

709 NEWS

P.O. Box 2220, Suite 100

Tel : 576-NEWS (6397)

Fax: 709-753-7340

Website: www.bristolgroup.ca

139 Water Street, St. John's NL, A1C 6E6

Toll Free Tel: 1-888-709-NEWS (6397)

Toll Free Fax : 1-877-709-NEWS (6397)

E-mail: 709NEWS@bristolgroup.ca

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Section:

Altius looking at increasing refinery stake

Site preparation work scheduled for 2008

Altius Minerals is looking at acquiring a majority interest in the new refinery being proposed for Placentia Bay.

Altius' president Brian Dalton told shareholders attending the company's 10 annual general meeting in St. John's recently that management hasn't decided to definitely pursue increased ownership in Newfoundland Refining Corporation, but it's an option.

Altius already holds a 37 per cent interest in the \$5 billion project. The remainder is held by European investors, some of whom are close working associates of Altius on other projects, including the reactivation of a copper and gold mine on the Baie Verte Peninsula.

Dalton told shareholders that Altius has just raised \$50 million for the refinery project. All told, Altius has some \$217 million in its "war chest," which can be used to pursue worthy projects. The \$50 million, however, has been earmarked for the refinery.

"That is intended to partly fund the option that we have to increase our interest in NRC," Dalton allowed. "We've structured an agreement with the other shareholders that allows us to put in the next \$100 million (of development costs) into that company and take our interest up to 51 per cent."

Meanwhile, the project itself is steadily moving closer to reality. Earlier this fall, it cleared the province's environmental review process. Dalton is expecting that site preparation will begin in the first half of 2008.

"This project has some pretty strong competitive advantages," Dalton said, noting a feasibility study conducted last year forecast an annual rate of return higher than 15 per cent if oil prices average \$50 per barrel.

Dalton pointed out the new refinery will be located in a deepwater port and on major transportation routes between Europe, the Middle East and the major energy markets of North America.

And unlike many existing refineries, which have had to be retrofitted to refine sour crude and heavy crude oils as the world's supply of light sweet crude rapidly declines, the NRC refinery is being specifically designed to process heavy and sour

crude oils.

"This will be the lowest cost refinery in the whole Atlantic basin," Dalton said.

The immediate steps ahead of NRC, he noted, include getting commercial agreements to secure a long term supply of crude for processing at the refinery as well agreements on the other side for the sale of its refined products.

NRC has been in financing discussions for months and work on engineering procurement and project management is on track, he added.

That latter element is especially important, Dalton stressed, in order to avoid the risks of labour problems and big capital cost overruns that can dog major projects.

Dalton said NRC is also working on an agreement that could see third parties provide about \$1.5 billion worth of the work on the \$5 billion project.

Dalton singled out Altius' vice president Roland Butler for spearheading so much of the work involving the project and for obtaining environmental approval for the first new refinery in North America in some 30 years.

It was all the more remarkable for the lack of controversy it generated in the communities near the refinery's chosen location. Dalton said Butler led a collaborative process with all the parties involved.

"It took 13 months (to get environmental approval) which is probably a record in Canada for a major industrial project," Dalton said. "It's been a really collaborative process... It probably sets a new model for environmental assessment."

Asked about the current and projected labour crunch, especially in the construction trades, Dalton said NRC is going into this project with a view that its wages have to be competitive.

"There should be no Newfoundland discount," said Dalton, referring to the historic situation that has seen skilled workers in this province paid less than their counterparts in other provinces. "That is a ridiculous concept."

Dalton said he is hoping that a significant number of skilled trades worker will return to Newfoundland from the Alberta oil sands over the next few years. ■

editor@thebusinesspost.ca