Who are we permitting?

By Adam Hurlburt Black Hills Pioneer | Posted: Tuesday, November 5, 2013 11:30 am

EDGEMONT — In the second to last week of October, Powertech Uranium Corp. announced it'd closed a deal with Hong Kong-based uranium and rare earth metals development company Azarga Resources Limited for a $3.6 million line of credit with a 15 percent interest rate, plugging the Canadian company's potentially fatal financial hemorrhage.

That same week Powertech announced it was closing its Vancouver, British Columbia headquarters and terminating the management positions of Thomas Doyle, Central Financial Officer and vice president of finance, and Greg Burnett, secretary and vice president of administration. According to an Oct. 28 document submitted to the Canadian Securities Administration the company also plans to close its Albuquerque, N.M. office before the year is out.

Powertech's 2012 consolidated financial statements illustrate just how much the Canadian company needed a financial boost — their Dec. 31, 2011 cash balance of some $4 million dwindled down to roughly $650,000 over the course of the year. The same document contains an independent auditor's report by accounting, tax, and advisory firm BDO Canada, which wasn't very optimistic about Powertech's future. The report's final paragraph, appropriately titled "Emphasis of Matter," states:

"Without qualifying our opinion, we draw attention to Note 1- Nature of Operations and Going Concern in the consolidated financial statements which indicates that the entity has a deficit of $31,712,720 as at December 31, 2012 and, is expected to incur losses in the foreseeable future. These conditions, along with other matters as set forth in Note 1- Nature of Operation and Going Concern, indicate the existence of a material uncertainty that may cast doubt about the entity's ability to continue as a going concern."

Powertech's Aug. 13 interim financials support BDO's statement, with the company's June 30 cash and cash equivalents balance listed at $101,581, and total deficits at more than $32.4 million. Keep in mind Powertech estimates phase 1 of their proposed Dewey Burdock in situ uranium mine in the southern Black Hills will cost approximately $54.3 million.

With the company's stock languishing at $0.08 a share at the time, selling additional common shares wasn't really an option. Azarga's $3.6 million lifeline came at a critical moment. And one can bet the Hong Kong company aims to pull a lot more out of this deal than payback plus staggering interest.

This wasn't the first time these two did business together. Azarga bought itself big stakes in Powertech in August, picking up approximately 17.5 percent of issued and outstanding common shares. They also purchased a 60 percent stake (read: controlling interest) in the Centennial project, Powertech's proposed in situ uranium mine in Weld County, Colo., for $1.5 million, paid in installments over two years. Azarga subsequently gave Powertech a $452,000 boost in the form of a debenture agreement, details of which allowed for the conversion of that debenture into Powertech common shares at any time, contingent only on default or recommendation by Powertech's board of directors. This gave Azarga the option to up their stakes in the company to as much as 22 percent, making them Powertech's largest shareholder. A month later Azarga representative Matthew O'Kane was appointed to Powertech's board of directors.

The details of Azarga's recent $3.6 million lifeline to Powertech feel something like an echo. Doyle and Burnett didn't simply resign from their paid positions at Powertech, they stepped down from their spots on the board of directors, too, while Azarga nominee Apolonius (Paul) Struijk stepped in. Powertech's debenture to Azarga was also converted to stock at this time, giving the Chinese company 22 percent of all issued and outstanding Powertech common shares, making them the largest single shareholder. Powertech's second largest shareholder, Belgian GDF-Suez subsidiary Synatom, that are responsible for the entire fuel cycle of all of Belgium's nuclear power plants, currently holds roughly 18.6 percent of all common shares. The next largest shareholder is Thomas Doyle, who was issued 2,052,631 common shares on top of the approximately 5 million already in his portfolio at the time of his resignation; this adds up to roughly 4.7 percent of Powertech's total issued common shares.

While Azarga didn't directly purchase stake in any of Powertech's proposed uranium mines this time around, they did essentially purchase the option to substantially increase their stake in the company, dwarfing that of all others.

Powertech's Oct. 21 press release detailing Azarga's $3.6 million loan facility says the Hong Kong company may convert the principle amount of the loan (total or in part) into new Powertech shares at any time, contingent on the approval of shareholders and the Toronto Stock Exchange. A total conversion of the loan would amount to nearly 45 million new shares for Azarga, pushing their stock ownership to roughly 40 percent.

It seems there's a very real possibility the entity that drafted and submitted lengthy environmental reports, technical reports, economic impact reports, permit applications and more to the South Dakota Department of Environment and Natural Resources, the Environmental Protection Agency, and the Nuclear Regulatory Commission; the same entity that signed agreements with numerous private South Dakota landowners; the same entity that conducted several years of extensive research into the economic viability and safety of a proposed 17,800 acre in situ recovery mine set to pull roughly 8.4 million pounds of uranium out of the southern Black Hills over a nine year period; the same entity that's assured the state of South Dakota and its citizens that it can do this successfully without adverse affects on the environment and its inhabitants may not be the same entity that actually does the mining, should all these permits be granted.

In a recent email to the Pioneer, Powertech representatives said, “If ownership should change, the new owner is bound by all permit and license conditions. This includes the commitments that are made in the permit and license applications. … Regardless of ownership, all permit conditions and federal, state, and local laws must be followed by the operator of the project.”

This is true, but hardly reassuring considering that just across the border in Campbell County, Wyo., the Christensen Ranch/Willow Creek in situ uranium mine has experienced 20 monitor well excursions (leaks of contaminants outside the permitted mining boundary) from April of 2007 to June of 2013, a period of time in which ownership and operation of the mine changed three times. French state-owned group Cogema (now Areva) owned and operated the mine from June of 1998 to January of 2010, when Uranium One Inc. purchased the mine. Ten months later Russian state-owned firm Atomredmetzoloto, or ARMZ, took controlling stake of Uranium One.

The Christensen Ranch/Willow Creek in situ uranium mine is located on Wyoming rancher John Christensen’s family ranchland, which he still uses for his family’s original intended purpose as well. According to a Dec. 26, 2012 feature article on in situ uranium mining on Christensen’s property published by non-profit investigative journalism organization ProPublica, Christensen was never told about the excursions beneath his property, including one that spread contaminants outside the mine permit boundary for six years. Cogema told the Wyoming Department of Environmental Quality that it could neither fix nor locate the cause of that particular excursion, first detected in 2004. They decided the appearance and spread of these contaminants was natural. An analysis sample of the excursion taken by Cogema in 2009 showed uranium concentrations at more than 70 times above the maximum contaminant limit, right at the edge of the mine permit boundary.

Since then, under ARMZ ownership and operation, monitoring for potential excursions was missed for several months at 24 separate monitoring wells, 12 more excursion status notices have been reported to the Nuclear Regulator Commission (which may have been sourced and remedied since), and more than 13,000 gallons of contaminated water has been spilled collectively on the property, spread out across 13 separate events in the past three years.

Of course all of these occurrences were accidents, and accidents happen, even when people do everything in their power to keep them at bay. But accidents don’t happen without a catalyst. Neither failure nor success is possible without first taking a chance. The real question is whether it’s worth it to take that chance in the first place.