

NORTHERN PROSPECTOR



2008-2009

An official publication of the Manitoba-Saskatchewan Prospectors & Developers Association

Can Lightning Strike Twice for Saskatchewan Uranium Exploration Companies? *By Rick McLaughlin*

For most uranium exploration companies, a 5-year stock chart looks like a rollercoaster following uranium's meteoric run from a 30 year coma to move from \$8 US per lb. to a high of \$136 and then back to under \$60. As it turned out, however, a fluctuating uranium price was not this sector's only enemy. Last year's Asset Backed Commercial Paper fiasco continued to take the wind out of the market's sails and left many of these companies priced at their cash value....or less.

Then, just when it looked like there was light at the end of the tunnel, major US financial institutions began to fall, driving away any remaining speculative investors.

Analysts are now calling for the bottom of uranium's fall from grace and in fact the last month or two has seen the metal's first price increases in about a year. A recent report by the World Nuclear Association estimated that global uranium consumption in 2008 will be almost 70% higher than the nearly 88 million lbs mined in 2006 – and production in the last two years has not seen a drastic increase with most major producers falling short of forecast.

As always, when interest in uranium heightens all eyes turn to Saskatchewan's prolific Athabasca Basin. Historically this unique region of the world has produced 30 deposits collectively containing more than 1.6 billion lbs. of U_3O_8 . These Basin deposits have an average contained value of nearly \$1.5 US billion each at today's prices and that does not include the two monster deposits; McArthur River and Cigar Lake. These two ore bodies have an average contained value of over \$25 US billion each.



If the markets are, in fact, done beating up on this sector where will we see the value given back? Two years ago the exploration companies in Saskatchewan's Athabasca Basin were all newly established and with little history or work behind them relied on the market's "U"phoria to fuel their market caps. This time around, however, the drill will tell the tale as 2008 will have seen more exploration drilling in the Basin than occurred in the previous five years combined.

The Drill Will Tell the Tale

We set out to check the pulse of Saskatchewan's Athabasca Basin, and in particular the progress made in identifying the world's next new uranium super-deposit. To do so we tracked the reported drill results of 25 Junior Exploration Companies whose projects had been staked since 2003, when the excitement began and new exploration in the area began in earnest.

What we found was that so far in 2008 these companies have reported over 120,000 metres of diamond drilling, more than the 95,000 metres reported



from 2003 through 2007 combined. Even more interesting are the results which only further demonstrate the challenge of searching for these football field sized ore bodies.

Of the 645 holes drilled and reported, over 80% of them (527 holes) reported less than 0.005% U_3O_8 (if any U_3O_8 was reported at all). In the absence of other indicators, such levels are barely enough to follow up on. Further, we saw that only 31 holes or 5% of the total were able to demonstrate grades of over 0.05% U_3O_8 over at least a metre.

At the surface such results may appear discouraging; however, when you look a little deeper there are some obvious explorers that successfully differentiated themselves from the crowd.

Who Drilled the “Best” Hole?

Undoubtedly the best results of the past year belonged to Hathor Exploration Ltd [HAT-TSXV] who reported **11.9 metres at 5.29% U_3O_8** at their Roughrider zone. As one would expect, investors saw their stock soar from \$0.50 per share to over \$3.00 overnight.

Since their announcement in February 2008 follow up drilling has been expanding on that initial discovery. Even more encouraging to shareholders is that they have been able to maintain that share value through one of the most disastrous economic periods of the last 100 years.

Hathor’s uranium exploration portfolio contains nine projects in the Athabasca Basin area.

Who’s been Working the Hardest?

It may seem simple but “you can’t find a deposit without drilling a hole”. At nearly 40,000 metres, Pitchstone Exploration Limited [PXP-TSXV] has completed over 20% of the total drilling performed by the juniors in the Basin..... **twice as much as the next highest number.**

And all of that drilling was not in vain. They have reported significant preliminary findings such as a 0.5 metres at 1.91% U_3O_8 assay at their Darby-Candle project including 0.2 metres at 4.18% U_3O_8 .

Pitchstone began acquiring land in early 2003 in the heart of Saskatchewan’s eastern Athabasca Basin uranium district in proximity to the major, high-grade uranium producers. Currently the company owns 37.5 to 100% interest in ten properties situated in the eastern Athabasca Basin.

Who has the Best Aim?

Uranium exploration in the Basin is a precision business due to the small size of the deposits and the close proximity you need to be to one before you see indications of it. Where background uranium sits consistently at about 0.0005%

U_3O_8 , any uranium found in excess of 0.005% is anomalous and worthy of further consideration.

When the results were in, Purepoint Uranium Group Inc. [PTU-TSXV] clearly demonstrated a capability second to none. Of the 88 holes reported by the company to date (over 19,000 metres), only 40 of them came in with showings of less than 0.005% U_3O_8 . This means that they have **successfully hit significant uranium levels in every other hole.** What’s more, they aren’t aiming at the same target each time. These results are spread out across 11 different targets zones on their Turnor Lake and Red Willow properties.

When Purepoint claims to focus on the precision exploration of more than 50 defined target areas they mean it. They actively manage eight 100% owned projects in the Canadian Athabasca Basin, as well as two Basin projects joint ventured with uranium producers Cameco Corporation and AREVA Resources Canada Inc.

Global demand for nuclear energy continues to increase while new sources of fuel remain elusive. The careful hunt for uranium in northern Saskatchewan continues to increase in intensity under the watchful eye of an anxious market. ●

