

709 NEWS

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The Telegram - St. John's, NL**June 19, 2008**

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OIL AND GAS

Refinery switches financing gears

NLRC looking for backers in Middle East and India

By MOIRA BAIRD

THE TELEGRAM

Newfoundland and Labrador Refining Corp. (NLRC) is turning to financial markets in the Middle East and India to find backers for its multibillion-dollar refinery planned for Placentia Bay.

The proposed 300,000-barrel-per-day refinery suffered a setback following the meltdown of the U.S. subprime mortgage market earlier this year.

By March, NLRC started looking to other financial markets.

Brian Dalton, president of Altius Minerals, described the financing issue as the "major hurdle" facing the refinery in a Wednesday presentation to an oil and gas conference in St. John's.

"We won't start the major construction effort until we're certain that we've got all the required financing in place," said Dalton, who is also managing director of NLRC. Altius holds a 37 per cent interest in the company.

Dalton says financial markets in Asia are stronger than the U.S. these days.

"These are more bullish economies than the U.S. economy, right now, which is ... holding onto its capital very tightly.

"But in the Middle East, in India, these are again booming economies flush with natural-resource revenues and looking to ... make a bigger global presence."

Dalton says the refinery can be still be completed in three years, but the starting date has been pushed back. He couldn't predict how long it would take to find sources of capital.

"The big factor is what's happened in the financial markets and the time it will take us now to rebuild and re-establish ... the kinds of relationships you need before you can even contemplate having a \$6-billion cheque sent to a place maybe some people probably hadn't even heard about before you showed up," Dalton told reporters.

"It takes time, but we're getting there."

NLRC had originally planned to start refining heavy, sour crude from the Middle East by 2011. It's targeting North American markets for gasoline and European markets for diesel and jet fuel.

Dalton says there is some positive news in the slowdown.

"We were on a very fast track to this point. We were in a race against the world — everyone is slowed down in that race.

"It's allowed us to have a little bit of breather to have a look at the design and engineering work that was done up to that point ... and see how we could fine-tune and optimize."

One way, he says, is increasing the output of diesel and jet fuel produced from each barrel of crude to as much as 70 per cent.

Profit margins for diesel and jet fuel are higher than for gasoline.

Prior to the financing setback, NLRC received environmental approvals from both the provincial and federal governments, signed a no-strike deal with labour unions and inked contracts with suppliers and technology providers.

"We've also received several proposals, now, for the provision of crude for the refinery and, linked to that, the off-take of refined products," said Dalton. "That part of the overall process is coming along. The participants there are trading houses and major oil companies. This list actually continues to grow."

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Brian Dalton, president of Altius Minerals, spoke to delegates at the Newfoundland and Labrador Oil and Gas Industries Association conference Wednesday. — Photo by Rhonda Hayward/The Telegram