

COMMENT

Uranium price run-up sparks IPOs



BARRY CRITCHLEY
Off The Record

A map showing the various locations around the world where companies are either staking, exploring or developing uranium properties is an instructive document.

It's even more instructive when the current map is superimposed on a similar map drawn up a few years back, which clearly shows a proliferation of exploration activity in what is the supply response to the sharp run-up in uranium prices over the past few years.

So if the staking and exploring is on the rise, it follows that investors can't be too far behind. Indeed over the past few weeks three issuers have filed prospectuses for initial public offerings.

Here are the highlights:

High Plains Uranium Inc., which was incorporated earlier this year, is either acquiring or exploring for uranium in two U.S. states, Wyoming (where it has 8,030 acres) and Texas (where it has 4,224 acres.) The company is carrying on work performed two decades back by two other compa-

nies in Wyoming, (Conoco and Power Reactor and Nuclear Fuel Development Corp.), and in Texas, TXO Minerals, a group established by Texas Oil and Gas, led the way more than 25 years back.

Now High Plains is seeking capital to conduct feasibility studies on those two areas. If it raises more than is needed for those projects, it will use the balance for either acquiring additional uranium opportunities or for working capital.

Thanks to a recently completed private placement, High Plains is fairly well cashed up: At the end of June it had about US\$10.8-million in working capital. Research Capital Corp., Dundee Securities and Canaccord Capital are leading the charge that will see investors be issued common shares.

Khan Resources Inc. This company was formed three years back and is engaged in the "acquisition, exploration and development of uranium in Mongolia." Its main area of focus is the so-called Dornod district of north-eastern Mongolia.

The issuer is planning to sell units with each unit consisting of a common share plus half a share purchase warrant.

Three firms, Haywood Securities, TD Securities and Paradigm Capital, are on the deal that, if successful, will see those three firms pocket a 6.5% agent's fee plus some broker warrants — the so-called agents' compensation option. The three firms will receive 8% of the total units sold in the offering.

The company, which had \$4-million in working capital at the end of September, plans to use the proceeds to develop its Mongolian interests.

Over the next 18 months the company plans to spend about US\$30-million, the bulk of which will be used for making payments to the republic of Mongolia to allow Khan to raise its stake in the so-called Main Dornod Property.

UR-Energy Inc. This company has been around since the spring of 2004. It holds properties in Wyoming and also intends to fund exploration and development of properties in northern Canada, specifically Nunavut and the Northwest Territories.

UR-Energy has an extensive development program. Over the next 18 months it plans to spend about \$14-million. Over the past 18 months, it has done a number of private placements: Its most recent offering was done last year at 90¢ a unit with each unit consisting of a share plus half a share purchase warrant.

Raymond James, Canaccord Capital and Haywood Securities are the underwriters for the offering of common shares. The three firms stand to receive a fee of 7.5% plus broker warrants equal to 10% of the number of shares sold in the offering.

Purepoint Uranium Group Inc. While the fate of the above three issuers will be decided by the willingness of investors to sign onto the plans as detailed by company management, another uranium company has already scooped up at least \$4-million of capital.

About one week back Purepoint closed a \$4-million private placement via the sale of units. Blackmont Capital and CIBC World Markets managed the offering that saw investors pay 40¢ for each common share plus half a share purchase warrant.

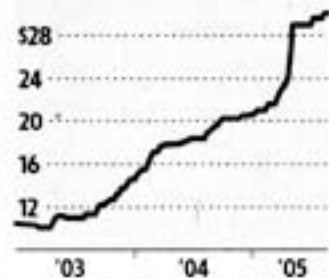
The underwriters have an option to sell another \$1.5-million in units. The money raised will be used to drill on two of the company's sites this coming winter. Purepoint is expected to be one of the few junior explorers to drill this winter in its locale.

Purepoint defines itself as "a uranium exploration company driven by intellectual, precision prospecting focusing on distinct, targeted properties with historical significance in the Canadian Athabasca Basin." The company went public earlier this year and has seven projects that cover nearly 120,000 hectares — or about 300,000 acres.

Financial Post
beritchley@nationalpost.com

URANIUM PRICES

US\$/lb. U₃O₈



SOURCE: THE U₃ CONSULTING COMPANY