



Dodds-Roundhill Coal Gasification Project Community Newsletter January 2008

This newsletter is the sixth in this series, which covers our activities during October, November and December 2007 relating to the Dodds-Roundhill coal gasification project. These newsletters are intended to keep the community up to date on our progress and the status of the project.

Agreement with EPCOR

We are pleased to announce that a memorandum of understanding with EPCOR Utilities Inc. (EPCOR) has been signed that could see EPCOR construct, own and operate facilities to provide power generation, water and wastewater treatment services for the project.

EPCOR has a track record of applying innovative technologies in power generation and water treatment. Owned by the City of Edmonton, EPCOR builds, owns and operates power plants, electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure in Canada and the United States.

EPCOR's involvement in the project will be determined following the completion of the 2008 development work including stakeholder consultation, initiating the regulatory processes, defining commercial and financial details, completing preliminary engineering and design work and establishing contractual arrangements.

The EPCOR project team participated in our December Open Houses in Ryley and Roundhill to meet area residents and to get initial public input on the proposed power and water components of the project. Sherritt and EPCOR are working closely together to complete the environmental assessment associated with the project. We intend to submit the necessary regulatory applications to the Alberta Utilities Commission and the Energy Resources Conservation Board (both formerly the Alberta Energy and Utilities Board) and to Alberta Environment in the spring of 2008.

Stakeholder Consultation

Land Acquisition Principles and Negotiating Guidelines:

On October 24, 2007 we met with landowners within the proposed Mine Permit area to roll out the Land Acquisition Principles and Negotiating Guidelines (LAPs). The Round Hill - Dodds Agricultural Protective Association (RH-DAPA) has been working with us since last spring to develop the principles, which also include corporate commitments, including the Water Supply Replacement Policy. During the roll-out meeting, Brian Bietz, who helped to draft the policy, walked landowners through the LAPs; Bruce Simpson, a certified land appraiser, gave a talk on the appraisal process; and Bob

Garies, a professional land agent, discussed the land acquisition process. You can find a copy of the presentations, as well as the LAPs on our Web site at www.sherritt.com.

Follow-up meetings were held the evenings of October 29, October 30 and November 1, 2007 to answer questions on the LAPs. A copy of some of the questions and responses from the meetings is included with this newsletter.

For landowners in the mine study area who were not able to come to the meetings, information packages have now been mailed to you. If you are a landowner within the proposed Permit Area and have not received your copy, or if you have questions on the LAPs (landowner or otherwise) or would like to further discuss them, please contact us toll free at 1-888-686-8391.

We will continue to work with RH-DAPA to work out the final details on the LAPs. In the new year, RH-DAPA, with our assistance, plans to develop an instructional handbook to assist landowners in managing the land acquisition process should the project be approved.

Land End Use Meetings:

An important element of the application will be a reclamation plan and as part of that process, we have been seeking community input into potential “end uses” following mining. We invited about 20 landowners and community members representing various regions within the mine study area to participate on a short-term committee to gather their input and ideas for possible end uses for the land after the project has been completed. Meetings were held on November 6, November 19 and December 13, 2007. We would like to thank those participants for their help and valuable insight. The results of those meetings will also be posted on our Web site as we collate the data. A conceptual End Use Plan which incorporates the committee’s ideas will be presented at the next open house.

Open Houses:

Open Houses were held on December 4, 2007 in Ryley and December 5, 2007 in Round Hill to discuss the results of the environmental baseline field studies that have been taking place throughout the year. Copies of the open house posters are included with this newsletter and can be found both on the Sherritt Website at www.sherritt.com and the EPCOR Web site at www.epcor.ca.

Scientists from a number of the key disciplines were at the Open Houses to introduce their baseline findings and answer questions. Over the next two months these scientists will complete their assessment of the potential impacts of the project on the area environment. We will review this information and, with their assistance, develop the plans necessary to address potential impacts.

We intend to bring the results of that work back to the community when it is complete and will provide you with as much advance notice of these next meetings as we can.

Plant Site Discussions:

Immediately following the October 24, 2007 land acquisition meetings, we began discussions with certain landowners with respect to acquiring an option on their lands for the proposed plant site. These discussions will likely continue for several months as we negotiate to enter into mutually acceptable agreements.

As part of this process, we plan to hold initial one-on-one meetings with all of the residents that live within a mile of the proposed plant site boundaries. The purpose of these meetings is to answer any initial concerns or questions they may have with respect to the plant, its operations or the land acquisition process in general. We will continue to follow up directly with these landowners as the plans for the plant evolve and any other surrounding neighbours that may also want to learn more about what is being proposed.

Ongoing Stakeholder Consultation:

We met with some of the elders of Sampson Cree First Nation on November 23, 2007 where we attended a pipe ceremony at Black Nugget Lake. On December 11, 2007 we took the opportunity to introduce our team and the project to the newly elected County Councils in both Camrose County and Beaver County.

It is very important to us that everyone who lives in the project study area has the opportunity to learn about the project and to provide us with their input. If you are aware of any residents in the project study area who may not as yet have been contacted, we would like to hear from you. Please call Nola Bietz at 1-888-686-8391 (toll free) and leave a message with your contact information.

Mine Plan and Mine Permit

Work on the mine plan continues as more information on the area coal resources is collected but the resulting changes are becoming increasingly small. The mine plan has been further refined into annual blocks and these can be seen on our Web site.

Perhaps of more significance was the presentation at the December 4 and 5, 2007 open houses of a conceptual mine plan for what the mine would look like should future economics make it impossible to proceed with an expansion of the gasification complex (Phase II). While it is still our intention to eventually develop a second gasification plant, we felt it important to show the community what the project would look like if this did not occur. A copy of this conceptual mine plan is included as the first poster, Phase One Case, in this newsletter.

Project Status

Project planning continues to progress with the goal of optimizing the operational, economic and environmental performance of the mine and gasification complex.

Power Generation:

As noted in our earlier updates, the project will require a significant amount of electrical power to operate the air separation unit (ASU) as well as the large numbers of fans and compressors required to cool the plant and to capture CO₂ etc.

EPCOR is proposing to build Canada's first combined-cycle power plant capable of generating power by using both the synthesis gases and tail (waste) gases produced by the coal gasification unit as well as natural gas. The power plant will be located within the plant site next to the coal gasification unit and will be included in the regulatory applications to the Alberta Utilities Commission, the Energy Resources Conservation Board and Alberta Environment. The power plant is currently estimated to have a net generation capacity of roughly 380 megawatts (MW). While the majority of this power will be required to meet the load requirements of the project, some surplus electricity would be sold into the Alberta power market.

Water Supply and Water Treatment:

EPCOR is proposing to deliver treated reuse water to the project from the Gold Bar Wastewater Treatment Plant (Gold Bar) in Edmonton using a new, dedicated pipeline. The reuse water has not been treated to a standard suitable for human consumption but it can be used for industrial applications. By using reuse water from Gold Bar, the project will not need a new river intake nor will it need to use local sources of water for its industrial processes.

The reuse water will be used to meet both the project's water process and cooling requirements. Additional treatment will be needed to meet the project's specifications and it is now anticipated that up to 26 million liters per day of reuse water will need to be treated within the on-site water treatment facilities being proposed by EPCOR.

During the industrial processes, approximately 4 million liters of water per day is expected to be recycled from the various parts of the project back to the on-site water treatment plant. No offsite discharge of waste water is anticipated and any remaining solid matter from the treatment process will be trucked away from the site to an approved waste disposal site.

EPCOR's proposed water/wastewater treatment facilities will be included in the project application and assessed as part of the project's overall Environmental Impact Assessment. EPCOR will submit a separate application to Alberta Environment and other regulators for the reclaimed water pipeline, likely later in 2008 following additional public consultation in the affected areas.

Public Consultation:

Members of the EPCOR project team will continue to work together with Sherritt to meet with area residents and stakeholders to learn more about community interests and priorities. For more information about EPCOR or to provide further input on the power and water components of this project, please contact Megan Young, EPCOR Public Consultation at (780) 412-3582 / publicconsultation@epcor.ca .

Contact Us

At Sherritt, we are committed to working with you and listening to what you have to say. If at any time you have any questions or feedback, please do not hesitate to contact me:

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