NORTHERN PROSPECTOR
2007 - 2008

As the search for uranium heats up in northern Saskatchewan's Athabasca Basin – a region known for hosting some of the world's largest high-grade uranium mines and deposits -- so does the task of finding the people and equipment to help explore for it.

Uranium Boom Pushes Resources to the Limit

By Robert Paton

The influx of exploration companies into the region has stretched local resources to the limit – with enormous demand for everything from geophysical equipment to skilled labour. Even snowmobiles, ATVs, camp attendants, line cutters, groceries and cooks are hot commodities.

Points North Landing – a remote airstrip 800 km north of Saskatoon – used to see just one or two aircraft buzz in and out on any given day. But now, the once sleepy outpost has become a bustling logistics hub as scores of uranium exploration companies use it as a jumping off point in their search for the next great uranium deposit.

Essential services like hotel accommodation were often overbooked prompting Points North to construct a new kitchen, dining room and 12 additional hotel rooms.

However, the immense volume of equipment and supplies now getting routed through Points North has made keeping track of everything much harder. That's why Purepoint Uranium has recently taken the step of building its own separate warehouse at the outpost to keep better control over its growing list of supplies.

"We anticipate that having our own warehouse will prove to be a far more efficient and cost-effective way of doing business," says Chris Frostad, Purepoint Uranium's president and chief executive. "Keeping all of our shipments segregated and properly stored will make it easier for the people in Points North to manage our supplies. And we will know exactly where everything is and where it's supposed to go."

Exploration-related growth in the region has been accelerating for several years as uranium once again has captured investors' attention as a clean and reliable energy source. Since 2003, more than 60 exploration companies have staked claims hoping to strike pay-dirt in this 100,000-square-kilometre uranium-rich region. Saskatchewan's Industry and Resources Ministry estimates that $100 million was spent on uranium exploration in 2006 — almost double from the previous year. The spot price for uranium has climbed from near-historic lows of US$7.10 per lb. at the end of 2000 to the current price of about US$80 per lb. The rise reflects the mounting concerns over looming supply shortages.

Decades of anti-nuclear sentiment in Europe and North America in the 1980s and 1990s depressed stock prices for uranium exploration companies and forced many to abandon their properties. Uranium inventories were sold down. Some drill companies went into bankruptcy and many local businesses were either forced to fold or downsize to near non-existent levels. Many geologists and other qualified technicians were simply driven out of the mining sector altogether.

But with nuclear power slowly winning over new adherents among environmentalists and prices of competing energy sources, particularly oil and coal, rising substantially in recent years, uranium has come back into vogue with a vengeance.

Uranium Boom Pushes Resources to the Limit

Today the Athabasca Basin – which already accounts for about a third of the world's uranium production – is experiencing a resurrection after more than two decades of under-investment in exploration and a shortage of new deposits ready to bring into production.

Purepoint Uranium was among the original juniors to stake claims in the Athabasca region. The Toronto-based company started securing its properties – which extend mainly along the eastern, northern and western sections of the basin – in 2002.

But despite Purepoint's early bird status and the fact that it staked some of the best real estate in the Basin – it still has had to cope with the same shortages of qualified personnel and equipment as everyone else. With four drill-ready properties on the go, Mr. Frostad is all too familiar with the shortages and has been prompted to step outside of the box and come up with new and more inventive ways of getting on with the business of finding uranium.

"Typically when you contract line cutting and geophysical firms, they do everything," he says. "They arrange transportation, set up camp, bring in their own attendants, cooks and general labour. The problem is, this is all very hard to schedule. The exploration contractors are very busy, so the time spent in pulling it all together becomes a big issue."

The logistics dilemma prompted Purepoint to take the matter into its own hands. Frostad created an Operations Department consisting of a VP of Field Operations, Field Managers and Camp Co-ordinators that now builds camps, staffs them, and take care of everything from transportation to equipment supply.

"It's a win-win situation all around," says Mr. Frostad. "We can build and run our own camps at a fraction of the cost, and the contractors have more flexibility in their scheduling and can keep their people working more productively. Also, keeping people happy in an exploration camp with comfortable accommodations, first-class meals, amenities such as satellite internet, telephone, hot showers and laundry facilities helps build contractor loyalty."

What's more, the Project Geologist is no longer burdened with the day-to-day administration of the camp. "By creating an operations department within Purepoint, we have allowed geologists to do what they do best, look at rocks," says Frostad. "Rather than managing the camp, we need our geologists to get on with the more important job of helping us find the uranium."

Getting drillers and keeping them satisfied has also proved to be a huge problem for exploration companies. According to Malcolm Buchlotz, VP of Investor Relations at Uranium City Resources, this dire situation has prompted several exploration companies to set up loan programs to help drillers start their own businesses. From United Uranium Corp., to Pitchstone Exploration Ltd. and Purepoint, all are setting up loan programs to better secure drillers and to gain their loyalty.

"By taking a set percentage off the meterage rate and putting it against the loan of a drill, in about a year and a half, they have their own drill," says Mr. Bucholtz. "This works well for everyone. The drillers eventually get to go into business for themselves, and the exploration companies get price protection and a guaranteed meterage over a period of time."

The job of finding general labour is also a huge challenge. When Purepoint was faced with this problem, it took a proactive approach by going into the First Nations communities in the area and offering on-the-job training programs and a chance to set up their own companies. "We have been able to hire locally, purchase supplies locally and contract locally. In some instances, we have supported the start-up of new businesses in order to get a local source of service," says Dale Huffman, Purepoint's VP of Field Operations. "Purepoint has used its exploration properties as training grounds for new line cutters and has hired its own staff of field technicians, cooks and camp coordinators from local communities."

The increased exploration activity in the Athabasca Basin has seen established northern businesses expand. One such company is West Athabasca Ventures (WAV). Recently, WAV added geophysical surveys to its already broad list of services which include line-cutting and staking, camp

services, fuel and grocery supply, equipment rentals, and freighting. "We are in business to support the exploration and mining companies in our area. We offer one-stop shopping. We can do anything these companies may need," says Don Morin, General Manager of WAV. West Athabasca Ventures even lists diamond drilling on its list of future services.

Even demand for hand-held scintilometers and downhole gamma probes – instruments designed to measure radioactivity – is outstripping supply. Only a handful of companies manufacture the devices worldwide – and there's only one distributor based in Canada. Currently there is a six-to-eight-month waiting list for the gamma probes, which is causing major headaches across the industry. "One gamma probe is not enough," Mr. Frostad says, "because if it breaks down that can be disastrous for your business."

Purepoint was faced with that prospect when the downhole gamma probe it rented went on the blink. It cost the company time and money. " Fortunately, we now own two down hole probes and winch assemblies, and we've got one more on order, so we'll always have back-up," Mr. Frostad says. "You can't go to all the expense of drilling and not have the proper equipment to get downhole readings. The cost of losing this data is just too enormous."

As the uranium market continues to heat up, it's evident that the exploration companies best positioned to find the next great super deposit will undoubtedly also be the ones looking for more efficient ways to operate.

"In this market you can't approach these challenges in a typical manner," says Mr. Frostad. "You have to take a real hands-on approach; smart, creative and proactive." •