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EDITOR: CHARLES FRANK 235-7370 FAX: 235-7379

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FRIDAY, MAY 30, 2008

Ivanhoe eyes \$1.8B oilsands project

Company buys leases near Fort McMurray

DAN HEALING
 CALGARY HERALD

Ivanhoe Energy Inc. of Vancouver signalled Thursday it intends to build an estimated \$1.8-billion integrated oilsands project near Fort McMurray.

The project, to be centred on one of three oilsands leases purchased for \$105 million from **Talisman Energy Inc.** of Calgary, would give Ivanhoe its first chance to apply a proprietary heavy oil upgrading technology at a major commercial project.

"We now have achieved our initial objective," said major shareholder Robert Friedland in a statement announcing the Talisman purchase early Thursday. "We are anchoring the roll-out of our HTL (heavy-to-light) heavy-oil upgrading process with a first-class, high-quality resource asset in the centre of the Athabasca oilsands region."

"We will now proceed full speed ahead with preparations for an integrated HTL heavy oil project on Lease 10, while at the same time progressing discussions relating to additional heavy oil opportunities in Canada and internationally."

Friedland, a billionaire financier whose company discovered the massive nickel deposit at Voisey's Bay in Newfoundland, and whose **Ivanhoe Mines Ltd.** is trying to develop a \$3-billion gold and copper mine in Mongolia with partner **Rio Tinto PLC**, grabbed the company's reins at its annual general meeting Thursday morning in Vancouver, winning shareholder approval for his new title as executive chairman and CEO.

The meeting also approved the creation of two new subsidiaries to implement HTL oil projects, one focused on Latin America and the other on the Middle East and North Africa.

Ivanhoe also has a Chinese subsidiary called **Sunwing Energy**.

Ivanhoe shares closed at \$2.61, down seven cents on six-month-high volume of 2.8 million on the Toronto stock market. Talisman slipped 70 cents to \$22.71.

Ian Barnett, executive vice-president of corporate development, told the Herald that Ivanhoe's upgrading technology was demonstrated last year at a 1,000-bpd facility in Bakersfield, Calif.

"We believe this technology is a great tool for consolidating smaller oilsands assets owners, so we don't believe this is going to be our last move in Athabasca," he said, adding Ivanhoe could look at more oilsands lease purchases and is open to forming joint ventures.

The company estimates that completing a 30,000-barrel-a-day steam-assisted gravity drainage project with upgrader will cost about \$60,000 per flowing barrel, possibly delivering first synthetic sour crude oil in about five years after further analysis and regulatory approvals.

Barnett cautioned that costs could vary. The company may also gradually ramp up production and output could come in as high as 50,000 bpd.

The company said its upgrading process converts heavy oil to a transportable, partially upgraded synthetic crude and converts the upgrading byproducts to onsite energy. The process means diluent doesn't have to be purchased for transport, nor is natural gas needed to steam the reservoir, allowing the producer to capture the majority of the heavy oil-light oil value differential.

The Talisman sale is expected to close within 45 days and payment will be via a combination of cash, notes and convertible notes, including \$15 million to be paid when Ivanhoe receives approvals to develop the northern border of Lease 10, which is subject to a lease held by **Suncor**.

SEE IVANHOE, PAGE E10

POSH PROPERTY MAKES MLS HISTORY



Ted Rhodes, Calgary Herald

Real estate agent Colleen Heilman says this Prospect Avenue home in Mount Royal, which she sold for nearly \$5 million, shows "there are still people out there that have the money."

Calgary home fetches record \$4.8 million

Strong price set despite housing slowdown

MARIO TONEGUZZI
 CALGARY HERALD

Despite a cooling in the previously red-hot housing market, a record has been set for the highest MLS sale price for a residential property in Calgary at nearly \$5 million.

A bungalow in the Mount Royal neighbourhood, along Prospect Avenue S.W., sold this month for \$4.8125 million, the Herald has learned. It had been listed for \$4.99 million and was on the market for 53 days.

"It is a unique house. It's a 4,000-square-foot bungalow. It is unique in its design. It's a brand-new house," said realtor Colleen Heilman, of **Century 21 Bamber Realty**, who sold the property.

"The clients built it for themselves, but then they decided after the fact that they weren't going to be spending enough time in Calgary to warrant that size of a house."

The listing for the house said it was a "custom built jewel"

and it combined "old-world charm with the ambience of today."

"The unique design features an 860-square-foot outdoor courtyard with heated stone flooring, rock fireplace, fountain and planters that is fully surrounded within the centre of the home," said the listing. "Extensive use of natural stone, tumbled travertine, granite and Santos mahogany flooring are used throughout."

"The exterior is acrylic stucco and Kootenay stone with copper fascia and eaves-troughs. The interior is a magnificent showpiece, with the finest finishing and attention to detail."

Heilman said the house was designed around the courtyard.

"If you look at the outside of

the house, it doesn't look like there are a lot of windows. But all of the windows and the doors open to the inside of this courtyard. That's what's pretty unique about it because I don't think you'll ever find another one in Calgary that's like that. It's kind of modelled after the Arizona-type housing," said Heilman.

It also has a huge lot at 27 by 61 metres (90 by 200 feet).

"That was a very unique house and it was for a very special buyer, but obviously there are still people out there that have the money and are still prepared to spend that much," said Heilman.

Her previous record for a sale was \$3.3 million for another home in Mount Royal.

SEE HOUSE, PAGE E10

MARGIN CALLS

Tin price posts biggest drop

METALS • Tin fell the most on the London Metal Exchange as investors and analysts judged the metal's jump to an all-time high this month was excessive. Zinc fell to its lowest level in more than two years.

Tin, used in cans and for soldering, had gained 54 per cent from the beginning of the year to a record \$25,500 US a tonne May 15. Prices remain higher than marginal costs — the level at which production becomes unprofitable — of less than \$10,000 a tonne, according to London-based **GFMS Metals Consulting Ltd.**

"It's just the case of the market getting too far ahead of itself," Neil Buxton, managing director of GFMS Metals Consulting, said Thursday.

Tin for delivery in three months slumped as much as \$3,000, or 13 per cent, to \$20,600 a tonne on the London Metal Exchange. The contract traded 10 per cent lower at \$21,150 a tonne as of 6:33 p.m. local time. Tin has climbed 29 per cent this year, still the best performance on the exchange.

A slowdown in the world economy would probably limit demand growth for tin, Buxton said.

Norwegian fund set for milestone

SOVEREIGN WEALTH • Norway's \$400-billion US oil fund will within weeks own more than one per cent of European stocks. Fund managers see market turmoil as a buying opportunity and have set up a division to do private-equity-type deals, its chief told Reuters.

Yngve Slyngstad said Thursday the world's second-largest sovereign wealth fund was a "huge buyer" of stocks over the first quarter in a planned shift toward equities.

"We are just weeks away from crossing one per cent ownership on average in Europe (in equities)," Slyngstad said in an interview.

The Government Pension Fund — Global, known as the "oil fund," invests Norway's oil wealth in foreign stocks and bonds to save for future generations. Surging oil prices mean the fund gets "considerably more" new money to invest than the roughly \$1 billion per week forecast by the government, said Slyngstad, 45.

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HERALD ENERGY



StatoiHydro Canada president Geir Jossang delays upgrader startup date

Page E5



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Ivanhoe CEO Robert Friedland says an Alberta oilsands project will roll out the company's upgrading technology.

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photos by Henry Georgi and Mike Reese

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2007/2008	\$899	\$719	\$629	\$299	\$2099	\$719	\$299	\$1299
2008/2009	\$1299	\$1299	\$909	\$429	\$3029	\$1039	\$429	

NAKISKA MEMBERSHIP

SALE PRICES (Until June 13th)	Adult	Student/Senior	Youth (13-17)	Child (6-12)	Family	Midweek (Mon.-Thurs.)	Student Add-On	REGULAR SEASON PRICING
2007/2008	\$449	\$359	\$319	\$149	\$1049	\$359	\$149	\$559
2008/2009	\$559	\$449	\$389	\$189	\$1299	\$449	\$189	

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