SCOMM

146:9

Agrium KNO: **Economic Impacts & International Trade**

Forward Looking Statements

Certain statements in this material constitute forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties and various business sensitivities, including those referred to in the MD&A section of the Corporation's most recent Annual Report to Shareholders as well as those risk factors described in the Corporation's most recent Annual Information Form, which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Other factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, weather conditions, government policies and actions, future nutrient supply/demand and price factors, the future gas price and availability at Kenai, the exchange rates for U.S., Canadian and Argentine currencies, China's and India's fertilizer trade policies and volumes, future fertilizer inventory levels, future crop input application rates in North America, future crop prices, future levels of nitrogen imports into North America and future additional fertilizer capacity and operating rates, and the potential inability to integrate and obtain anticipated synergies for recent or new business acquisitions as planned or within the time predicted. In particular with respect to the Royster-Clark acquisition, we assume we will achieve improved fertilizer margins from centralized purchasing and synergies from combined chemical or other associated rebates. Agrium disclaims any intention or obligation to update or revise any forward-looking information as a result of new information or future events.

These and other risks are described in the Company's Annual Report and Interim Reports that are available directly from the Company's web page and online from SEDAR and EDGAR.

Consequently, all of the forward-looking statements made in or incorporated by reference in this material are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us.

We undertake no obligation to update or revise these forward-looking statements even if circumstances or management's estimates or opinions should change. Investors should not place undue reliance on forward-looking statements.

Outline of Presentation

- **Agrium Inc.**
  - Background
  - 2006 Earnings
  - Wholesale
  - Retail
  - Advanced Technologies
- **Agrium Kenai Nitrogen Operations**
  - Economic Impacts
  - Natural Gas
  - Commodity Sales
  - Kenai Gasification Project

Agrium's History

1931 Cominco Ltd. Enters fertilizer business

1954 Sherritt Gordon Fertilizers enters fertilizer business

1969 Vanscoy Potash Operations opens

1983 Fort Saskatchewan, Alberta plant opens

1993 Cominco Fertilizers Ltd. Trades on TSE as separate company

1994 Crop Production Services acquired (CPS)

1994 Sherritt acquires Imperial Oil assets Including Redwater Operations

1995 Cominco Fertilizers Ltd. Changes name to Agrium Inc.

Argentina Farm Centers open

1995 Western Farm Services acquired (WPS)

Nu-West Industries acquired

1996 Agrium listed on NYSE

1996 Viridian (Sherritt) fertilizer assets acquired

1998 Rasmussen Ridge Mine acquired

1999 Kapuskasing Phosphate Mine begins production

2000 Porfertil S.A. comes on stream

2000 Unocal nitrogen fertilizer operations acquired

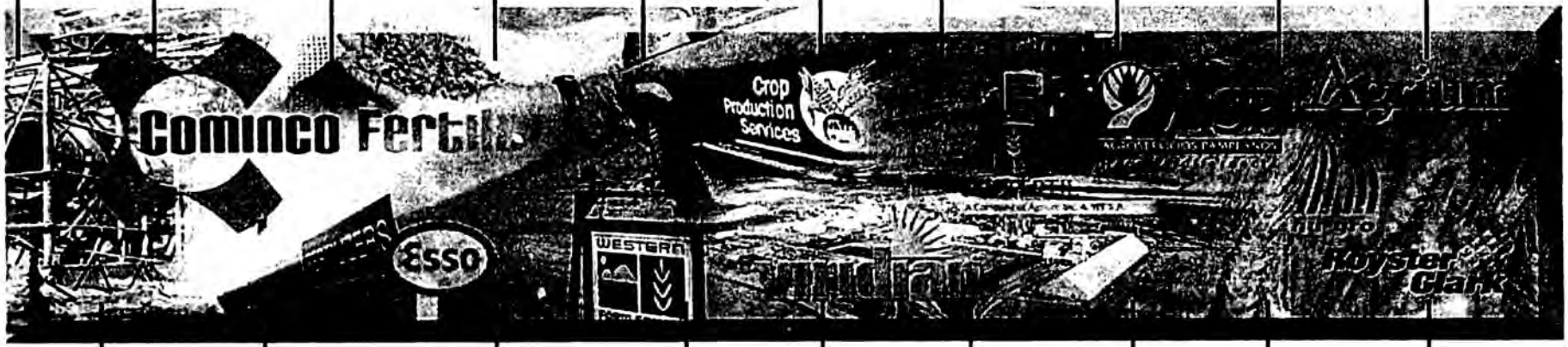
2004 Astaris Production LLC assets acquired (Nu-West's Conda, Idaho phosphate operation)

2005 W. Canadian fertilizer distribution assets from Imperial Oil acquired

2006 Nu-Gro fertilizer technology and professional products businesses acquired

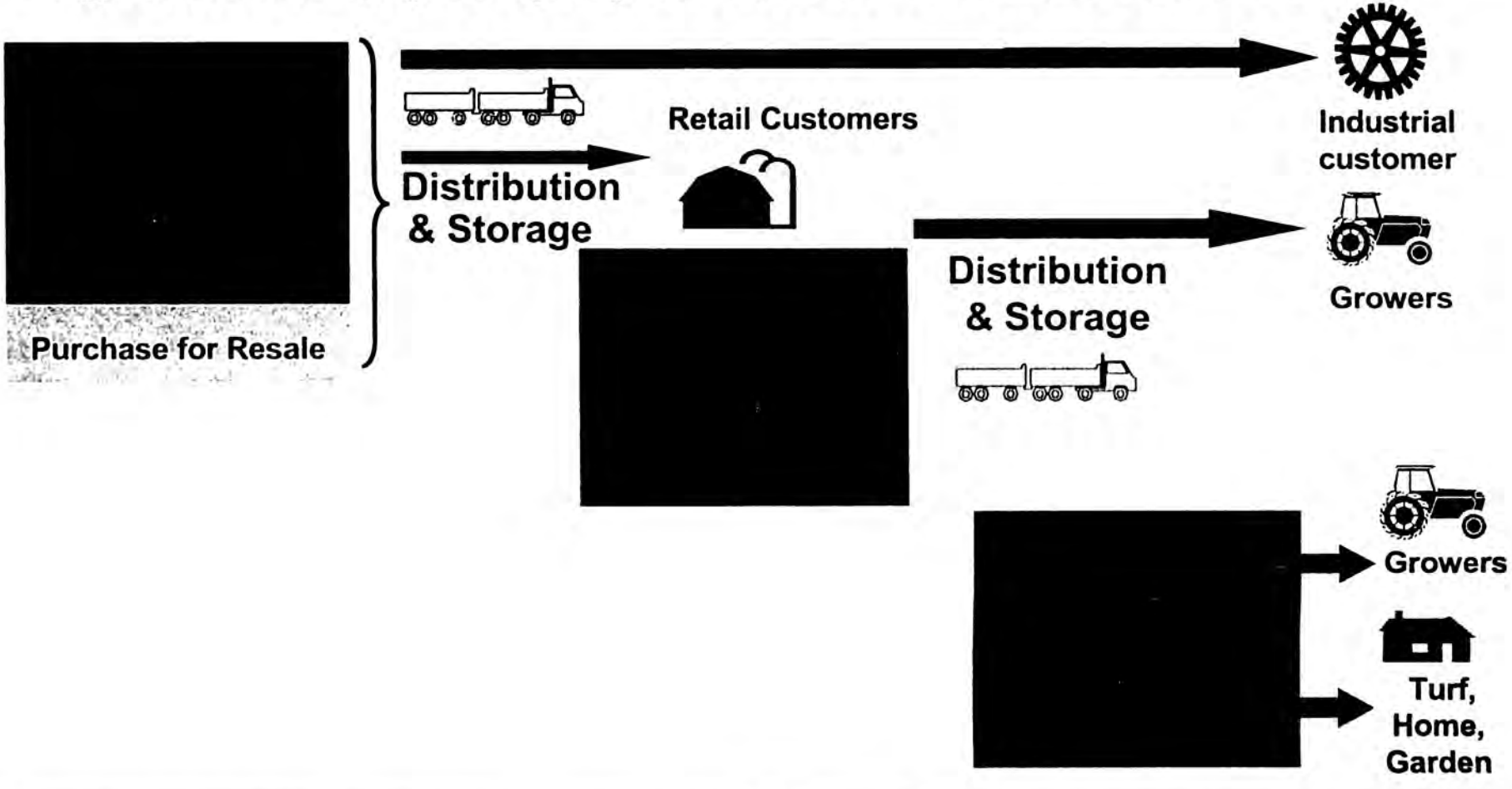
2006 Royster-Clark acquired

Acquired Pursell Technologies Inc. (PTI)



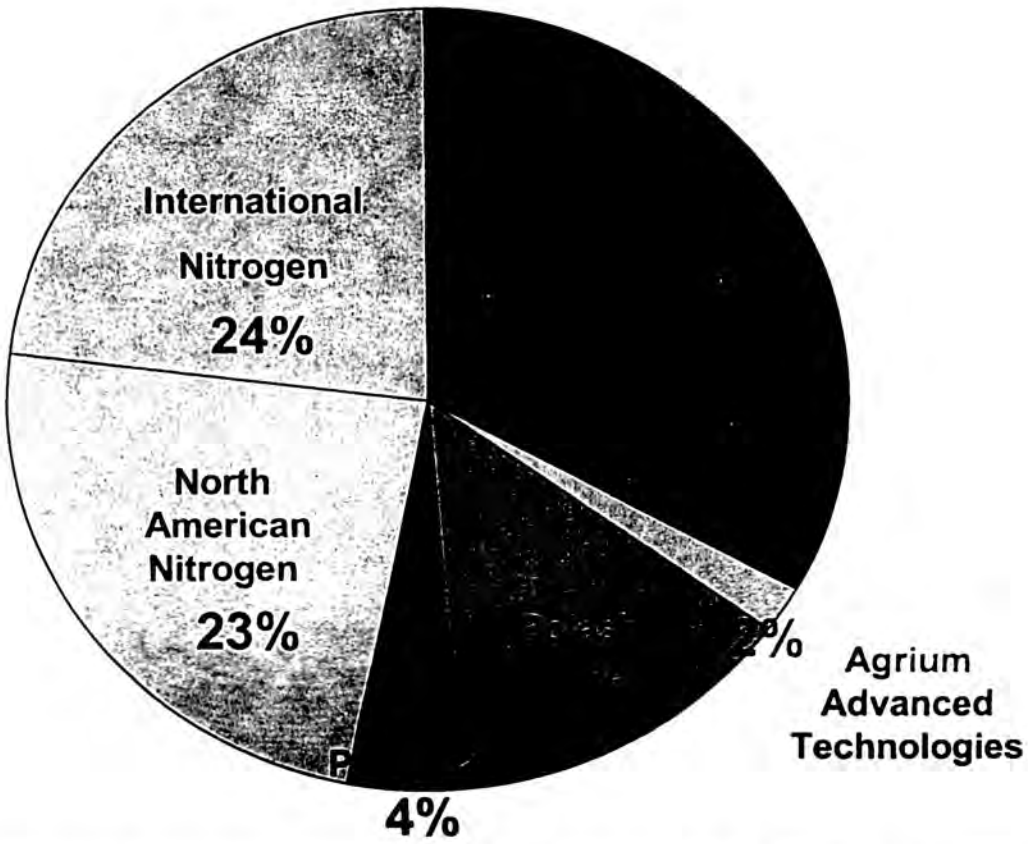
Agrium Throughout the Value Chain

Agrium is the only company to reach across entire value chain



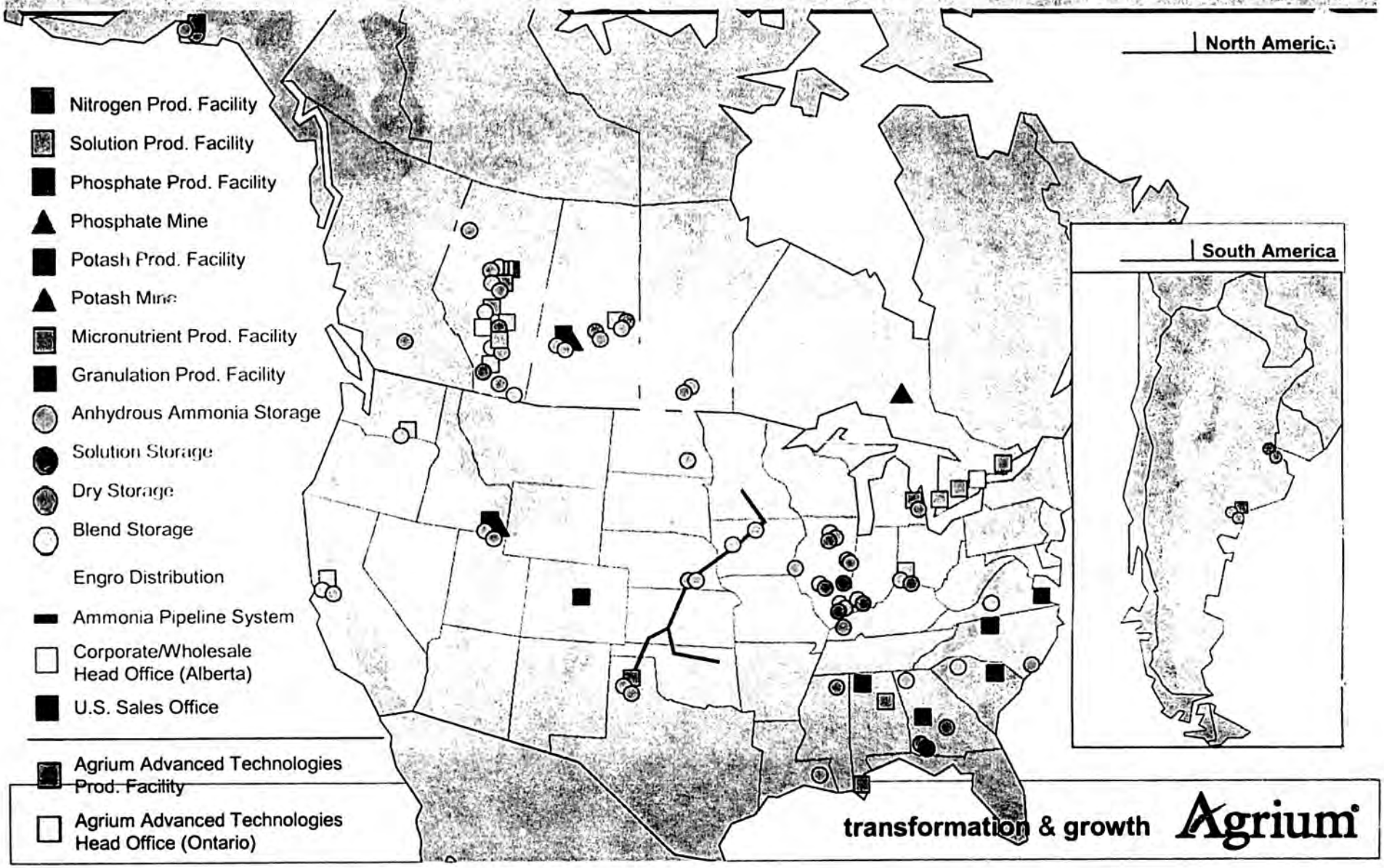
* *Measured by direct to grower sales*

Diverse Portfolio : 2006 Actual EBITDA by Business Unit & Product



Results are 2006 EBITDA, International Nitrogen includes sales from Profertil & Kenai facilities

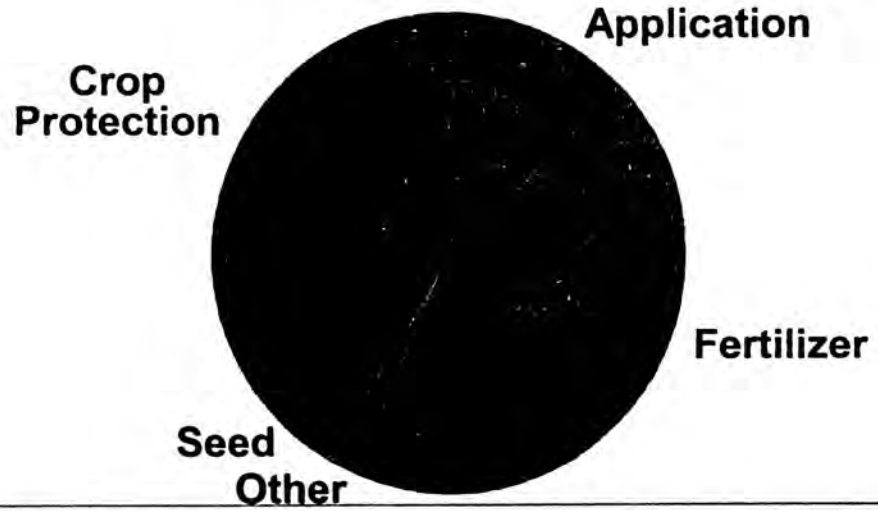
Production and Distribution Facilities – Wholesale and Agrium Advanced Technologies



Leading NA Agriculture Retailer

- **Largest North American Agricultural Retailer***
- **About $2-billion in sales to growers of seed & services, crop protection products and fertilizers**
- **Royster-Clark acquisition in February 2006, further consolidation potential**

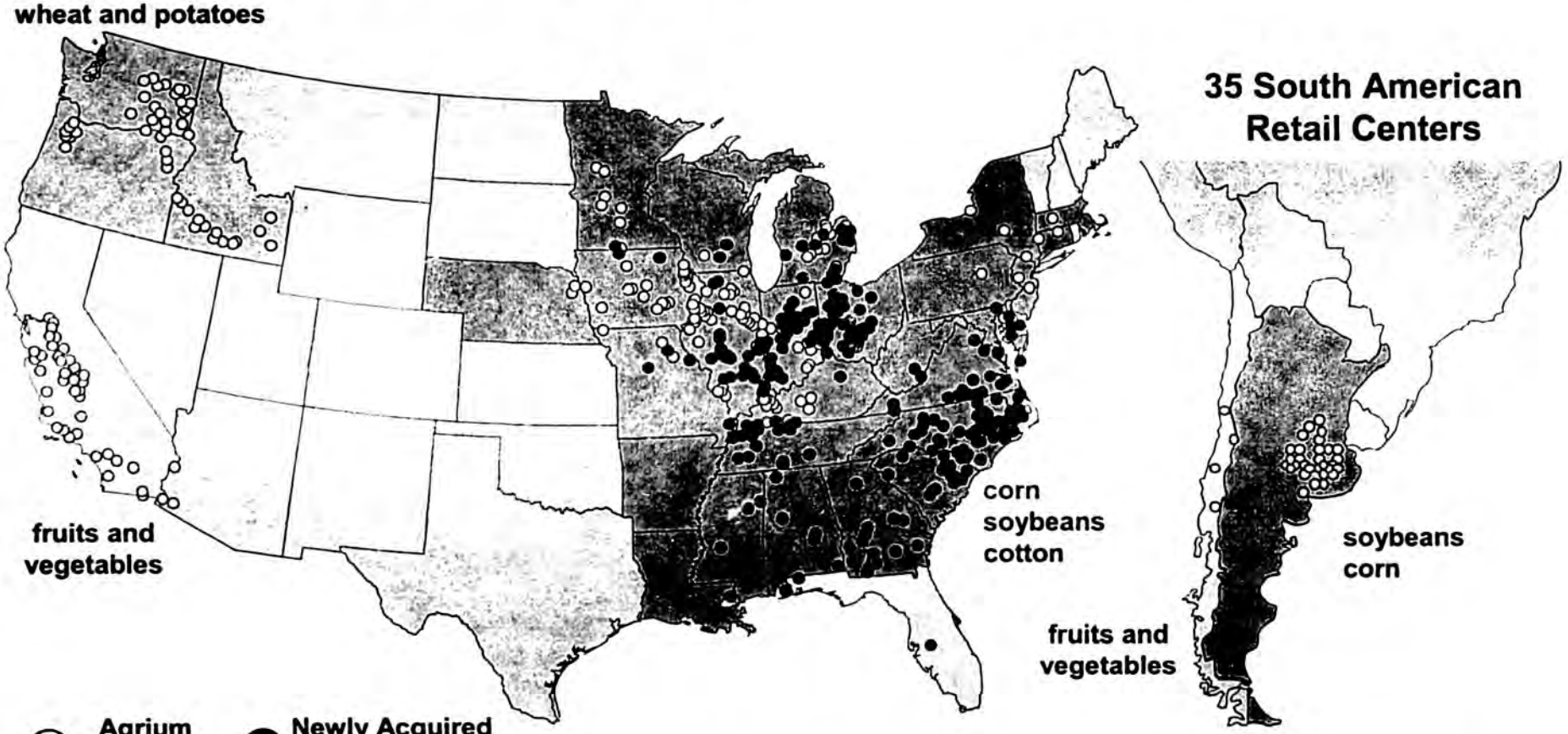
2006 Retail Gross Profit



**on a direct sales to grower basis*

Agrium's Retail Centers: Geographic and Crop Diversity

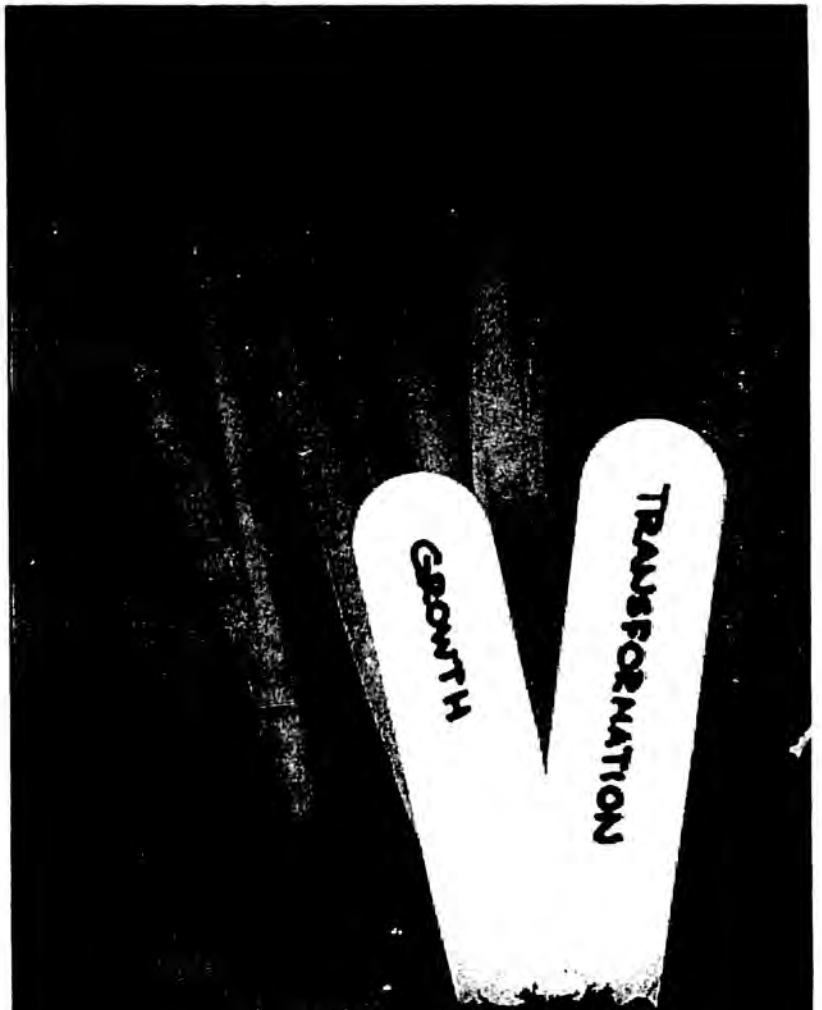
>440 retail centers globally



Agrium Advanced Technologies

- Leader in environmentally friendly specialty products
- Products directed at Turf, Ornamental, Greenhouse, High Value Specialty Crops, Lawn and Garden
- Nu-Gro & Pursell expand our controlled-release product offering beyond DurationCR®
- ESN® is Agrium's patented controlled-release environmentally friendly product for commodity crops

Agrium in Alaska: **Kenai Nitrogen Operations**



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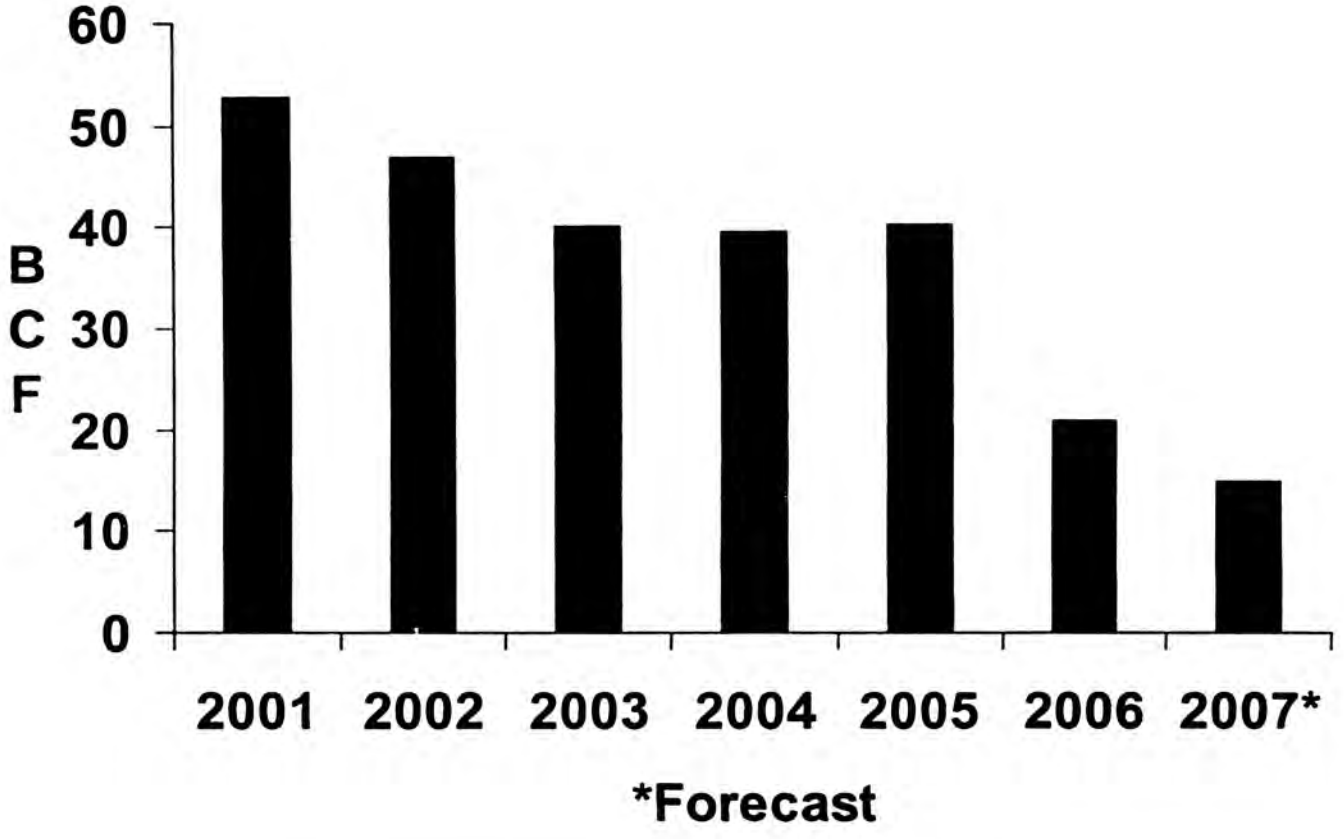
Economic Impacts

- **2nd Largest Nitrogen Complex in United States**
- **230+ employees at capacity (150 today)**
  - Fourth largest private employer on Kenai Peninsula
  - Direct, indirect and induced employment accounts for 4% of total employment on the Kenai Peninsula
  - Direct, indirect and induced payroll supports 7% of Kenai Peninsula payroll
- **For every MCF of gas used $9.35 in total economic output is generated**
- **One of state's largest value added industries**
- **Purchase goods and services from almost 400 Alaskan businesses**

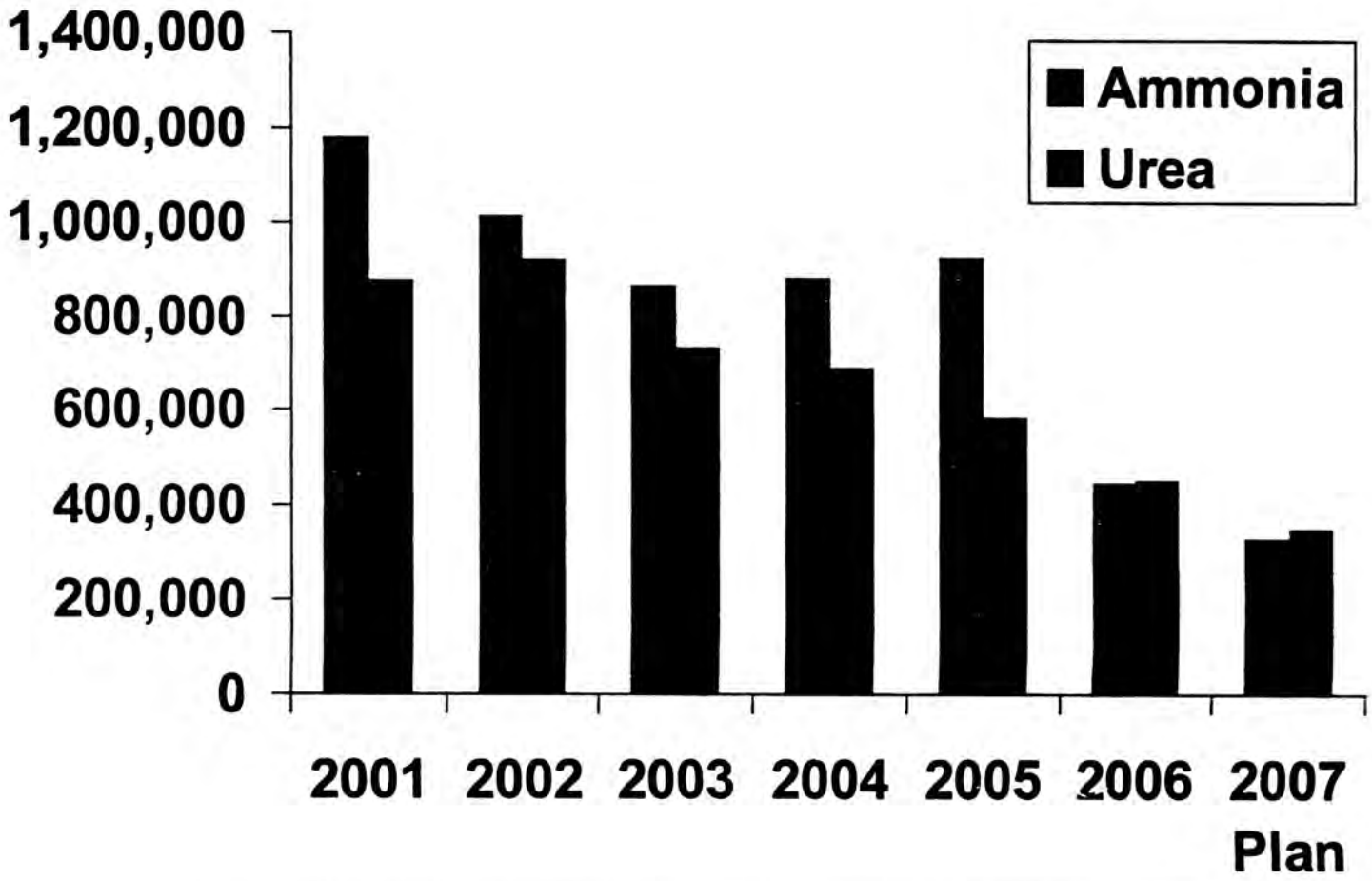
KNO - Operations Today

- Have operated at 50% of plant capacity since November 2006
- Extended shutdown during winter 2006/2007
- Current gas contracts expire October 31, 2007
- Negotiating for additional contracts to keep plant operational beyond 2007
- Kenai pays a competitive market price for gas

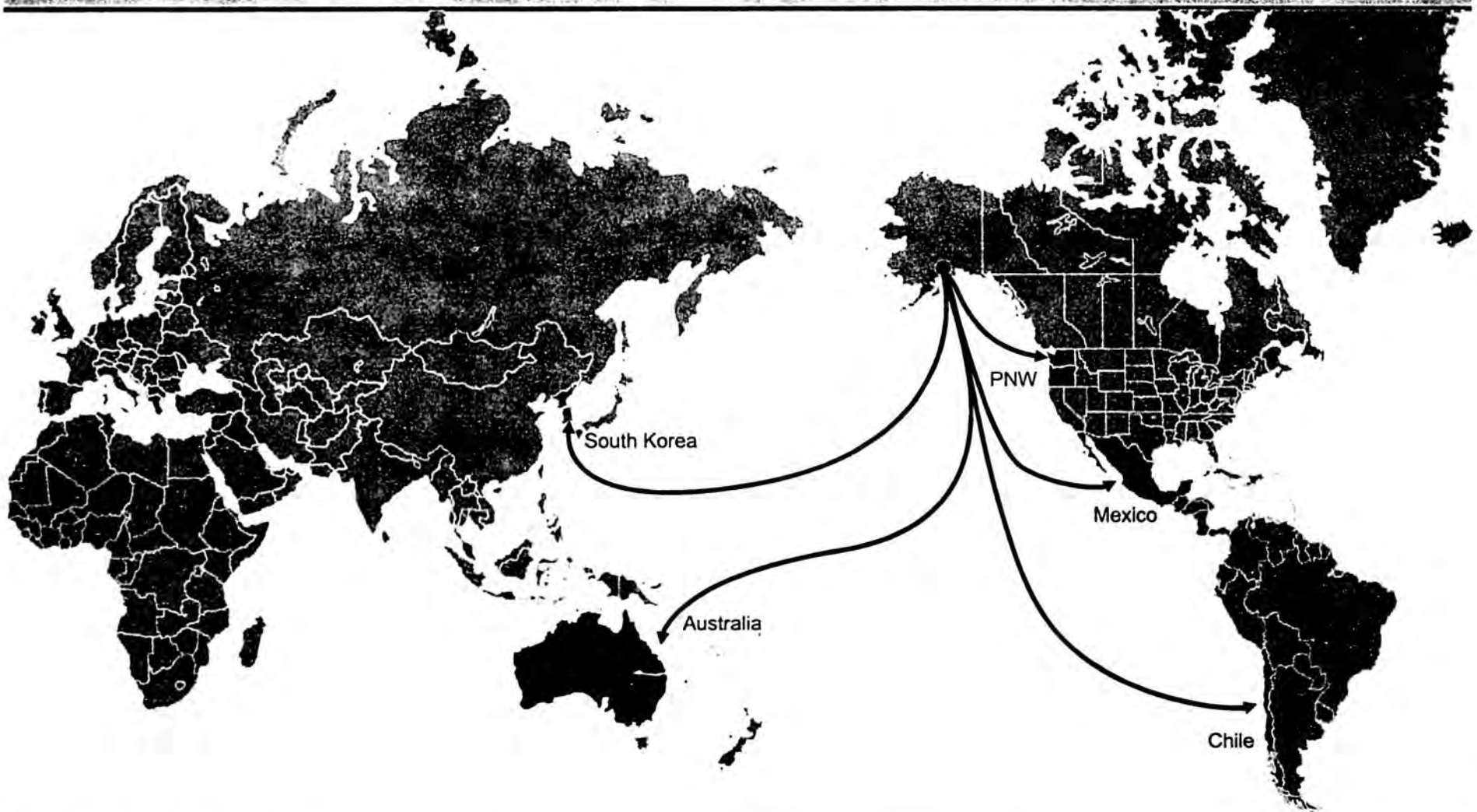
KNO Gas Consumption: 2001 - 2007



Kenai Fertilizer Production: 2001 - 2007

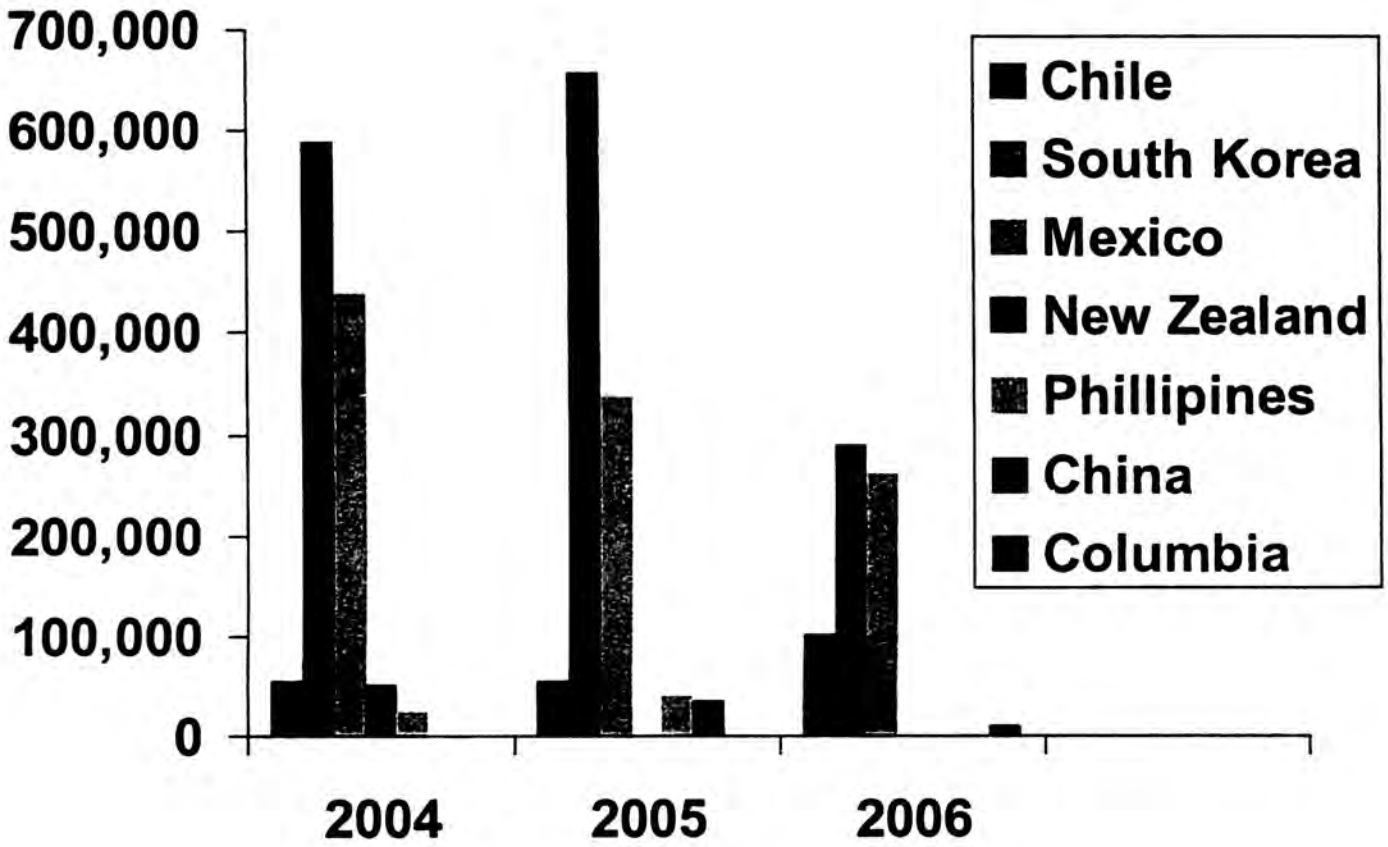


Kenai Nitrogen Operations Exports

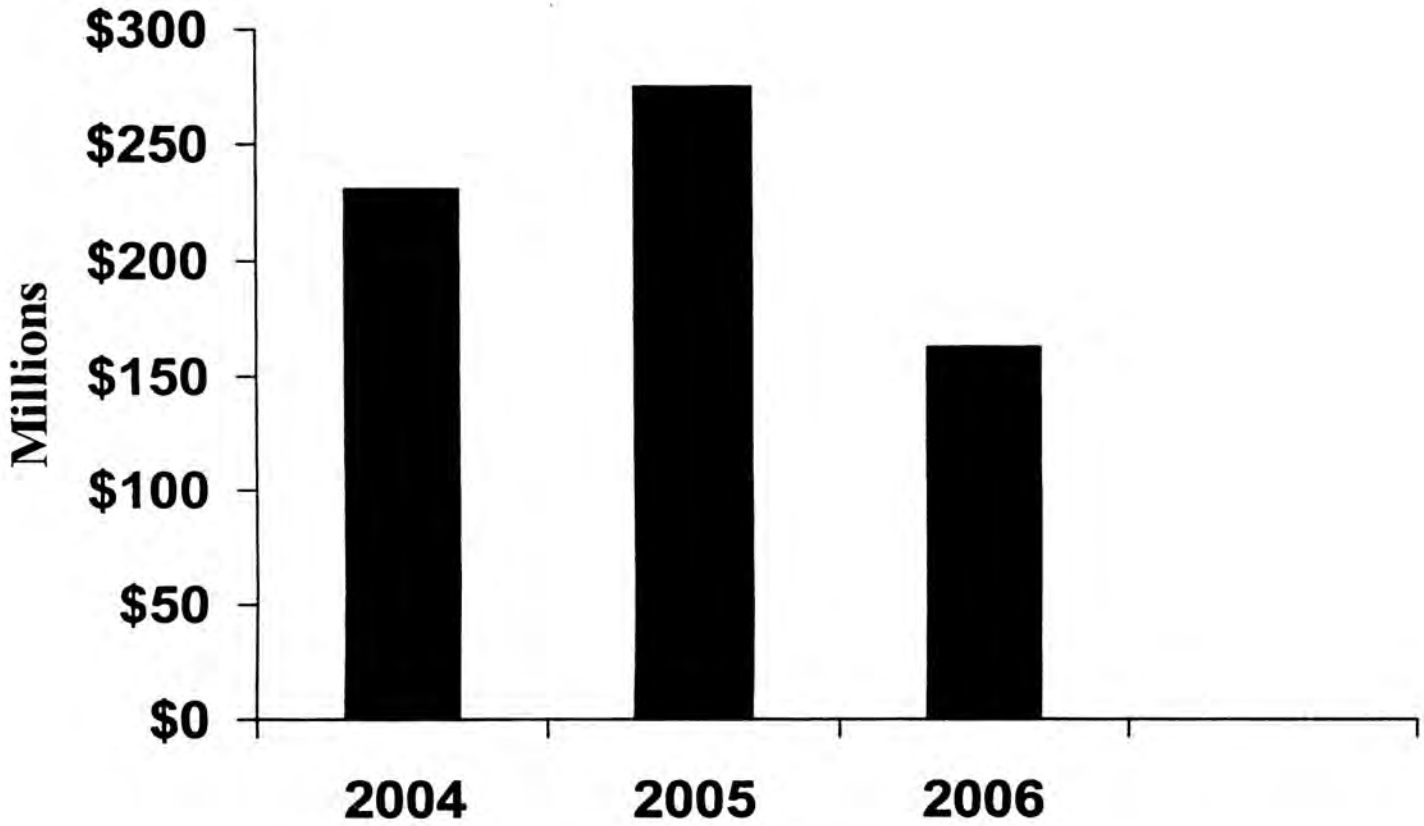


Kenai Nitrogen Operations

Agrium Export Markets 2004 - 2006



Value of Exports by Year



Agrium in Alaska:
Kenai Gasification Project

Agrium

Kenai Gasification Project Drivers

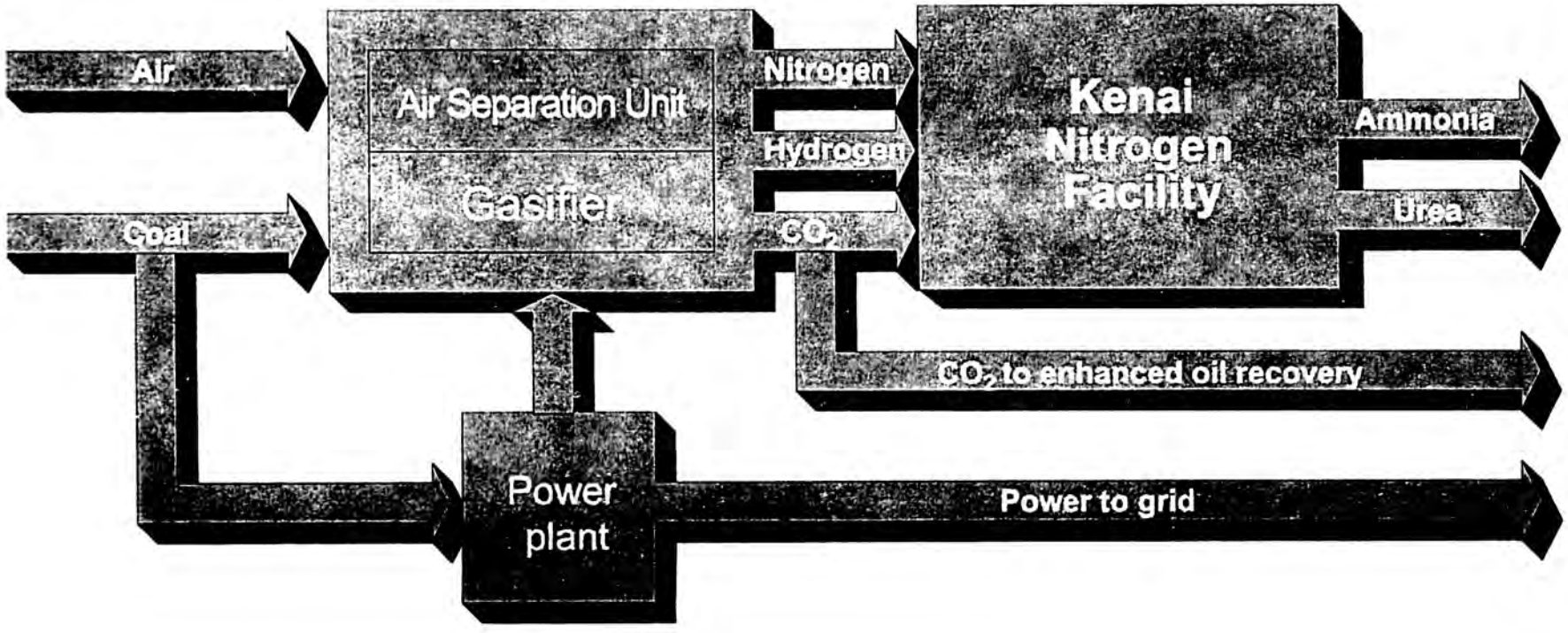
- **Severe decline in Cook Inlet natural gas supplies**
- **Agrium operations may close October 31, 2007 due to lack of natural gas feedstock**
- **Post-2007 operations are year to year, subject to short- term natural gas contracts**
- **Agrium shutdown eliminates**
  - Over 400 direct and indirect jobs
  - Substantial tax base of Kenai Peninsula Borough
  - Alaska's 3rd largest exporter

Kenai Gasification Project Drivers

- **Project capitalizes on long-term supply of low cost coal.**

- **Abundance of compelling project components**
  - Second largest nitrogen manufacturing complex in North America
  - Alaskan market demand for low cost power alternative
  - 13 Cook Inlet oil fields may produce an additional 300 million barrels through CO_2 enhanced oil recovery

Value Proposition



Project Approach

- **Phase 1 – Feasibility Study Completed**
- **Phase 2 – Front End Engineering Design (FEED) Package and Permitting**
- **Phase 3** – Detailed Engineering and Final Permitting
- **Phase 4** – Construction and Startup

Feasibility Studies
Agrium- Phase 1

- **Worked with Usibelli Coal Mine**
- **Detailed feasibility engineering and environmental review**
  - IGCC vs. PC Boiler
  - Site selection and location
- **Examined wide range of design cases**
  - Maximize all four plants
  - Maximize ammonia production
  - Maximize urea production
- **Feasible to move into next Phase, best design case maximizes urea production**
- **DOE Gasification Studies**

Phase 2 Front End Engineering Design (FEED) Study

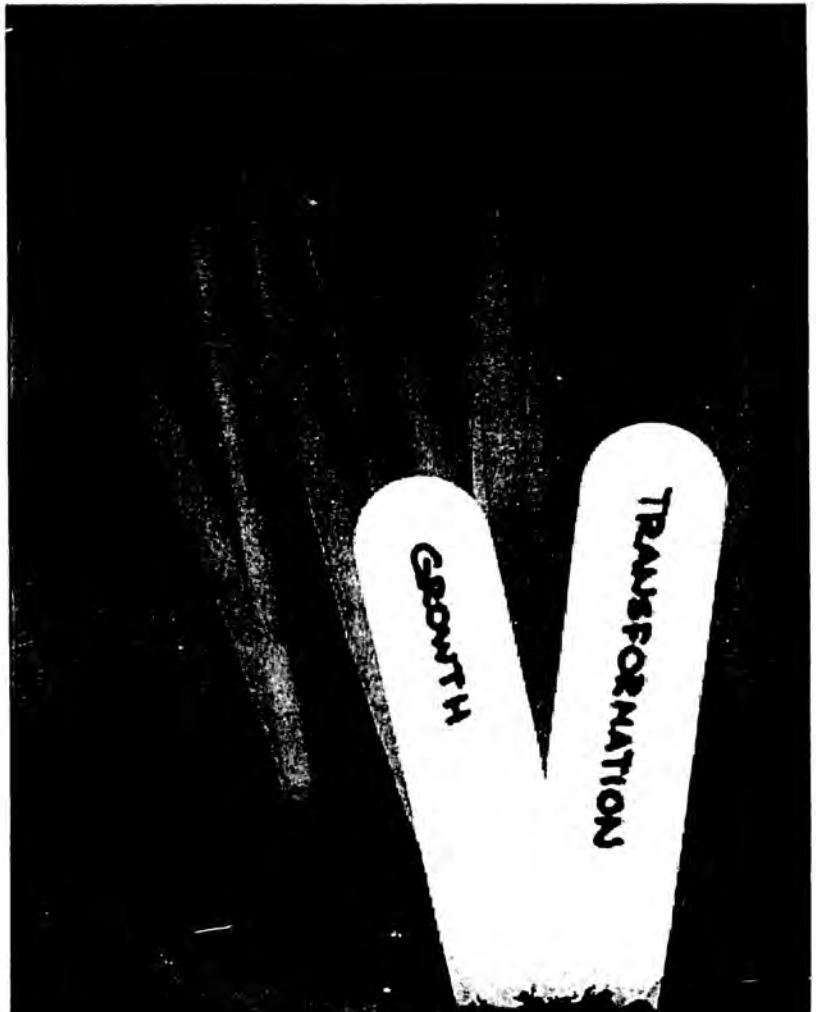
- **Partnership with Homer Electric Association**
- **Set final engineering design basis**
  - Power Block configuration and sizing
  - Gasification Technology and sizing
  - Kenai Plant Integration
- **Feedstock Due Diligence**
- **Environmental permitting**
- **Partnerships and financing**
- **Natural Gas Demands 2008 - 2011**

Conclusions

- **Phase 1 Feasibility Study Shows Potentially Viable Project**
  - Coal can replace the natural gas feedstock to KNO
  - The project has many benefits to Alaska
  - There are no environmental permit obstacles

- **Phase 2 – Front End Engineering Design (FEED)**
  - Engineering work is beginning
  - Feedstock due diligence underway
  - Coal & power partnerships developing
  - Screening strategic gasification partners
  - Selecting environmental permit contractor

Questions?



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