

Powertech: Centennial Project to be mothballed in wake of tsunami

Written by

Bobby Magill

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Powertech Uranium Corp. has indefinitely put on hold its proposed Centennial Project uranium mine northeast of Fort Collins partly thanks to the Japanese nuclear disaster's impacts on the uranium industry, Powertech's president said Wednesday.

The company plans to focus all its efforts on getting its Dewey-Burdock uranium mine permitted and producing uranium in South Dakota before moving ahead with the Centennial Project, Powertech USA President Richard Clement said.

The Centennial Project is slated to be built in Weld County about 15 miles northeast of Fort Collins between Wellington and Nunn. Powertech plans to mine uranium there and at Dewey-Burdock using a process called in situ leaching, requiring the company to inject a baking soda-like solution into the ground, dissolve the uranium ore and pump it out as a liquid.

"Dewey Burdock is the most advanced project the company has, therefore we're

concentrating our efforts on Dewey-Burdock to get permitted," Clement said. "Especially in the post-tsunami financial environment, we need to concentrate our efforts as much as any other company."

The March 11 Tohoku earthquake in Japan and nuclear meltdown at the Fukushima Daiichi nuclear power plant that followed sent uranium prices plummeting. Just before the quake, uranium prices had topped out at about \$75. By Tuesday, the price had dropped to \$55.25, according to TradeTech, a Denver-based uranium market analysis firm.

"This is about as bad a story as you can imagine for the U.S. nuclear power industry," said Charles Mason, True Chair of economics and finance at the University of Wyoming, who is writing a book about uranium exploration and its impacts. "It certainly is bad news."

Once it became clear the quake would lead to prolonged nuclear disaster, nuclear industry forecasters started to predict

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unhappy consequences for uranium prices.

“Considering the severity of the accident and the global reaction, a period of uncertainty and resulting price volatility can be expected to prevail,” TradeTech President Treva E. Klingbiel, said in an early April news release posted on the firm’s website.

Clement said that when the uranium markets become more solid after the fallout of the Japanese nuclear disaster has passed, “then we’ll be able to do any additional financing required.

“For the time being, with the post-tsunami environment, our corporate philosophy is to focus strictly on the most advanced project,” he said.

Only when the Dewey-Burdock project begins producing uranium will Powertech make its next move on the Centennial Project, Clement said.

Dewey-Burdock, planned for South Dakota’s Black Hills on the Wyoming border west of Wind Cave National Park, is in the middle of a complex U.S. Nuclear Regulatory Commission permitting process.

NRC spokesman David McIntyre said he expects the Dewey-Burdock permitting process to be complete by mid-2012 unless federal budget cuts affect the agency.

The future of Centennial is “going to be dependent upon what the results are going to be and how fast we get operating at

Dewey-Burdock,” Clement said.

Uranium production at Dewey-Burdock will generate enough cash flow to help finance Centennial, he said.

Mason said that it’s no surprise Powertech would mothball the Centennial Project. “It certainly is dark times, and if I were in the business of loaning money to ventures such as Powertech, I probably would want significant collateral,” he said. “Unless there’s forthcoming demand, I don’t know what they would do with the uranium they extract.”

If there’s anything at all surprising about Powertech’s plans, it’s that they’re keeping Dewey-Burdock alive, he said.

“They’ve got a good story to tell, otherwise I don’t think they’d be going forward with this project in South Dakota,” Mason said.

Even before the Tohoku quake in March, British Columbia-based Powertech showed signs of focusing most of its energy on

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Dewey-Burdock.

The company told Canadian securities regulators in February that it would devote all proceeds it earned from a Canadian stock offering to advancing Dewey-Burdock and paying off debt it owed to Belgium-based Synatom, whose executives resigned from the Powertech board of directors late last year.

According to Powertech's annual report to Canadian securities regulators filed March 31, Powertech's stock offering closed on March 15, four days after the Japanese quake. The company paid \$12.8 million to Synatom and agreed to pay an additional \$7.7 million to Synatom after the Dewey-Burdock permitting process is complete, or after two years.

Powertech's current financial state could cast even more doubt on the future of the Centennial Project, according to the filing. Powertech said in its report that to maintain "a portion" of its interest in the Centennial Project, the company is required to make "significant" option payments in June.

"The company did not allocate any proceeds from its recent financing to make such payments," the company said in the filing. "If such payments are not made, the company may lose a portion of its interest in the Centennial Project that would result in a reduction of its reported indicated and inferred resources at Centennial of approximately 14 percent."

Powertech's report also says a new

Colorado law requiring complete cleanup of the groundwater at Centennial could affect the project's profitability.

For now, Powertech will continue with Centennial's state and federal permits already in process, but the company will wait to pursue any additional required permits, Clement said.

All Centennial Project employees will be transferred to the Dewey-Burdock Project, Clement said, adding that the future of Powertech's Centennial Project office in Wellington is unclear.

"We'll maintain the leases we have, and we'll make a decision (on the future of the office) when the lease terminates," he said.

He said he does not know when the office lease ends.

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