THE NORTHERN MINER
THE GLOBAL MINING NEWSPAPER

Daily News
Monday, October 22, 2007

Uranium industry finds downside to the boom

Manpower, Equipment Shortages Accompany Yellowcake Upswing

By Trish Saywell

The commodity boom is stretching mining resources to the limit across all sectors in the industry, but nowhere are shortages of manpower and equipment more pronounced than in the field of uranium exploration.

"You're not going to find a uranium geologist anymore – they've all been grabbed up," says Chris Frostad, president and chief executive of Toronto-based Purepoint Uranium (PTU-V, PUMGF-O).

The "seasoned" field geologists "don't want to be out in the field anymore" and "the newly minted ones have no field training," he says.

That poses a problem for uranium exploration companies that are banking on finding the next super deposit in Canada's bustling Athabasca basin. The 100,000-sq.-km uranium-rich region of Saskatchewan accounts for about one-third of the world's uranium production.

After a two-decade draught, more than 60 exploration companies have staked claims in the area since 2003. Saskatchewan's Industry and Resources Ministry estimates that about $100 million was spent on uranium exploration last year – almost double the amount in 2005.

And as the world rediscovers nuclear power, that investment is only going to escalate. The spot price for uranium oxide has already climbed from near-historic lows of US$7.10 per lb. at the end of 2000 to about US$75 per lb. at presstime.

Evidence of shortages and delays are everywhere – from finding veteran uranium geologists and metallurgists to line-cutters, geophysical crews and drilling contractors.

Securing a drill rig and maintaining an inventory of spare parts isn't easy either, nor is getting timely results from commercial assay laboratories. Mining companies complain of waiting up to nine months to get essential equipment like down-hole scintillometers – state-of-the-art devices used to measure radioactivity.

"We've got one drill rig at the moment, which is one more than a lot of other people," says Peter Dasler, president and chief executive of CanAlaska Uranium (CVV-V, CVVUF-O). "We all want to go out and drill holes, but rigs are in short supply."

At the Saskatchewan Research Council's Geoanalytical Laboratories, analytical output has doubled in the last 18 months and the number of staff working on uranium samples has jumped to 70 from a small-knit group of 12.

The time it takes to complete analyses on samples has increased from a 10-day turnaround in April to six to eight weeks or longer, depending on how complicated the sample.

"We are swamped with uranium samples from across the country – from Alaska to Labrador," says the laboratory's manager, Bernard Gartner. "Hundreds of companies are using our labs."
Gartner, who has worked at the lab for 29 years, has only seen this kind of demand once before – during the last uranium boom in the 1980s.

"This situation is unique," he says, adding that now he is working ahead of time with companies to plan for next winter's – and summer's – exploration programs.

Drill foreman Dave Whitbread (left) and Purepoint Uranium's senior geologist Peter Daubeny discuss where to place a drill at Purepoint's Red Willow uranium project, in northern Saskatchewan.

The boom is pushing up salaries across the board, but particularly for geologists who know something about uranium. Irvine Annesley of JNR Resources (JNN-V, JNRRF-O) is one example. Prior to joining JNR in July, Annesley saw his salary as a former senior research geologist and manager of the Saskatchewan Research Council's mineral exploration business jump to $100,000 in 2007 from $65,000 in 2003.

The demand for skilled labour resources has meant that many skilled geologists and other professionals have been coaxed out of retirement with competitive salaries and benefits.

Others are being poached. Dasler of CanAlaska Uranium says many people working in government mining departments for example have been poached by mining companies desperate for staff. That has meant major delays for companies that need permits to work in the field.

"The big problem in Saskatchewan and Manitoba is that the government physically doesn't have the staff they had even two years ago to process the number of applications they are receiving from mining companies," Dasler explains. Permits are required for everything from putting up a camp in a certain location to the taking or discharging water.

"It's counter-productive for us to poach government people because we can't get the permits we need," he says. "Permits have been a month late for some people."

The shortages of manpower and equipment are driving companies to come up with new and more innovative solutions and means of doing business.

Cameco (CCO-T, CCJ-N), which operates McArthur River, the largest high-grade uranium deposit in the world, says it is facing unprecedented challenges in finding employees. As a result, it has had to develop new strategies to attract job applicants. These have ranged from introducing "flex-time" to "wellness co-ordinators," to building stronger relationships and partnerships with educational institutions.

Cameco has introduced pay for performance and a flexible benefits plan where employees can opt for traditional benefits or a customized plan, according to Gord Struthers, a Cameco spokesperson.

Purepoint, one of the original juniors to stake claims in Athabasca, is coping with manpower issues by looking further afield for professional help and Frostad says he has found a "real untapped resource in terms of new Canadians."

When he was recently looking for a technician to manage the company's geographic information system, for instance, the best candidates turned out to be new immigrants to Canada. He received resumes from people from India, Russia and China.

Purepoint ultimately hired a woman from Harbin, an industrial city in northern China, who had 12 years of experience in the field but had been unable to find work in Canada for two years. Prior to joining Purepoint, her previous employers in China invited her back twice to do more work for them.

John Francis, a partner in Montreal-based recruitment firm Theonera Inc., argues that more companies should be looking overseas to fill manpower gaps at home. Canadian companies by and large have been reluctant to do so, but can no longer afford not to in the current market – the tightest he has seen in his 16-year-career as a headhunter. He claims they must catch up with world trends, as mining operations in countries such as Australia and Europe are pursuing talent in North America.

"The typical response is that it's too time-consuming and too cost-prohibitive to bring people in," Francis says. "I know there is an extra cost, and sometimes a language issue, but there's also a huge cost in not having that person there. There are companies that have been looking for a person for a year or a year-and-a-half and that hurts the bottom line."

Companies are also finding that they must make the terms of employment more attractive – particularly for professionals with families. Purepoint has capped annual days in the field to 170, as well as individual stints in the field to a maximum of three weeks at a time to encourage professionals with families to work for the company. He also provides full-time salaries with medical benefits and a greater variety of financial work incentives, such as bonuses and options.

"The challenge with hiring individuals in exploration is that the work comes in fits and starts and puts people in the field for extended periods of time," he explains. "The result is that it is not attractive for anyone with a family."

Frostad says Purepoint has also had to get more creative when it comes to nailing down – and retaining – drilling crews.

"Drillers with experience in this region are like gold," he says. "If they're going to be paid an extra ten dollars per metre, they'll walk out on you. If they find the place they're drilling is a particularly hard place to drill – they'll leave you."

Apart from introducing retention bonuses and other perks, Purepoint is offering drillers a chance to buy or finance their own drills so they can launch their own companies. In exchange, Purepoint gets first call on their drills and the loan is paid off through drilling.

"If they're charging us one hundred dollars per metre, we would then keep thirty dollars of that and apply it against their loan," Frostad explains.

Typically, a new drill set costs between $600,000 and $700,000 and drillers can pay that sum off in about two years, Frostad notes.

But it's not just drillers and other manpower that are required. Demand for logistics and aircraft are escalating and local businesses providing everything from food to fuel and accommodation are enjoying a brisk trade.

"We've been working in an area of Saskatchewan where there hasn't been a lot of work for the last thirty years," he says. "We're pushing these local businesses to the limit."

Points North Landing, Sask. – once a remote and sleepy landing strip – has become a busy logistics hub and jumping off point for uranium exploration. Charter aircraft companies are reporting that demand for their services has doubled in the last two years. Garry Thompson, who owns charter business Osprey Wings, says he's busy year-round and has had to buy another Twin Otter to keep up with the pace. Exploration makes up about 70% of his business, up from 30% a few years ago.

The local inn, meanwhile, has added a new kitchen-dining room extension and built 12 additional rooms, Frostad notes.

Things got so busy at Points North that Purepoint felt it had to build its own warehouse in order to keep track of its inventory. Overcrowding and an avalanche of supplies meant that often the company's equipment simply got lost.

"The local warehouse was getting so full we had to send someone up there to find our stuff in the snow," Frostad says. "They didn't have room to put it inside."

At the end of the day, industry executives say, a whole new cycle of uranium exploration is under way as international demand heats up for a clean, reliable energy source and companies are going to have to come up with ways around the shortages this boom has caused.

"The race to discover the next large uranium deposit has created an operational traffic jam in northern Saskatchewan and you aren't going to see the finish line by sitting in your car and honking your horn," Frostad says. "If you want to be a winner, you must be well organized, proactive and very creative." ●