

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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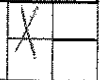
The Telegram - St. John's, NL

DATE:

June 21, 2008

Page: 1

Section: D



Local leaders shocked by bankruptcy application

BY BARBARA DEAN-SIMMONS

TRANSCONTINENTAL MEDIA-CLARENVILLE

For a moment he was speechless. "I've got to get my head around this," Clarenville realtor Neil Norcott said when asked to offer his thoughts on the news Friday that the Supreme Court was being asked to declare Newfoundland and Labrador Refining Corp. (NLRC) bankrupt.

Other business and community leaders were, likewise, stunned at the news.

Brian Dalton was scheduled as guest speaker at the Clarenville and Area Chamber of Commerce Thursday. About 45 minutes before the luncheon was due to start, the chamber was notified he would not be able to make the meeting.

Friday morning's news took the business community by surprise, admits chamber president Todd Organ, but he holds on to the hope that the project remains feasible.

"I don't think it's the end of the road," he said. "With a project this size there's going to be many bumps in the road, so we have to wait to see how things unfold."

"There was a feasibility study done for this refinery and I don't think it's not economically feasible to establish one."

As for how the news might impact the local area, Organ says Clarenville, because of its location, will continue to grow and prosper. "Hebron was recently mentioned by Premier Williams and that will have positive impacts locally," he said. "The Alberta

money will continue to help. We have a lot of people travelling back and forth and bringing their money back here."

The NLRC announcement "is a bump in the road, and hopefully that's all it is," Organ said, adding the multi-billion dollar project involved some "serious players with great credentials."

He also wondered whether Williams, who was in Qatar last week, might even be pitching the refinery to potential financiers on that side of the world.

"This doesn't necessarily mean that this (project) is finished. It might just mean that the timeline has changed," Organ speculated.

The chamber president also expressed hope that Dalton's date with the organization could be rescheduled and when he did show up it would be with positive news.

It's just a matter of wait and see, said Organ, adding, "Hopefully in a year's time we'll be having a different discussion about where this is going."

Clarenville deputy mayor Lisa Browne agrees people were "very surprised" by the news about NLRC.

Dalton was set to meet with the Clarenville town council following the chamber luncheon, to provide an update on the project.

Browne said it's hard to say, without more information, if or how Friday's news will affect the town and region.

"I think there was a lot of speculation since last year, not just on the proposed refinery but on the liquefied natural gas terminal (in

Placentia Bay) and potential activities at the Bull Arm site," she said. "Certainly though, I think this one (NLRC refinery) was a big one. It will be interesting to see how quickly some of the subdivisions may or may not proceed, and in terms of housing prices it will be interesting to see the market reaction."

Still, Browne said, the local economy is strong in so many areas that the news on the NLRC refinery should not cause a drastic slowdown.

"The strength of our economy is in the diversification that we have in our area; all other things in the province are going well, and all our indicators are positive."

"There might be a blip and you do expect some market reaction to it, but I think we will continue on pace with what we've seen."

She pointed to the recent ferry contract announced for Clarenville Drydock, as well as a new long-term care facility slated to open in the fall,

and potential work from the Hebron offshore oil development.

After he had time to digest the news, Norcott agreed there are still positive things on the horizon for Clarenville.

He said the local residential market has been driven in the past year or so by speculation on three or four potential projects.

While the news about NLRC is not what anyone wanted to hear, Norcott says last week did present good news on two other potential projects - Hebron and Hibernia South.

"It's too early to tell but it (NLRC news) shouldn't have too much of a negative impact due the fact the other two projects should provide positive opportunities."

The biggest one on the horizon is Hebron, Norcott says.

"And if Danny (Premier Williams) does come through with an announcement on Hebron by Regatta Day, as he said, which is on the positive side, then we should be fine."

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Page: 1
 Section: D

X		2/2
X		

"At the end of the day there might be some short term negative impacts but, hopefully, in what might be only a two or three month span, there might be just as many positive impacts to outweigh that."

Norcott said this season is shaping up to be a busy one for residential construction.

Last year the Town of Clarenville issued 58 permits for new housing.

In 2007, he said, there was very little land available for development. "We have a big demand for land now and ... there are three or four developments in the making. It's as busy, or busier than last year. Sales are at an all-time high and values are at an all-time high. So will this announcement cause a short-term dip? Potentially," Norcott said. "Certainly we hope it doesn't and we're banking on Hebron coming on the table soon and offsetting any negative impacts this might have."

Meanwhile, he said, people in this region are continuing to do the Alberta commute, which is putting money into the local economy.

"The real estate market here is strong, stronger than it's ever been. Obviously we didn't want to hear the announcement that came out this morning and, hopefully, the implications of that aren't too significant."

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Page: 1

The Telegram - St. John's, NL

June 21, 2008

Section: A

X

1
2

Altius stock plummets

*Province hopeful
refinery will go ahead*

By **DAVE BARTLETT**

THE TELEGRAM

Investors in one Newfoundland and Labrador company lost more than \$158 million on the stock market Friday.

Altius Minerals Corp.'s stock took the loss after news broke that a company it partially owns is seeking protection from one of its creditors.

Altius owns 39.6 per cent of Newfoundland and Labrador Refining Corp. (NLRC) which hopes to build a second oil refinery in the province.

On Thursday, BAE-Newplan Group Ltd., a wholly-owned subsidiary of SNC Lavalin filed a court action to have NLRC declared bankrupt after the refining company failed to pay for environmental and engineering work.

Altius shares closed at \$12.37 Thursday but opened significantly lower on Friday at \$7.50 a share.

By the time the markets closed for the weekend Friday, that amount had dropped to \$7.25.

During the day the stock was selling for as low as \$6.31.

A far cry from a high of \$30.40 a share in the last 52 weeks.

But news of the court action didn't have the same effect on the provincial government's optimism about a second oil refinery.

See DISAPPOINTING, page D1

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Page: 1

Section: D



2/2

Disappointing and unfortunate, says minister

... Continued from page A1

Natural Resources Minister Kathy Dunderdale spoke to The Telegram by phone from Qatar where she and the premier are meeting with investors.

"It's very disappointing news and unfortunate, as well, because we feel this project is a very good one. The company indicated for us some time ago that the project was stalled as a result of the North American capital market conditions, but we were hopeful that they could find their way through it," said Dunderdale.

"Certainly part of what we are doing over here is looking for new investments and we'll be promoting the refinery in terms of attracting a partner, so hopefully this project's going to continue."

Brian Dalton, the CEO of both Altius and NLRC, spoke to the Telegram Friday evening after a long day of meetings.

Dalton wouldn't discuss the legal

BY THE NUMBERS

- Total number of Altius shares: 30,962,425
- Share price at Thursday's Closure: \$12.37
- Total Value of the company at Thursday's closure: \$383,005,197.25
- Share price at Friday's Closure: \$7.25
- Total Value of the company at Friday's closure: \$224,477,581.25
- Total loss on Friday: \$158,577,616
- Total number of shares Traded on Friday: 3,098,556

Source: TSX

matter but did say that he hopes the refinery will still go ahead. He said that discussions with investors in the Middle East and Asia continue to go well especially given the short time the company has had to court them.

He was encouraged to hear that the province continues to support the project and is pushing it during meetings in Qatar. But he declined to comment on the beating Altius' stock took on the market Friday, preferring to keep the two issues separate.

SNC Lavalin and the Newfoundland and Labrador Oil and Gas Industries Association both declined comment Friday.

dbartlett@thetelegram.com

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Section: A

Refinery proponent faces court allegations

*Engineering firm
claims it is owed
\$20 million*

BY ROB ANTLE

THE TELEGRAM

A planned multi-billion-dollar refinery for the province is in jeopardy, with its proponent seeking creditor protection while fending off an array of allegations filed in court documents by its engineering firm.

BAE-Newplan Group Ltd. claims that Newfoundland and Labrador Refining Corp. (NLRC) owes the company more than \$20 million for engineering and design services for the proposed Placentia Bay facility.

The company further alleges that NLRC is looking to sell the project without "independent oversight, review and approval" by unsecured creditors, and made a questionable security arrangement with a related company.

BAE-Newplan wants Newfoundland Supreme Court to declare NLRC bankrupt.

NLRC announced Friday it is seeking a stay of proceedings against any actions by its creditors.

See COURT, page D1

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Page: 1

Section: D



2/2

Court documents filed Thursday

... Continued from page A1

None of BAE-Newplan's allegations have been proven in court. But an affidavit filed by company vice-president and general manager Albert Williams outlines BAE-Newplan's assertions against NLRC.

BAE-Newplan — a wholly-owned subsidiary of SNC-Lavalin — said in court documents filed Thursday it has been doing work for NLRC since mid-2006.

The documents allege that payments stopped in January 2008, and NLRC has been in default since Feb. 23.

In May and June, BAE-Newplan and NLRC exchanged correspondence about the default, but could not come to an agreement on repayment terms. BAE-Newplan said it wanted a \$10 million partial payment, or it would proceed "with all legal remedies available to us."

But NLRC replied that would not happen. According to the affidavit, NLRC president Brian Dalton informed the company that "if you choose to proceed it will in all likelihood spell the end of the project."

BAE-Newplan alleges that correspondence with NLRC made it clear the company "is in the process of selling the project as the only possible means to satisfy the debts of its creditors ... without any independent oversight, review and approval by the significant unsecured creditors."

BAE-Newplan argues that the sale of the project "is essentially a sale of BAE-Newplan's work product," much of which has not been paid for.

And the engineering firm also highlighted a transaction it believes may give Altius Minerals "an improper preference" over the unsecured creditors of NLRC. Altius Minerals owns 39.6 per cent of NLRC.

A related company, Altius Resources, has a security agreement with NLRC worth up to \$30 million, the affidavit alleges.

The three companies — Altius Resources, Altius Minerals and NLRC — share a registered office, two directors, and the same president, the affidavit notes.

When contacted late Friday Brian Dalton, president of both Altius and NLRC, said he would not discuss the legal matters.

BAE-Newplan says the security agreement may be reviewable under federal bankruptcy laws, and may be voidable under provincial legislation.

NLRC said in a statement that company management is working with its advisors to determine the best method of restructuring — something NLRC said may include the sale of its assets.

SNC-Lavalin officials declined comment on the court action.

rantle@thetelegram.com