

Powertech plans merger with Hong Kong-based Azarga Resources

By Adam Hurlburt Black Hills Pioneer | Posted: Friday, February 28, 2014 3:38 am

VANCOUVER, B.C. — On Wednesday Powertech Uranium Corp. announced plans to merge with the base of its financial livelihood Hong Kong-based private uranium investment firm Azarga Resources Limited to create Azarga Uranium Corp., a Canada-based international uranium mining corporation with eight proposed mine projects around the globe. This includes the controversial Dewey-Burdock in situ uranium mine in the Southern Black Hills, the only project the consortium currently has any effort behind.

Azarga Resources has been Powertech's largest shareholder since July 2013. In November the company increased its Powertech holdings to 45.1 percent, dwarfing the stakes of all other shareholders, whom hold no more than 10 percent individually. That same month Powertech President and CEO Richard Clement told the Pioneer that Azarga had made it clear to him they had no intention of taking over the company.

If accepted by the Toronto Stock Exchange, Powertech shareholders, and Azarga shareholders, the merger would occur through a share purchase agreement in which Powertech will acquire all of Azarga's issued and outstanding common shares in exchange for Powertech common shares at an exchange ratio of 3.65 Powertech shares for each Azarga share.

In a prepared statement released Wednesday, Powertech asserts this will make Azarga a "wholly-owned subsidiary of Powertech," which reads a bit odd as the document also states that current Azarga shareholders will hold approximately 77 percent of the 364 million total shares of the newly formed Azarga Uranium Corp when the merger is complete, leaving current Powertech shareholders with a 23 percent stake.

The statement also asserts Powertech's existing board of directors will be reconstituted to include existing members from the boards of both companies. The expected roster of the board provided in the document consists of three Powertech reps and five Azarga reps, including Azarga founder and CEO Alexander Molyneux, from Australia, as board chairman.

Powertech President and CEO Richard Clement and Chief Operating Officer John Mays will continue to hold their current positions when Powertech becomes Azarga Uranium Corp. and two current Azarga senior managers yet to be named will become vice president of international operations and chief financial officer.

In a phone interview with the Pioneer on Thursday, Mays said all Powertech USA senior management employees will retain their positions after the merger.

“The biggest change is the fact that we’ve now become very well capitalized and have the capacity to move this project forward,” Powertech’s Dewey-Burdock project manager Mark Hollenbeck said, referring to the in situ uranium mine proposed in the Southern Hills.

Azarga injected more than \$5 million into Powertech’s pocket between July and October of last year, rescuing the company from financial insolvency. In exchange Azarga gained controlling stake of Powertech’s proposed Centennial ISR uranium mine in Colorado and Azarga reps found seats on Powertech’s board of directors. Concurrently, Azarga steadily increased its stake in Powertech to an eventual 45.1 percent of all issued and outstanding common shares.

“Azarga has been our largest shareholder and main financier since mid-2013,” Clement said. “The merger importantly brings cash and undrawn financing facilities with its assets that put Powertech in a much more robust position moving forward.”

Powertech said it expects the merger to be complete before July 31, 2014.

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