

Varanus gas blast shockwaves spread

Michael Sainsbury and Kevin Andrusiak | *June 11, 2008*

THE fallout from the Varanus gas blast last week continues to haunt the booming West Australian resources industry, amid fears that diesel suppliers will cash in on rising demand.

Newcrest Mining, Australia's biggest gold miner, said the disruption to gas supplies would cost the unhedged producer 30,000 ounces of lost production, or about \$27 million in revenue.

Nickel producer Minara Resources cut its full-year forecast by 8.5 per cent to between 31,000 tonnes and 35,000 tonnes and said it still needed to find additional sources of gas for its Murrin Murrin plant to reach full capacity.

The planned \$500 million initial public offering for Burrup Holdings -- the biggest float on the Australian market since July, is now likely to be pushed back amid speculation a revised prospectus will have to be issued.

Burrup, controlled by chairman and chief executive Pankaj Oswal, has already shut down its plant, which depends on the gas supply as the sole ingredient for its product, ammonia. The group is in the midst of marketing the float and was hoping to close its institutional book build on June 16 and list its shares on June 26.

With Apache's gas supply due to be offline for some months, Burrup appears likely to have to recast its numbers for the 2009 financial year.

The Australian understands the company is talks with its banker, UBS, about issuing a supplementary prospectus.

On Saturday, *The Weekend Australian* raised a number of questions about the float's prospectus, which did not include a range of transactions over the past two years with other companies controlled by Mr Oswal.

Both Shell Australia and BP Australia said yesterday they were trying to meet the shortfall in gas supplies with increased cargos of diesel. Shell is expected to receive 35,000 tonnes of diesel through Esperance later this week, to alleviate some of the shortages in the WA goldfields.

"We will continue to monitor the demand requirements of customers and may bring forward the next planned diesel import cargo if required and if it is possible," a Shell spokeswoman said.

Both Shell and BP denied they would take advantage of higher demand for diesel to lift the wholesale price, which is benchmarked against the price in Singapore.

BP, which provides diesel to Rio Tinto's iron ore operations in the Pilbara, said its Kwinana refinery was at full capacity. "We are not looking to be opportunistic but where we have added costs we will seek to be compensated," a spokesman said.

Mineral sands miner Iluka Resources yesterday said it did not expect a serious impact on its results for the six months to June, but it was still assessing the impact of the pipeline explosion on its West Australian mining and processing operations.

"Given the fluidity of the situation, it is not possible at this stage to quantify with any degree of confidence the likely financial impact of the gas outage on Iluka's WA operations," Iluka said.