letter and attachments are attached hereto as Annexure "A".

Price

7. The price to be paid to the State by the Agency shall be determined as follows and shall be an f.o.b. price per pound of U.₃O.₈ contained in a uranium chemical product from Radium Hill, meeting specifications approved by the Agency, namely:-

Seventy per centum of the cost of production of the uranium chemical product plus forty-five shillings (45/-) (Australian Currency) per pound of U.₃O.₈, provided that 25/- of the 45/- hereinbefore mentioned shall be varied quarterly prospectively as from the quarter ended 31st March, 1952, in accordance with percentage variations in the basic wage fixed for South Australia by the Commonwealth Court of Conciliation and Arbitration.

8. The f.o.b. price shall be determined in accordance with this formula upon a certificate being supplied from the Auditor-General for South Australia as to the correctness of the claim submitted together with cost statements in such detail as the Agency may reasonably request. The elements of cost to be used should, in general, accord with those used in preparing the estimates of capital costs and working expenses shown in Annexure "A".

Handwritten calculations:
709 1.41
2.8.0
3.16.0
6.1.0

9. For purposes of the calculation of the cost of production there shall be included annually contributions to a sinking fund and interest payments at a rate which will permit total capital expenditure in development, equipment and construction as outlined in Annexure "A", including the capital expenditure incurred prior to the date of full production, to be amortized over the period of the contract.

Delivery

10. The uranium chemical product shall be packed in suitable containers and delivered f.o.b. ocean vessel, when title and risk passes to the Agency.

Finance

11. (1) The Agency will upon request arrange for the offer from overseas to the State of loans of up to £A3,883,000 (£4,883,000, less £700,000 investment prior to this Agreement, and £300,000 working capital), for the development and equipment of the Radium Hill mine and the construction of the treating and chemical plants mentioned in Annexure "A".

(2) The borrowing will be effected either -

(a) by the State in accordance with the provisions of the Financial Agreement

(b) by the Commonwealth for and on behalf of the State in accordance with the provisions of the Financial Agreement between the Commonwealth and the States (the terms of which are set forth in the Schedule to the Financial Agreement Act 1944 of the Commonwealth);

or

(c) by a semi-governmental authority of the State, under guarantee by the Commonwealth.

- (3) The State will arrange in accordance with the Financial Agreement for the raising within Australia of the balance of the money required.
- (4) Repayment of the overseas loans plus interest at agreed rates shall be arranged on a sinking fund basis over a period of seven years, but the State may repay earlier if it so desires.
- (5) If this Agreement is terminated by the State prior to the end of the seven-year term in pursuance of Clause 2 of this Agreement, the unpaid balance of any overseas loan, plus interest, shall thereupon become due and payable.
- (6) Of the overseas loans mentioned in this Clause, two-thirds shall be in United States dollars and one-third in sterling, subject to the proviso that the amount of United States dollars to be provided shall not be less than the amount expended in United States dollars on materials, equipment and plant purchased in the dollar area for the Radium Hill project.

Currency Provisions

12. Of the payments due by the Agency for uranium purchased under this Agreement, two-thirds shall be made by the deposit of United States dollars for the account of the State with its bankers in New York, and one-third by the deposit of sterling for the State's account with its bankers in London.

13. The amount of United States dollars and of sterling to be deposited in terms of the last preceding clause shall be determined on the basis of the Commonwealth Bank's buying rates ruling at the time the deposits are made.

Miscellaneous

14. The Agency will co-operate to the fullest extent practicable in furnishing technical assistance for development of metallurgical processes, design of plants and initial operations. The Agency also will co-operate in such joint exploration programmes as may be mutually agreed upon.
15. The Agency will do everything in its power to expedite the execution of orders for materials, plant and equipment placed with suppliers in the Agency's constituent territories.
16. The State, as intimated in the letter of 21st March, 1952, attached as Annexure "A", will endeavour to reach full production as early as possible.
17. The Commonwealth and the State will do their best to ensure secrecy concerning uranium production processes, recoveries and grade of products, tonnages of products delivered, and the terms of this Agreement.
18. It is recognized by the State and the Agency that there may be considerable changes in the real value of money or in the ratio between Australian, British and United States currencies during the term of this Agreement. Accordingly if, in the opinion of either party, such changes have occurred to the extent that the margin between the cost of production and the selling price for uranium under this Agreement is unduly diminished or increased in value, in relation to the present day value of money, to an extent not covered by the price formula contained in Clause 7 of this Agreement, either party shall be entitled to raise the question of a suitable amendment to the price formula.
19. In consideration of the undertakings entered into by virtue of this Agreement by the State, the Commonwealth gives to the State the assurance set forth in a letter dated the first day of April, 1952, from the Right Honourable R. G. Menzies to the Honourable Thomas Playford attached to this Agreement as Annexure "B".

20. It is understood that some aspects of this Agreement may need further detailing, particularly provisions as to weighing, sampling and assaying, and the exact methods of provisional and final payments.

21. This Agreement shall become effective when duly signed for and on behalf of the Commonwealth, the State and the Agency, the effective date being the date of the last signature.

Initialed on behalf of the parties this first day of April One Thousand Nine Hundred and Fifty-two.

For the Commonwealth of Australia by
the Right Honourable R. G. Menzies,
Prime Minister.

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For the State of South Australia by
the Honourable Thomas Playford,
Premier.

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For the Agency by Jesse C Johnson,
Director, Division of Raw Materials,
United States Atomic Energy
Commission.

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URGENTFile No. 138/4

5th August, 1952.

Memorandum No. 992/52.MEMORANDUM for -

The Secretary,
Department of External Affairs,
CANBERRA, A.C.T.

URANIUM: RADIUM HILL AGREEMENT:

Cable No. 1024 dated 1st August, 1952, from the Ambassador to Mr. Allen Brown, Secretary of Prime Minister's Department, indicated we had received four (4) copies of the above agreement from the Atomic Energy Commission for transmission to Australia for signature, and that it was proposed to forward these copies of the agreement by secret air bag, via London, unless other instructions had been received by 4th August.

I accordingly attach hereto a sealed envelope addressed to Mr. Allen Brown, containing four (4) copies of the Heads of Agreement between the Commonwealth Government and the Government of South Australia on the one hand, and the Combined Development Agency on the other. The Atomic Energy Commission has asked that after the signatures of the Prime Minister and Mr. Playford have been affixed to the documents, two (2) copies be returned to Washington so that the representatives of the United Kingdom and the Atomic Energy Commission may each retain a copy.

It would be appreciated if the envelope could be transmitted as expeditiously as possible to Mr. Allen Brown for the taking of appropriate action.

We have also received from the Atomic Energy Commission copies of an exchange of letters dated 3rd June and 26th June, 1952, respectively, between Mr. Jesse Johnson of the Atomic Energy Commission and Mr. Playford, regarding the interpretation of the Radium Hill Agreement. A copy of the letter of 3rd June from Mr. Johnson was transmitted with our memorandum No. 788, dated 10th June, 1952 and, as we are not sure whether you have received a copy of Mr. Playford's letter in reply, two copies are attached hereto, and it is suggested that one copy might also be transmitted to Mr. Allen Brown.

The Ambassador would be grateful to receive advice by cable when signature of the agreement had been completed, so that he may advise the Atomic Energy Commission.

(C.T. Moodie)
Counsellor

57/6196

~~FOR OFFICIAL USE ONLY~~

UNITED STATES
ATOMIC ENERGY COMMISSION
WASHINGTON

CONFIDENTIAL

June 3, 1952

Honorable Thomas Playford
Premier, State of South Australia
Adelaide, Australia

Dear Mr. Playford:

I make reference to my recent cable informing you that the Combined Development Agency had approved the Heads of Agreement between the Commonwealth of Australia, the State of South Australia, and the Agency relating to Radium Hill uranium production.

The Agency has suggested that our mutual understanding of a few minor matters be recorded by means of correspondence. These matters are described below in two categories, which I believe you will find satisfactory as an expression of our mutual intentions. A record of our understanding on these points will be consistent with similar arrangements related to cost of production and will be of considerable assistance to the governments represented on the Agency from the standpoint of accounting and appropriation matters.

I. It has been agreed by the Heads of Agreement that the capital expenditures incurred prior to the date of full production as outlined in Annexure "A" of the Agreement shall be amortized and charged to the cost of U₃O₈. It is understood that the elements and the estimates of these capital costs made in Annexure "A" under "Estimated Capital Costs at Radium Hill and at Pt. Pirie Chemical Treatment Plant" represent a planned program for the construction of facilities included in these elements. In connection with capital costs to be amortized as part of production costs, it is suggested that it be further understood that, except with the prior approval of the Agency:

(A) Expenditures for any element of capital cost not so listed in Annexure "A" shall not be incurred;

(B) The size and scope of the facilities represented by these elements will not be modified with the result of increasing their estimated capital cost. For

AIR MAIL

Honorable Thomas Playford

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example, the program for the construction of "Roads, airdrome, etc." which was the basis for reaching the estimate of £211,000 will not be modified in a manner which would require an estimated expenditure greater than £211,000 unless such modifications in the construction program are approved by the Agency.

(c) No capital expenditures for additions, improvements, and replacements in connection with such elements of capital cost, in excess of £25,000 per annum, shall be incurred after the certified date of full production.

II. In connection with Paragraphs 2 and 9 of the Heads of Agreement, it is understood that the amortization of capital expenditure as described in Paragraph 9 will be on the basis of annual contributions to a sinking fund computed on the basis of a seven-year period. The current annual sinking fund contribution will be taken into account as an element of cost in computing the price per pound of U_3O_8 to be paid by the Agency. If the State of South Australia exercises its option to reduce the term of the contract to a period of less than seven years, as provided for in Paragraph 2 of the Heads of Agreement, the price of U_3O_8 to the Agency will not be re-computed to provide for complete amortization over the lesser period.

I discussed these points with Prime Minister Menzies on May 20 and I understand that the Prime Minister will advise you of his views.

If the foregoing is satisfactory to you, we would be most grateful if you would so indicate in your reply. Also, of course, as indicated in Paragraph 20 of the Heads of Agreement there may be other aspects of the arrangement on which it will be desirable to exchange views from time to time.

Sincerely yours,

Jesse C. Johnson, Director
Division of Raw Materials