

COAL VALLEY MINING EXPANSION

PUBLIC DISCLOSURE DOCUMENT



**MERCOAL WEST AND
YELLOWHEAD TOWER
MINE PROJECT**

May 2006

General Manager's Message

Coal Valley Mine has been mining coal since 1978. Currently over 300 employees work at Coal Valley Mine, and to date they have supplied over 50 million tonnes of coal to the market place. This has had a significant long term positive effect on the local and provincial economy.

Coal Valley Mine is committed to the continued development of coal reserves, particularly those in close proximity to existing mining operations. In 2004, Coal Valley Mine expanded its mine to nearly 4 million tonnes per year, doubling thermal coal production capacity at the mine. The mine will be at full capacity in the summer of 2006. This project doubled the coal wash plant capacity, added additional mining equipment, and has created at least 150 new permanent jobs at the mine.

At current forecasted rates of coal production, Coal Valley Mine will require additional mining areas by mid 2008. Expansion of the mine will enable Coal Valley Mine to continue utilizing its newly refurbished coal wash plant, and workforce, to serve our customers into the future.

This Public Disclosure Document outlines our plans for the development of three new mining areas at Coal Valley, which are adjacent to existing mining operations. These three areas include "Mercoal West" (to be mined in mid 2008), "Yellowhead Tower" (2012) and "Robb Trend" (2010). This expansion will allow Coal Valley Mine to operate at projected rates of production until 2020.

This expansion into new mining areas will meet all environmental requirements now and in the future.

Public consultation is an integral part of the expansion. Your involvement is important and fundamental to assisting Coal Valley Mine in planning this expansion. Coal Valley Mine's approach to public consultation is to ensure that all directly-affected stakeholders will be kept abreast of mining expansion activities in Coal Valley so that stakeholders' interests and concerns are identified, understood, respected, and addressed.

Coal Valley Mine prides itself on being a good neighbour in the communities where it operates. We welcome and appreciate your participation in the Coal Valley Mining Expansion.



Rolfe Timm
General Manager

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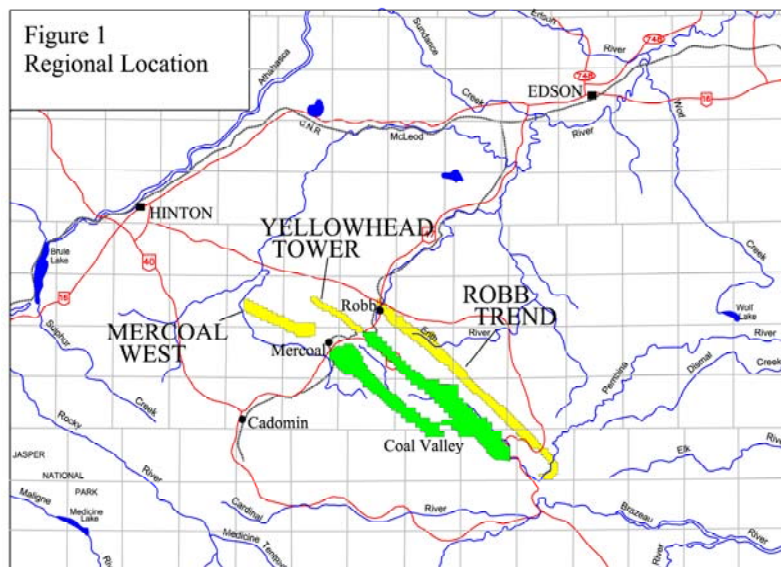
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1.0 Introduction

Coal Valley Mine is proposing to expand its existing coal mining activities in Coal Valley, Alberta. Expansion of the mine will enable Coal Valley Mine to continue utilizing its newly refurbished coal processing plant, and workforce, to serve both the domestic and export markets.

The Coal Valley mine is located approximately 100 km south of Edson in the Coal Branch area of Alberta (Figure 1). Coal Valley Mine proposes to proceed with mining in three new areas,

which are adjacent to existing mining operations. These three new areas are “Mercoal West” (to be mined in mid 2008), “Yellowhead Tower” (2012) and “Robb Trend” (2010).



Coal Valley Mine has prepared this Public Disclosure document to assist government regulatory agencies, directly-affected stakeholders and the general public in understanding the scope, timing and sequence of the proposed mining expansion.

Preparation of this Public Disclosure Document is the first step in acquiring regulatory approval for the mine expansion. It serves three purposes:

- a) It highlights the long-term plan for mining expansion within Coal Valley, providing information on the three areas of expansion.
- b) It aids the regulatory review agencies in establishing the regulatory review process that is to be undertaken for the mine expansion.
- c) Under the Alberta *Environmental Protection and Enhancement Act (EPEA)*, Environmental Impact Assessment (EIA) reports will be required for the mine expansion. This Public Disclosure Document provides the focus for developing the “Terms of Reference” for preparation of the EIA reports. Coal Valley Mine proposes that an EIA report for the Mercoal West and Yellowhead Tower mining areas be combined and submitted to Alberta Environment in March, 2007¹. Coal Valley Mine proposes that an

¹ Also available, in addition to this **Public Disclosure Document**, is a document titled – *Environmental Impact Assessment Report Proposed Terms of Reference, Mercoal West and Yellowhead Tower Mine Project*. The *Proposed Terms of Reference* provides an outline of the information requirements needed by government regulatory review agencies to assess the environmental impacts associated with expansion in the Mercoal West and Yellowhead Tower mining areas.

EIA report for the Robb Trend mining area be submitted to Alberta Environment in March 2008².

This Public Disclosure document has been prepared in consideration of Alberta Environment's "Guidelines for Environmental Assessment – Preparation of Disclosure Documents".

2.0 Corporate Profile

Headquartered in Edmonton, Alberta, Coal Valley Resources Inc. is owned by the Coal Valley Partnership (CVP), a 50-50 partnership between Sherritt International Corporation (Sherritt) and the Ontario Teachers' Pension Plan Board (Teachers').

2.1 Coal Valley Resources Inc.

Coal Valley Resources Inc. is a newly formed corporation in 2006 when the former Luscar Ltd reorganized its operations to group mine mouth, export thermal and carbon development business along functional lines.

Coal Valley Resources Inc. owns two surface mines located in the province of Alberta producing bituminous thermal coals. Coal Valley has the capacity to produce more than 4 million tonnes of coal annually. Also included in the Coal Valley ownership is the idled Obed Mountain mine and the Gregg River Mine reclamation project.

Over its almost 30-year history in Alberta, Coal Valley Mine has established a track record of success in managing safe, efficient and environmentally responsible mining operations. Coal Valley has been recognized locally, provincially, and nationally for its safety and environmental achievements.

2.2 Sherritt International Corporation

Headquartered in Toronto, Ontario, Sherritt is a diversified Canadian natural resource company, with assets of \$2.8 billion, that operates in Canada, and internationally. Sherritt, directly and through its subsidiaries, has significant interests in thermal coal production, a nickel/cobalt metals operation, oil and gas exploration, development and production, electrical generation, soybean-based food processing, tourism and agriculture.

2.3 Ontario Teachers' Pension Plan

Headquartered in Toronto, Ontario, the Teachers' is responsible for investing approximately \$96 billion in assets and administering the pensions of Ontario's 163,000 elementary and secondary school teachers and 101,000 retired teachers.

Luscar is one of Teachers' more than 2,000 investments in Canada and around the world.

² The *Environmental Impact Assessment Report Proposed Terms of Reference, Robb Trend Mine Project*, which will outline of the information requirements needed by government regulatory review agencies to assess the environmental impacts associated with expansion in the Robb Trend Mining area, will be prepared in the spring of 2007.

3.0 Mining Expansion Description

3.1 History

The Coal Valley area has an extensive coal mining history dating back to the early 20th century. Initially, coal extraction was carried out using conventional underground mining methods. Surface mining was introduced during the 1930's. The Coal Valley mine has been in operation since 1978 employing both truck/backhoe and dragline mining methods.

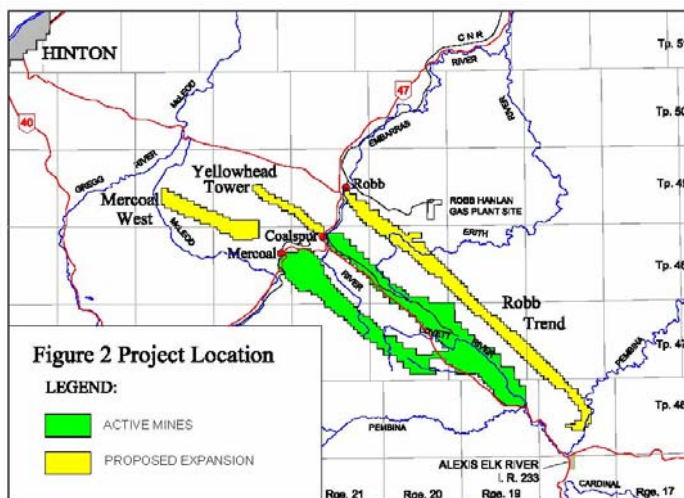
The bituminous thermal coal at Coal Valley is mined from three distinct coal seams, which are found within a 270 metre stratigraphic interval. One of the seams is characterized by fine clay and sandstone partings within the seam, and varies in thickness from 7.9 to 10.7 metres. The other seams range in thickness from 2.4 to 6.7 metres.

In 2004, Coal Valley Mine announced the expansion of its mine to 4 million clean tonnes per year, doubling the thermal coal production capacity at the mine. The mine is scheduled to be at full capacity by the second quarter of 2006. This \$125 million project doubled the coal wash plant capacity, and added additional mining equipment. This expansion has created at least 150 new permanent jobs at the mine.

3.2 Proposed Mine Expansion Areas

Coal Valley Mine intends at this time to proceed with mining in three new areas, which are adjacent to existing mining operations (Figure 2). These areas are “Mercoal West” (2008), “Yellowhead Tower” (2012) and “Robb Trend” (2010). Coal Valley Mine’s preliminary reserve estimate for each of the areas, based on geologic structure and preliminary exploration drilling, indicate that the Mercoal West area would release 7.2 million tonnes, the Yellowhead Tower area would release 6.0 million tonnes, and the Robb Trend area would release 42 million tonnes. This additional tonnage would provide Coal Valley Mine with resource availability to operate at projected rates of production until 2020.

Mercoal West Area: The Mercoal West area is located west of the community of Mercoal. Coal occurs along a NW/SE trending structure. Terrain is rolling with topography controlled by structural ridges and valleys draining to the McLeod River. Small creeks, Mercoal Creek and McCardell Creek, drain from the area into the nearby McLeod River.



The land is forested, forming part of the West Fraser Mills Ltd. Forest Management Area (FMA). Public access is limited since little timber harvesting or gas development has yet to occur directly on the proposed mining area. The area is favourably zoned for mining within the Alberta Energy Coal Branch Integrated Resource Plan (IRP) and the Coal Policy zones. No sensitive wildlife or landscape features occur within the area.

Yellowhead Tower Area: The Yellowhead Tower area is located between the community of Coalspur and the forestry tower (Yellowhead Tower). The land consists of steep ridges oriented in a NW/SE trend. The proposed mine area drains to the south by Chance Creek, a tributary of the Embarras River.

This area is also within the West Fraser FMA and is favourably zoned for mining within the IRP and Coal Policy zones. Several gas wells and pipelines are located in the area. Therefore public access is more open. Local snowmobile and quad users access this area. Recreation areas (camp ground) and random camping spots are found along the highway and Embarras River corridor.

Robb Trend Area: The Robb Trend area is located south of the community of Robb and extends nearly 40 km to the Pembina River. The north western end of the mining area is drained by the Embarras River. The Erith River runs through the middle portion of the mining area. The southern end is drained by the Pembina River system.

Steep ridges and broad valleys dominate terrain features in the area. Some gas lines cut through the area and wells are being developed to the north. Public access is limited. Local snowmobile and quad users make use of the area. Hunting is active throughout the mining area.

The West Fraser Mills FMA covers much of the area. The area is favourably zoned for mining within the IRP and Coal Policy zones. The area between the existing and proposed mining areas is noted as a regional wildlife zone for elk populations. Mining is not expected to interfere with these sensitive areas.

The key geological and mining parameters are:

Key Geological and Mining Parameters			
Parameter	Mercoal West	Yellowhead Tower	Robb Trend
Land Zoning	Coal mining permitted	Coal mining permitted Wildlife Zones present	Coal mining permitted Wildlife Zones present
Nearest Community	Mercoal	Coalspur	Robb
Terrain	Moderate ridges and valleys Mercoal & McCardell Creeks	Steep Ridges Chance Creek	Steep ridges, valleys and wetland areas Erith River, Halpenny and Bacon Creeks
Project Area	3000 ha 16 km length	1200 ha 10 km length	7500 ha 37 km length
Estimated Reserves	7.2 million Val d'Or Seam Steeply dipping monocline	6.0 million Val d'Or and Mynheer Seams Faulted, Repeated seams	42.0 million Val d'Or and Mynheer Seams Steeply dipping monocline
Mining Method	Open Pit - dragline Ave 34 km coal haul	Open pit - backhoe/truck Ave 26 km coal haul	Open pit - dragline & backhoe/truck Ave 10 km coal haul

3.3 Mine Development

Coal Valley Mine uses two mining methods depending on geology, structure, and pit configuration. A large walking dragline is applied in areas where the coal seam is relatively uniform and the terrain is flat (Figure 3). The dragline excavates the overburden and swings to the side to deposit the waste rock into large piles beside the excavation. Where the coal is structurally thickened and terrain is more severe, large backhoes are utilized for excavation (Figure 4). Where this method is used, a benched pit is established which advances from the top of ridges to the final economic depth of the pit. Overburden is hauled by truck to nearby rock dumps or as backfill into nearby pits.



Figure 3 Dragline used to remove the overburden to expose the coal seam



Figure 4 Large backhoes used to load haul trucks

The mining of coal involves a number of stages, and these include:

- Cooperation with the Forest Management Agreement (FMA) holder to harvest timber over the development area.
- Topsoil is salvaged.
- Ponds and ditches manage and control water from the disturbed areas. Water discharged from the mine area is carefully controlled to maintain quality.
- The overburden rock is drilled and broken with use of bulk explosives.
- Mine equipment then removes the overburden to expose the coal seam. Coal is hauled to the coal processing plant for cleaning.
- Upon completion of the mine pit, the remaining overburden piles (spoil piles) and pit walls are re-sloped and contoured.
- Topsoil is reapplied to the resulting contoured surfaces. Grass is immediately seeded to provide erosion control and establish a vegetated landscape. Subsequently trees are planted. The resulting terrain of lakes, wetlands, rolling grass and forested lands will provide recreational and commercial forestry opportunities (Figure 5).



Figure 5 Lovett Lake early 1990's

3.3 Coal Processing Plant

No changes to the coal processing plant will arise as a result of the mine expansion. The existing EPEA Approval will be amended for all mining related activities as a result of the mine expansion.

3.4 Access to the Mine Areas

The proposed mining areas of Mercoal West and Yellowhead Tower are west of Highway 40 and 47. There will be new road crossings, transportation and utility corridors required to join the new mining areas to existing mining areas. These will be developed having regard to the communities of Mercoal (for the Mercoal West expansion) and Coalspur (for Yellowhead Tower expansion). Haul trucks accessing the mine area and transporting coal to the coal processing plant will need to cross Highway 40 and 47.

4.0 Environmental Management

As part of conducting its operations in a safe and efficient manner, Coal Valley Mine strongly endorses practises which protect and enhance environmental quality. Coal Valley Mine believes that its existing operations represent and illustrate its proactive commitment towards carrying out its activities in an environmentally-responsible manner in compliance with legislation.

Coal Valley Mine is committed to implementing the same environmental and operating practices for the mine expansion as it utilizes at its existing operations.

4.1 Environmental Assessment

Coal Valley Mine will conduct a comprehensive EIA that will meet the requirements and needs of government regulatory review agencies to assess the environmental impacts associated with development of the mine expansion. The EIA will establish the environmental baseline conditions in the area, assess local and regional impacts, examine project alternatives, evaluate cumulative effects and provide monitoring and management plans to mitigate adverse effects. Preliminary baseline studies in the area includes work on existing surface and groundwater conditions, air quality, wildlife population and habitat inventories, vegetation and soil conditions, aquatic resources, public health, traffic, socio-economic effects and historical resources.

Proposed Terms of Reference (ToR) for the EIA Report for Mercoal West and Yellowhead Tower have been prepared and are available for review and comment. Consultation with directly-affected stakeholders, the general public and regulatory review agencies is a key factor in the preparation of the ToR. Once finalized, the ToR will provide an outline of the information required to assess the environmental impacts associated with development of the mine expansion.

Some of the key environmental issues that will be addressed include:

- Control of local impacts such as noise, dust, and traffic from the coal haul road;
- Design and planning with local communities to mitigate the impacts that may arise as result of the road and utility corridors required to connect new mining areas to existing mining areas;
- Effective management of both surface and groundwater resources;
- Re-establishment of the landscape; and
- Protection of the surrounding aquatic environment and associated wildlife (e.g. fish, large

mammals, and grizzly bears).

5.0 Economic Benefits

In 2004, Coal Valley Mine expanded to nearly 4 million tonnes per year, doubling the thermal coal production capacity at the mine. The mine is scheduled to be at full capacity by the second quarter of 2006. This project doubled the coal wash plant capacity, and added additional mining equipment. This expansion has created at least 150 new permanent jobs at the mine.

Coal Valley Mine supplies coal to the H.R. Milner power station in Alberta. Coal Valley Mine has also shipped thermal coal to the southern Ontario market, which is also served by United States coal producers on the basis of competitive pricing. No shipments from Coal Valley Mine to this market are expected in 2006.

Over the years, the focus of Coal Valley Mine has shifted to supplying coal to consumers in the Pacific Rim. Additional coal produced by the mining expansion will be shipped via rail to coal terminals on the coast of British Columbia, where it will be loaded on to ships bound for Pacific Rim locations. Coal Valley Mine expects export coal markets to remain relatively strong into the future. High and volatile natural gas pricing in North America, the migration of thermal coal into metallurgical markets, strong domestic Chinese requirements and increased demand in remaining North Asian countries contribute to this expectation.

Currently over 300 employees work at Coal Valley Mine. To date they have supplied over 50 million tonnes of coal to the market place. This has had a significant long term positive effect on the local and provincial economy.

The mine expansion will create long-term economic benefits, thus enhancing the overall quality of life for a significant portion of the local and regional population. Coal Valley Mine strives for a mutually beneficial relationship in which economic development, employment, environmental responsibility and community benefits are created.

Development of the mine expansion will provide the following benefits:

- Municipal, Provincial and Federal Governments will continue to receive revenue in the form of production royalties, license fees and taxes;
- Local, regional and provincial contractors and retailers will continue to receive benefits by providing goods and services to the mine. Coal Valley Mine will continue to support Alberta and Canadian engineering firms, contractors, manufacturers and suppliers and ensure that they receive full and fair opportunity to compete in the supply of goods and services; and
- The mine expansion will continue to employ the skilled, well paid, full time positions.

6.0 Public Consultation

Meaningful consultation with the public is an integral part of the mine expansion. Coal Valley Mine recognizes the importance of informing the local community and other key stakeholders about the mine expansion and obtaining their feedback so as to ensure that all pertinent environmental and social concerns have been identified and means for mitigating these concerns have been investigated.

Coal Valley Mine is committed to conducting its activities in an environmentally and socially responsible manner. Coal Valley Mine makes the following commitments with respect to public consultation:

- Engage in ongoing, open and co-operative dialogue with any public participant or stakeholder who has a sincere interest in the mine expansion. Coal Valley Mine will attempt, where practical, to address each concern in the development and design of the mine expansion;
- Particular emphasis will be placed on meeting with public participants who reside, use or have a specific interest in the mine expansion area and/or adjacent locale. For those groups having interests which are provincial in scope, efforts will be made to seek representatives from local chapters residing within the Coal Valley area. Where local representation is not available, Coal Valley Mine will make participation as convenient as possible through regular correspondence and/or by arranging to meet with interest groups;
- Seek advice from local community and key stakeholders at all stages of design and development to assist in decision making for the mine expansion. Participants will be provided with opportunities to view, question and understand company plans and operating practices. Local community and key stakeholder input and review will be one of the criteria used in choosing the preferred development options. Decisions which affect these participants will be clearly identified and explained in the EIA Report;
- Where possible, seek “win – win” opportunities to resolve community and key stakeholder issues; and
- Public consultation will continue to be important for advice and involvement in decisions that affect the use of land and resources within the mine expansion area. Coal Valley Mine commits to ongoing public consultation for the life of the mine expansion.

6.1 Status of the Public Consultation Process

Coal Valley Mine will focus its attention on those communities which are proximal to the mine site including Mercoal, Coalspur, and Robb. The Public Consultation process will continue to be expanded to other communities and stakeholders to ensure that public concerns have been considered. This will include discussions with other groups that may have an interest in the area and its environment, including First Nations, Environmental Non-Government Organizations and other industries with interests in the area.

The Public Consultation process will continue to be adjusted to meet the needs of new groups of stakeholders as they are identified.

7.0 Regulatory Review Process

This Public Disclosure Document marks the first step in the regulatory process. The mine expansion described in the document represents the basis for applications for approvals to be submitted to the Alberta Energy and Utilities Board (AEUB) and Alberta Environment (AENV). The regulatory requirements for the expansion of the mine are listed below:

- AEUB Mine Permit
- Environmental Impact Assessment (EIA)
- AEUB Mine Licence
- Environmental Protection and Enhancement Act and Water Act Approvals
- AEUB Abandonment Approval
- AENV Reclamation Certification

A detailed environmental impact assessment (EIA), to assess the environmental and socio-economic impacts of the proposed three new mining areas will be prepared in accordance with the requirements of the *Environmental Protection and Enhancement Act* (EPEA), the *Coal Conservation Act* (CCA) and the *Canadian Environmental Assessment Act* (CEAA). The environmental impact assessment will involve extensive stakeholder consultation, including public meetings to ensure public concerns are addressed.

Alberta Environment will review the EIA's submitted to ensure that the EIA Terms of Reference have been met, and that the mine expansion supports and promotes the "protection, enhancement and wise use of the environment". *EPEA* establishes stringent environmental requirements relating to emissions, monitoring, reporting, clean-up, reclamation, conservation and disclosure. Operating approvals for up to ten years are issued under *EPEA* for virtually all aspects of mining operation.

The EUB will review the mine expansion, and through a public review process, critically assess the environmental and socio-economic impacts of the mine expansion, and determine if the mine expansion is in the "public interest".

Applications for the use and protection of water resources for the mine expansion will be governed by the requirements of the *Water Act* and the Federal *Fisheries Act*.

Mine licence applications will be submitted to the EUB in advance of mine construction. Abandonment and decommissioning approvals will be applied for at the end of the life of the mine. Reclamation certificates will be applied for as mined lands are reclaimed throughout the life of the mine.

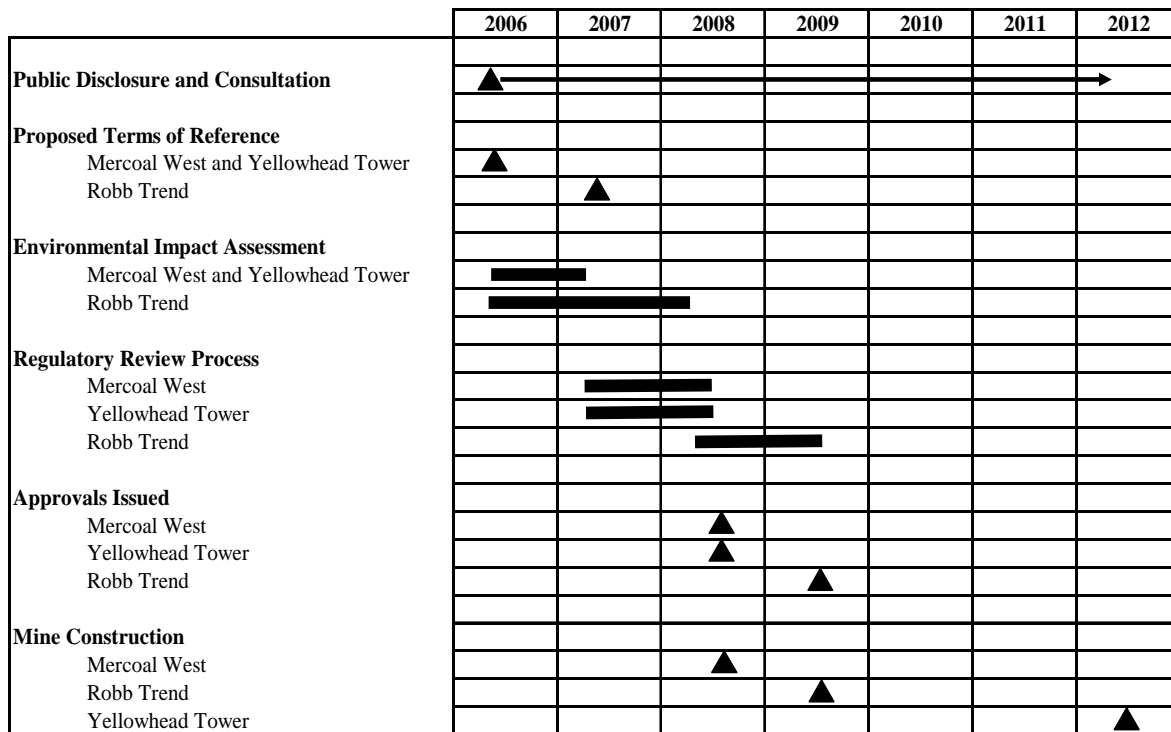
8.0 Mine Expansion Schedule

Due to geography and the close proximity of the Mercoal West mining area to the Yellowhead Tower mining area, proposed EIA terms of reference for these two areas have been combined. Environmental assessment reports and related applications for the Mercoal West and Yellowhead Tower areas will be combined and submitted together in March, 2007. In this way, Coal Valley Mine will be able to achieve the planned schedule to develop the Mercoal West mining area by mid 2008. Proposed EIA terms of reference for the Robb Trend mining area will be developed in the spring of 2007. Environmental Assessment Reports and related applications for the proposed Robb Trend mining area will be submitted by March, 2008.

This approach and other practical methods to improve the efficiency of the regulatory process will be explored with Alberta Environment and the Energy and Utilities Board.

It is estimated that it will take one year to complete the EIA and related applications for the Mercoal West expansion, and an additional one and a half years for the government to complete its review of the project. Based on this, the key dates for the three mining areas are illustrated in Figure 6 below:

Figure 6 Regulatory Approvals Schedule



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