

# PRESS RELEASE

## Sherritt reports fourth-quarter and year-ended December 31, 2012 results

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*All amounts are Canadian dollars unless otherwise indicated.*

# Sherritt International Corporation Reports Fourth-Quarter and Year-Ended December 31, 2012 Results

*All amounts are Canadian dollars unless otherwise indicated*

**Toronto, February 27, 2013** - Sherritt International Corporation (“Sherritt” or the “Corporation”) (TSX: S) today reported a fourth-quarter 2012 net loss of \$17.3 million (\$0.06 per share, basic), compared to net earnings of \$28.1 million (\$0.10 per share, basic) for fourth-quarter 2011. Included in the net loss for fourth-quarter 2012 was \$23.5 million (\$0.09 per share, basic) in non-cash charges. Adjusted for the non-cash items, net earnings for fourth-quarter 2012 were \$6.2 million (\$0.03 per share, basic).

Net earnings for full-year 2012 were \$33.2 million (\$0.11 per share, basic), compared to net earnings of \$197.3 million (\$0.67 per share, basic) for full-year 2011. The reduction in net earnings was attributable to lower revenue (resulting from lower nickel and cobalt reference pricing and lower export thermal coal sales volumes), higher operating costs in Metals and Coal, higher depreciation in Coal resulting from a change in environmental rehabilitation obligations (ERO), and an increase in the net finance expense resulting from the redemption premium, and deferred cost write-off, associated with the redemption of the 2014 debentures (\$20.5 million or \$0.07 per share after tax). Net earnings for full-year 2012 included \$49.6 million (\$0.17 per share, basic) of non-cash charges. Adjusted for the non-cash items, net earnings for full-year 2012 were \$82.8 million (\$0.28 per share, basic).

The non-cash charges included in fourth-quarter and full-year 2012 net earnings are presented below:

Non-Cash Items (after-tax, units as noted)	Q4 2012		Twelve months ended December 31, 2012	
	(\$ millions)	(\$/share, basic)	(\$ millions)	(\$/share, basic)
Coal - Development project impairments <sup>(1)</sup>	16.5	0.06	16.5	0.06
Coal - ERO adjustments	4.1	0.01	13.1	0.04
Coal - Inventory impairments	-	-	5.3	0.02
Metals - Ambatovy call option adjustment	(0.2)	-	13.8	0.05
Oil and Gas - Impairments, other <sup>(2)</sup>	2.2	0.01	4.1	0.01
Provision for receivables	1.7	0.01	1.7	0.01
Unrealized foreign exchange (gain) loss	(0.8)	-	9.5	0.03
Gain on sale of discontinued operations <sup>(3)</sup>	-	-	(4.7)	(0.02)
Recognition of non-capital losses	-	-	(9.7)	(0.03)
<b>Total non-cash items</b>	<b>\$ 23.5</b>	<b>\$ 0.09</b>	<b>\$ 49.6</b>	<b>\$ 0.17</b>

<sup>(1)</sup> Impairment relating to Bow City Project (\$5.6 million) and Dodds Roundhill Project (\$10.9 million).

<sup>(2)</sup> Exploration and evaluation impairment (\$2.2 million) relating to the relinquishment of three licenses in the United Kingdom North Sea prospect area and a 2011 depletion expense adjustment (\$1.9 million, after tax) recorded in 2012.

<sup>(3)</sup> Gain on sale of Mineral Products business's talc plant to a third party.

David Pathe, President and Chief Executive Officer, said “2012 was a transformational year for Sherritt – marked by Ambatovy’s successful transition from a project to an operation. The production and sale of high-quality finished nickel and cobalt is the realization of the vision, contributions and commitment of thousands of people. We are very proud of the achievement, having successfully addressed market concerns regarding the technical viability of our technology and process in Madagascar. Our success makes us confident in our ability to address any additional challenges we may face as Ambatovy continues its ramp-up.”

As announced February 26, 2013, Sherritt’s Board of Directors has declared a quarterly dividend in the amount of \$0.043 per common share, payable April 12, 2013 to shareholders of record as of the close of business on March 29, 2013. The 13% increase in the dividend reflects the Corporation’s confidence in Ambatovy and the ongoing consistency of its other operations.

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**Operating cash flow** for fourth-quarter 2012 was \$5.5 million, compared to \$103.2 million in fourth-quarter 2011. Operating cash flow for full-year 2012 was \$269.9 million, compared to \$354.8 million in full-year 2011.

**Spending on capital and intangibles** relating to operations totaled \$64.0 million for fourth-quarter 2012, compared to \$81.8 million in fourth-quarter 2011. Spending on capital and intangibles relating to operations totaled \$216.2 million for full-year 2012, compared to \$235.6 million in full-year 2011.

## HIGHLIGHTS

### Sales Volumes

- Sales volumes in 2012 do not include sales from the Ambatovy Joint Venture. Finished metal sold from the Ambatovy Joint Venture will not be categorized as sales volumes until the declaration of commercial production (defined as 70% of ore throughput of nameplate capacity in the Pressure Acid Leach (“PAL”) circuit).
- Sales volumes for fourth-quarter 2012 (Sherritt’s share) totaled 9.7 million pounds of finished nickel, 1.0 million pounds of finished cobalt, 9.1 million tonnes of thermal coal, 1.0 million barrels of oil and 162 GWh of electricity.
- Sales volumes for full-year 2012 (Sherritt’s share) totaled 37.8 million pounds of finished nickel, 4.1 million pounds of finished cobalt, 34.3 million tonnes of thermal coal, 4.1 million barrels of oil and 628 GWh of electricity.

### Operating Highlights

- Record finished nickel production in fourth-quarter 2012 of 12,281 tonnes (100% basis) was 34% higher than 2011, and full-year 2012 production of 39,958 tonnes (100% basis) was 16% higher than 2011.
- Record finished cobalt production in fourth-quarter 2012 of 1,306 tonnes (100% basis) was 26% higher than 2011, and full-year 2012 production of 4,285 tonnes (100% basis) was 11% higher than 2011.
- Ramp-up of the Ambatovy Joint Venture facilities continued to progress well during the quarter. Beginning in October 2012, the PAL circuit achieved a 55% ore throughput rate for a 30-day period. During fourth-quarter 2012, total operating time in the PAL circuit was 5,352 operating hours and the ore throughput rate averaged 39%, a 1,233 hour increase when compared to third-quarter 2012. In January 2013, the ore throughput rate in the PAL circuit averaged 46%.

### Coal Update

- In November 2012, operations at the Obed Mountain mine were suspended due to weak thermal export prices and an expected increase in operating costs in new mining areas.
- In December 2012, an incident at Westshore Terminals (“Westshore”) facilities resulted in Berth 1 being out of commission for an extended period of time. During this period, Sherritt Coal mitigated the impact of the incident by utilizing contractual capacity at Ridley Terminals as well as at Westshore Terminals through Berth 2. Even with mitigation efforts, the restricted capacity at Westshore resulted in the reduction of fourth-quarter 2012 sales volumes by approximately 0.4 million tonnes. Berth 1 was reopened on February 8, 2013. While operations at Berth 1 have resumed, the incident will have an impact on sales volumes in first-quarter 2013. Management expects any backlog of material will be sold over the course of the year.
- In January 2013, a wholly-owned subsidiary of Sherritt transferred operations of the Highvale Mine to the owner/customer and the Highvale mine mining contract was terminated. The contract arrangement was for a fixed management fee that contributed approximately \$8.1 million (or 2%) of Sherritt’s 2012 Adjusted EBITDA. In 2013, the Corporation will earn \$4.0 million in management fees and will receive an estimated \$12.0 million in cash upon transfer of mobile equipment at net book value, following payment of the associated finance lease obligations.

### 2013 Outlook

- Consolidated finished nickel production of approximately 78,000 tonnes (100% basis) is expected in 2013 as Ambatovy continues its ramp-up and achieves commercial production during the year.
- Total tonnage of coal mined by Sherritt in 2013 is expected to be lower than the prior year by approximately 10 million tonnes due to the transfer of mining operations at the Highvale mine to the customer/owner. The impact on the Adjusted EBITDA of

the business is limited to the annual fees earned. For further information see the Coal section of the Review of Operations in this release.

- Gross working-interest oil production in Cuba for 2013 is expected to be approximately 18,000 bopd, 11% lower than 2012, due to natural reservoir declines.
- Initial electricity production from the Boca de Jaruco Combined Cycle Project in Cuba is expected in first-half 2013.

## Summary Data

### SUMMARY FINANCIAL DATA

(\$ millions unless otherwise noted)	Q4 2012	Q4 2011	Twelve months ended December 31,	
			2012	2011
Revenue	467.9	536.8	1,840.2	1,978.3
Adjusted EBITDA <sup>(1)</sup>	113.8	172.4	515.5	643.2
Earnings from operations and associate	26.8	99.0	241.8	410.7
Net earnings	(17.3)	28.1	33.2	197.3
Basic earnings per share (\$ per share)	(0.06)	0.10	0.11	0.67
Diluted earnings per share (\$ per share)	(0.06)	0.09	0.11	0.67
Net working capital balance <sup>(2)</sup>	979.1	1,016.7	979.1	1,016.7
Spending on capital and intangibles <sup>(3)</sup>	64.0	81.8	216.2	235.6
Total assets	6,758.3	6,497.5	6,758.3	6,497.5
Shareholders' equity	3,672.7	3,731.7	3,672.7	3,731.7
Long-term debt to total assets (%)	32	28	32	28
Weighted-average number of shares (millions)				
Basic	296.5	295.4	296.3	294.0
Diluted	297.0	296.6	296.8	296.3

(1) For additional information see the 'Non-GAAP Measure - Adjusted EBITDA' section of this release.

(2) Net working capital is calculated as total current assets less total current liabilities.

(3) Spending on capital and intangibles includes accruals and does not include spending on the Ambatovy Joint Venture or service concession arrangements.

### SUMMARY SALES DATA

(\$ millions unless otherwise noted)	Q4 2012	Q4 2011	Twelve months ended December 31,	
			2012	2011
<b>Sales volumes</b>				
Nickel (thousands of pounds, 50% basis) <sup>(1)</sup>	9,694	10,166	37,754	38,088
Cobalt (thousands of pounds, 50% basis) <sup>(1)</sup>	1,027	1,128	4,123	4,249
Thermal coal - Prairie Operations (millions of tonnes)	8.3	8.5	30.8	32.0
Thermal coal - Mountain Operations (millions of tonnes)	0.8	1.3	3.5	4.4
Oil (boepd, net working-interest production)	10,816	11,486	11,336	12,057
Electricity (GWh, 33 1/3% basis)	162	157	628	618
<b>Average realized prices</b>				
Nickel (\$/lb) <sup>(1)</sup>	7.49	8.60	7.82	10.14
Cobalt (\$/lb) <sup>(1)</sup>	11.14	14.18	12.94	15.82
Thermal coal - Prairie Operations (\$/tonne)	17.31	16.66	17.48	16.31
Thermal coal - Mountain Operations (\$/tonne)	98.21	110.36	101.65	101.61
Oil (\$/boe)	67.04	72.30	71.38	68.13
Electricity (\$/MWh)	40.83	42.51	41.32	41.00

(1) Sales volumes and average realized prices do not include the impact of the Ambatovy Joint Venture.

# Review of Operations

## METALS

(\$ millions unless otherwise noted)	Q4 2012	Q4 2011	Twelve months ended December 31,	
			2012	2011
<b>Production</b>				
Mixed sulphides (Ni+Co contained, tonnes)				
Moa Joint Venture (50% basis)	4,742	4,673	19,027	19,320
Ambatovy Joint Venture (40% basis)	1,988	-	3,589	-
<b>Total</b>	<b>6,730</b>	<b>4,673</b>	<b>22,616</b>	<b>19,320</b>
Nickel (tonnes)				
Moa Joint Venture (50% basis)	4,439	4,597	17,132	17,286
Ambatovy Joint Venture (40% basis)	1,361	-	2,278	-
<b>Total</b>	<b>5,800</b>	<b>4,597</b>	<b>19,410</b>	<b>17,286</b>
Cobalt (tonnes)				
Moa Joint Venture (50% basis)	486	519	1,896	1,927
Ambatovy Joint Venture (40% basis)	134	-	197	-
<b>Total</b>	<b>620</b>	<b>519</b>	<b>2,093</b>	<b>1,927</b>
Fertilizer (tonnes)				
Moa Joint Venture (50% basis), Fort Site (100% basis)	62,968	65,286	263,918	238,535
Ambatovy Joint Venture (40% basis)	6,329	-	6,329	-
<b>Total</b>	<b>69,297</b>	<b>65,286</b>	<b>270,247</b>	<b>238,535</b>
<b>Sales <sup>(1)</sup></b>				
Nickel (thousands of pounds, 50% basis)	9,694	10,166	37,754	38,088
Cobalt (thousands of pounds, 50% basis)	1,027	1,128	4,123	4,249
Fertilizer (tonnes)	65,121	61,808	183,493	165,208
<b>Reference prices <sup>(1)</sup></b>				
Nickel (US\$/lb)	7.70	8.30	7.95	10.36
Cobalt (US\$/lb) <sup>(2)</sup>	11.95	14.18	13.48	16.44
<b>Realized prices <sup>(1)</sup></b>				
Nickel (\$/lb)	7.49	8.60	7.82	10.14
Cobalt (\$/lb)	11.14	14.18	12.94	15.82
<b>Unit operating costs (US\$/lb) <sup>(1)</sup></b>				
Mining, processing and refining costs	6.57	6.29	6.55	6.12
Third-party feed costs	0.12	0.10	0.10	0.15
Cobalt by-product credits	(1.19)	(1.54)	(1.41)	(1.78)
Other	(0.30)	(0.44)	(0.30)	(0.14)
Net direct cash costs of nickel <sup>(3)</sup>	5.20	4.41	4.94	4.35
Natural gas (\$/GJ)	3.18	3.11	2.39	3.50
Fuel oil (US\$/tonne)	636	656	666	617
Sulphur (US\$/tonne)	253	252	263	239
Sulphuric acid (US\$/tonne)	176	197	185	190
<b>Revenue (\$ millions)</b>				
Nickel	72.6	87.4	295.4	386.2
Cobalt	11.5	16.0	53.4	67.2
Fertilizer, other	37.2	34.3	115.9	97.0
Metal marketing <sup>(4)</sup>	17.1	-	17.1	-
<b>Total revenue</b>	<b>138.4</b>	<b>137.7</b>	<b>481.8</b>	<b>550.4</b>
<b>Adjusted EBITDA (\$ millions)<sup>(5)</sup></b>	<b>29.9</b>	<b>35.7</b>	<b>125.8</b>	<b>200.4</b>
<b>Earnings from operations and associate (\$ millions)</b>	<b>19.0</b>	<b>23.1</b>	<b>87.6</b>	<b>166.3</b>
<b>Spending on capital (\$ millions)<sup>(1)</sup></b>	<b>13.6</b>	<b>21.4</b>	<b>31.9</b>	<b>44.7</b>

(1) Sales volumes, reference and realized prices, unit operating costs and spending on capital do not include the impact of the Ambatovy Joint Venture.

(2) Average Metal Bulletin - Low Grade Cobalt published price.

(3) Net direct cash costs of nickel after cobalt and other by-product credits.

- (4) Under the Ambatovy Joint Venture agreements, the Corporation established a marketing organization to buy, market and sell certain Ambatovy nickel production.  
(5) For additional information see the 'Non-IFRS Measure - Adjusted EBITDA' section of this release.

**Consolidated production** of mixed sulphides (which is presented on a contained nickel + cobalt basis) and finished metal for both the fourth-quarter and full-year 2012 was higher than the prior-year periods, primarily reflecting the addition of Ambatovy production, commencing September 2012, to the relatively stable production rates achieved at the Moa Joint Venture. Total mixed sulphides production for fourth-quarter 2012 was 14,453 tonnes (4,969 tonnes Ambatovy, 9,484 tonnes Moa, 100% basis), which was 55% higher than 2011. Full-year 2012 mixed sulphides production was 47,026 tonnes (8,972 tonnes Ambatovy, 38,054 tonnes Moa, 100% basis), 22% higher than full-year 2011.

Fourth-quarter 2012 finished nickel production of 12,281 tonnes (3,403 tonnes Ambatovy, 8,878 tonnes Moa, 100% basis) was 34% higher than fourth-quarter 2011. Fourth-quarter 2012 finished cobalt production was 1,306 tonnes (334 tonnes Ambatovy, 972 tonnes Moa, 100% basis), or 26% higher than the prior-year period. The addition of Ambatovy production was partially offset by the impact of lower availability of third-party nickel feed in the Moa Joint Venture. Full-year 2012 finished nickel production of 39,958 tonnes (5,695 tonnes Ambatovy, 34,263 tonnes Moa, 100% basis), was 16% higher than in 2011, and finished cobalt production of 4,285 tonnes (493 tonnes Ambatovy, 3,792 tonnes Moa, 100% basis), was 11% higher than full-year 2011. The addition of finished metal production from Ambatovy during the year was partially offset by lower finished metal production in the Moa Joint Venture, due mainly to reduced mining equipment availability and lower availability of third-party nickel feed.

Fertilizer production (50% Moa Joint Venture, 100% Fort Site, 40% Ambatovy) was higher for fourth-quarter 2012 (6% or 4,011 tonnes), and significantly higher (13% or 31,712 tonnes) for full-year 2012, compared to the prior-year periods, respectively, primarily reflecting the addition of Ambatovy fertilizer production in Madagascar and higher production levels in Canada (Moa Joint Venture and Fort Site). Canadian production was increased to meet stronger demand in the Western Canadian market relative to 2011.

**Consolidated sales volumes** of finished nickel, finished cobalt and fertilizer for fourth-quarter and full-year 2012 only reflect sales from the Moa Joint Venture and Fort Site operations. Finished metal and fertilizer sold from the Ambatovy Joint Venture will not be categorized as sales volumes until the declaration of commercial production (defined as 70% of ore throughput of nameplate capacity in the PAL circuit). Fourth-quarter and full-year 2012 finished metals sales volumes from the Moa Joint Venture were lower than the prior-year periods, consistent with the production trends, described above. Finished nickel sales volumes were 5% (472,000 lbs, 50% basis) lower for the quarter and 1% (334,000 lbs, 50% basis) lower for the full-year. Finished cobalt sales volumes were 9% (101,000 lbs, 50% basis) lower for fourth-quarter 2012 and 3% (126,000 lbs, 50% basis) lower for full-year 2012 compared to the prior-year periods.

Fertilizer sales volumes (50% Moa Joint Venture, 100% Fort Site), were higher for fourth-quarter (5% or 3,313 tonnes) and full-year 2012 (11% or 18,285 tonnes), compared to the prior-year periods, driven by stronger demand in the Western Canadian agricultural market.

**Average metals reference prices** were lower for fourth-quarter and full-year 2012 compared to the prior-year periods, as global production continued to outpace demand. The average nickel reference price was 7% (US\$0.60/lb) lower in fourth-quarter 2012 and 23% (US\$2.41/lb) lower in full-year 2012 than in the comparable 2011 periods. The average cobalt reference price was 16% (US\$2.23/lb) lower for fourth-quarter 2012 and 18% (US\$2.96/lb) lower for full-year 2012, compared to 2011.

**The net direct cash cost of nickel** in the Moa Joint Venture for fourth-quarter 2012 was 18% (US\$0.79/lb) higher than fourth-quarter 2011 due to a lower cobalt by-product credit (resulting from lower pricing and sales volumes), higher maintenance costs at the mine, and the variability resulting from the timing of realized nickel prices relative to the nickel reference price. The increase in the full-year net direct cash cost of nickel (14% or US\$0.59/lb) in 2012 compared to 2011, was primarily due to higher input commodity costs (mainly fuel oil and sulphur), and a lower cobalt by-product credit (resulting from lower pricing and sales volumes), partially offset by a higher fertilizer by-product credit.

**Spending on capital** in fourth-quarter 2012 for the Moa Joint Venture was 36% (\$7.8 million, 50% basis) lower than the prior-year period, due to delays related to the execution of capital projects. Spending on capital for full-year 2012 was 29% (\$12.8 million, 50% basis) lower than in full-year 2011, reflecting the capital spending deferral implemented earlier in 2012 and delays related to the execution of capital projects.

## Ambatovy Update

Ramp-up of the Ambatovy Joint Venture facilities continued to progress well during the quarter. Beginning in October 2012, the PAL circuit achieved a 55% ore throughput rate for a 30-day period. A 70% throughput rate in the PAL circuit is required for the declaration of commercial production. Total operating time in the PAL circuit of 5,352 operating hours during fourth-quarter, represented a 39% throughput rate and a 1,233 hour increase when compared to third-quarter 2012. In January 2013, the ore throughput rate in the PAL circuit averaged 46%.

Total capital costs for Ambatovy remained US\$5.3 billion (100% basis), below the US\$5.5 billion (100% basis) estimate. Total project costs for fourth-quarter 2012 were US\$312.8 million (100% basis), 84% higher than the prior quarter, as working capital demands increased during fourth-quarter 2012 as a result of the successful ramp-up of the facilities. Cumulative total project costs to December 31, 2012 were US\$6.8 billion (100% basis), including financing charges, working capital and foreign exchange, and will continue to vary until commercial production is declared. The most significant variability in total project costs is most likely to arise from the working capital component and the offsetting production revenue component.

During fourth-quarter 2012, a total of US\$312.5 million (100% basis) in funding was provided by the Ambatovy Joint Venture partners, 84% (\$142.5 million, 100% basis) higher than in third-quarter 2012. The increase is primarily due to a requirement that Ambatovy maintain in its accounts funds to pay approximately three months of local expenses and financing charges. Sherritt's 40% share of the fourth-quarter 2012 funding (US\$125.0 million) was sourced from cash on hand.

## COAL

(\$ millions unless otherwise noted)	Q4 2012	Q4 2011	Twelve months ended December 31,	
			2012	2011
<b>Production</b> (millions of tonnes)				
Prairie Operations	8.3	9.8	31.2	32.7
Mountain Operations	1.0	1.3	3.7	4.4
<b>Sales</b> (millions of tonnes)				
Prairie Operations	8.3	8.5	30.8	32.0
Mountain Operations	0.8	1.3	3.5	4.4
<b>Realized prices</b> (\$/tonne)				
Prairie Operations <sup>(1)</sup>	17.31	16.66	17.48	16.31
Mountain Operations	98.21	110.36	101.65	101.61
<b>Unit operating costs</b> (\$/tonne)				
Prairie Operations <sup>(1)</sup>	14.80	12.98	14.91	13.87
Mountain Operations	84.31	75.13	86.48	79.61
<b>Revenue</b> (\$ millions)				
Prairie Operations				
Mining revenue	151.3	148.6	568.9	547.5
Coal royalties	9.3	10.2	40.2	39.3
Potash royalties	3.5	4.1	13.3	18.9
Mountain Operations and other assets	77.9	140.4	352.6	444.8
<b>Total revenue</b>	<b>242.0</b>	<b>303.3</b>	<b>975.0</b>	<b>1,050.5</b>
<b>Adjusted EBITDA</b> (\$ millions) <sup>(2)</sup>				
Prairie Operations	34.5	46.7	138.2	134.7
Mountain Operations and other assets	9.5	42.3	43.6	89.5
<b>Total Adjusted EBITDA</b>	<b>44.0</b>	<b>89.0</b>	<b>181.8</b>	<b>224.2</b>
<b>Earnings (loss) from operations</b> (\$ millions)	<b>(10.1)</b>	<b>48.4</b>	<b>30.3</b>	<b>104.5</b>
<b>Spending on capital</b> (\$ millions)				
Prairie Operations	18.8	29.5	69.1	86.9
Mountain Operations and other assets	15.6	17.1	60.2	34.9
<b>Total spending on capital</b>	<b>34.4</b>	<b>46.6</b>	<b>129.3</b>	<b>121.8</b>

(1) Prairie Operations realized pricing and unit operating costs exclude royalties and the results of the char and activated carbon businesses.

(2) For additional information see the 'Non-GAAP Measure - Adjusted EBITDA' section of this release.

**Production volumes** for fourth-quarter and full-year 2012 in Prairie Operations were 15% (1.5 million tonnes) and 5% (1.5 million tonnes) lower than the prior-year periods, mainly due to decreased customer demand, particularly at the Highvale mine. Production volumes at Mountain Operations were 23% (0.3 million tonnes) lower for fourth-quarter 2012 and 16% (0.7 million tonnes) lower for full-year 2012, when compared to the prior-year periods, as production volumes at the Obed Mountain mine were reduced to achieve an optimal thermal export sales mix. In November, operations at the Obed Mountain mine were suspended due to weak thermal export prices and an expected increase in operating costs in new mining areas.

**Sales volumes** for fourth-quarter and full-year 2012 in Prairie Operations were 2% (0.2 million tonnes) and 4% (1.2 million tonnes) lower when compared to the prior-year period, reflecting the production trends discussed above. Fourth-quarter and full-year 2012 sales volumes at Mountain Operations were 38% (0.5 million tonnes) and 21% (0.9 million tonnes) lower, respectively, reflecting the reduction in Obed Mountain mine production. In addition, in December 2012, damage to a berth at Westshore Terminals ("Westshore") reduced Sherritt's shipping capacity at the port to 46% for an extended period of time. Westshore is the primary port for Mountain Operations export. Sherritt Coal mitigated the impact of the incident by utilizing contractual capacity at Ridley Terminals as well as at Westshore Terminals through Berth 2. Even with mitigation efforts, the restricted capacity at Westshore resulted in the reduction of fourth-quarter 2012 sales volumes by approximately 0.4 million tonnes (or \$4.5 million in Adjusted EBITDA). Westshore's Berth 1 was reopened on February 8, 2013. While operations at Berth 1 have resumed, the incident will have an impact on sales volumes in first-quarter 2013. Management expects any backlog of material will be sold over the course of the year.

**Realized pricing** (excluding royalties, char and activated carbon) for fourth-quarter 2012 and full-year 2012 at Prairie Operations was 4% (\$0.65/tonne) and 7% (\$1.17/tonne) higher than the comparable prior-year periods, primarily due to higher cost recoveries earned, and lower sales volumes generated, at a contract mine. Realized pricing at Mountain Operations for fourth-quarter 2012 was 11% (\$12.15/tonne) lower for fourth-quarter 2012, but marginally higher for full-year 2012, compared to the prior-year periods, despite weaker prices in the export thermal coal market.

**Unit operating costs** at Prairie Operations were higher for fourth-quarter 2012 (14% or \$1.82/tonne) and full-year 2012 (7% or \$1.04/tonne) relative to prior-year periods, due mainly to the impact of both lower production volumes and higher operating costs at a contract mine. Unit operating costs at Mountain Operations for fourth-quarter 2012 were 12% (\$9.18/tonne) higher than fourth-quarter 2011, and full-year 2012 costs were 9% (\$6.87/tonne) higher than 2011, mainly due to the impact of higher production costs and lower production volumes at the Obed Mountain mine.

**Royalties** for fourth-quarter 2012 were 10% (\$1.5 million) lower than the prior-year period, as potash royalties were affected by lower production volumes and coal royalties were negatively affected by the timing of mining in royalty assessable areas. Royalties for full-year 2012 were 8% (\$4.7 million) lower than full-year 2011, primarily due to a 30% (\$5.6 million) reduction in potash royalties, which reflected both lower potash pricing and lower potash production volumes.

**Spending on capital** at Prairie Operations for fourth-quarter 2012 and full-year 2012 was 36% (\$10.7 million) and 20% (\$17.8 million) lower, respectively, than in the comparable prior-year periods, reflecting the timing of equipment arrivals at the mines and efforts to reduce capital spending. Spending on capital at Mountain Operations was 9% (\$1.5 million) lower for fourth-quarter 2012 compared to fourth-quarter 2011, due to the timing of lease expenditures. Spending on capital for full-year 2012 was 72% (\$25.3 million) higher than in 2011, and was primarily directed to loading equipment and infrastructure development in the Yellowhead Tower and Robb Trend mining areas.

### Operations Update

In January 2013, Prairie Operations and the customer/owner of the Highvale mine, agreed to transfer operations to the customer/owner and terminate the Highvale mine mining contract. On January 17, 2013 the customer/owner assumed responsibility for direct mining activities with a transition process expected to be completed over the next six months. The mining contract contributed \$8.1 million (2%) of the Corporation's full-year 2012 Adjusted EBITDA.

As part of the transition agreement the Corporation will receive an estimated \$12 million in cash from the customer/owner upon transfer of mobile equipment at net-book-value following payment of the associated finance lease obligations. No accounting gain or loss will result from this net tangible asset transfer. In addition, a non-cash gain will be recognized upon transfer of the defined benefit pension obligation to the customer/owner that will be partly offset by a non-cash write-off of \$17 million for intangible assets associated with this mining contract. Measurement of this gain will be based on the actuarial valuation of the plan at the time of transfer. Based on the December 31, 2012 actuarial valuation performed in accordance



with IAS 19 (2011), which was adopted by the Corporation on January 1, 2013, this defined pension obligation gain is estimated to be \$40 million.

## OIL AND GAS

(\$ millions unless otherwise noted)	Q4 2012	Q4 2011	Twelve months ended December 31,	
			2012	2011
<b>Production (boepd)<sup>(1)</sup></b>				
Gross working-interest – Cuba <sup>(2), (3)</sup>	19,220	21,023	20,164	20,888
Net working-interest <sup>(4)</sup>				
Cuba – cost recovery	2,764	2,307	2,871	3,430
Cuba – profit oil	7,405	8,422	7,782	7,856
Cuba – total	10,169	10,729	10,653	11,286
Spain	301	398	332	416
Pakistan	346	359	351	355
Total net working-interest	10,816	11,486	11,336	12,057
<b>Reference prices (US\$/bbl)</b>				
U.S. Gulf Coast Fuel Oil No.6	94.23	98.22	99.31	95.41
Brent crude	111.06	110.34	112.44	112.14
<b>Realized prices</b>				
Cuba (\$/bbl)	67.84	72.93	72.21	68.47
Spain (\$/bbl)	108.03	111.28	111.42	110.16
Pakistan (\$/boe)	8.07	8.11	8.09	8.03
Weighted average (\$/boe)	67.04	72.30	71.38	68.13
<b>Unit operating costs</b>				
Cuba (\$/bbl)	13.68	13.59	12.69	12.07
Spain (\$/bbl)	54.93	45.74	49.96	46.51
Pakistan (\$/boe)	3.23	4.79	3.48	3.44
Weighted average (\$/boe)	14.52	14.43	13.58	13.01
<b>Revenue (\$ millions)</b>	68.2	74.4	300.9	304.9
<b>Adjusted EBITDA (\$ millions)<sup>(5)</sup></b>	50.5	54.7	232.7	235.9
<b>Earnings from operations (\$ millions)</b>	31.8	37.8	162.1	170.0
<b>Spending on capital (\$ millions)<sup>(6)</sup></b>	12.8	12.3	45.2	62.6

(1) Oil production is stated in barrels of oil per day ("bopd"). Natural gas production is stated in barrels of oil equivalent per day ("boepd"), which is converted at 6,000 cubic feet per barrel.

(2) In Cuba, Oil and Gas delivers all of its gross working-interest oil production to Union Cubapetroleo (CUPET) at the time of production. Gross working-interest oil production excludes: (i) production from wells for which commercial viability has not been established in accordance with production-sharing contracts, and (ii) working-interest of other participants in the production sharing contracts.

(3) Gross working-interest oil production is allocated between Oil and Gas and CUPET in accordance with production-sharing contracts. The Corporation's share, referred to as 'net working-interest oil production', includes: (i) cost recovery oil (based upon the recoverable capital and operating costs incurred by Oil and Gas under each production-sharing contract), and (ii) a percentage of profit oil (gross working-interest production remaining after cost recovery oil is allocated to Oil and Gas). Cost recovery pools for each production-sharing contract include cumulative recoverable costs, subject to certification by CUPET, less cumulative proceeds from cost recovery oil allocated to Oil and Gas. Cost recovery revenue equals capital and operating costs eligible for recovery under the production-sharing contracts.

(4) Net working-interest production (equivalent to net sales volume) represents the Corporation's share of gross working-interest production.

(5) For additional information see the 'Non-GAAP Measure – Adjusted EBITDA' section of this release.

(6) Exploration and evaluation spending incurred prior to the technical feasibility and commercial viability of extracting the resources is recorded as an intangible asset.

**Gross working-interest (GWI) oil production** in Cuba decreased 9% (1,803 bopd) for fourth-quarter 2012 and 3% (724 bopd) for full-year 2012, compared to the prior-year periods, primarily due to natural reservoir declines, partially offset by production from new wells drilled and the optimization of production from existing wells. Cost-recovery oil production in Cuba for fourth-quarter 2012 was 20% (457 bopd) higher than fourth-quarter 2011, due to higher cost recovery expenditures and lower realized oil prices. Cost recovery oil production decreased 16% (559 bopd) for full-year 2012, primarily due to higher oil prices and lower cost-recovery spending. Profit-oil production, which represents Sherritt's share of production after cost recovery volumes are deducted from GWI volumes, decreased 12% (1,017 bopd) for fourth-quarter 2012 and 1% (74 bopd)

for full-year 2012, compared to the same periods in 2011. Net working-interest production in Spain was 24% (97 bopd) lower for fourth-quarter 2012 and 20% (84 bopd) lower for full-year 2012, compared to the prior-year periods, due to natural reservoir declines and the loss of production from a well that was shut-in and is currently being evaluated. Production in Pakistan was marginally lower in fourth-quarter and full-year 2012, compared to the prior-year periods, due to natural reservoir declines.

**The average-realized price** for oil produced in Cuba was 7% (\$5.09/bbl) lower in fourth-quarter 2012 compared to the prior-year period, reflecting the impact of both lower reference prices and a stronger Canadian dollar relative to the U.S. dollar. Full-year 2012 realized prices in all jurisdictions were higher than in full-year 2011, as a result of higher reference prices and the impact of a weaker Canadian dollar relative to the U.S. dollar.

**Unit operating costs** in Cuba during fourth-quarter 2012 were consistent with the prior-year period, while full-year 2012 unit operating costs were 5% (\$0.62/bbl) higher than full-year 2011, due to lower net production. Unit operating costs in Spain increased 20% (\$9.19/bbl) in fourth-quarter 2012 and 7% (\$3.45/bbl) in full-year 2012, compared to the prior-year periods due to lower net production, partly offset by the effect of a stronger Canadian dollar relative to the Euro.

**Spending on capital** for fourth-quarter 2012 was marginally (\$0.5 million) higher than in fourth-quarter 2011. Spending on capital was 28% (\$17.4 million) lower for full-year 2012 compared to 2011, due to reduced development drilling expenditures and a decrease in facilities, equipment and inventory spending. Full-year 2012 spending on capital was directed mainly toward development drilling activities (\$26.1 million), facility improvements (\$2.1 million), as well as equipment and inventory purchases (\$9.5 million). During fourth-quarter 2012, two development wells were initiated and two development wells were completed. During 2012, six development wells were drilled and completed in Cuba, with the drilling of a seventh well in progress. Of the six wells completed, four are in production. Exploration spending in 2012 continued to be focused in the United Kingdom North Sea prospect area and in the Alboran Sea prospect area off the southern coast of Spain. During 2012, the Corporation relinquished three licenses in the United Kingdom North Sea prospect area resulting in an impairment loss of \$2.2 million. In 2011, the Corporation discontinued exploration in the Cuban Block 8 prospect area. In addition, a Cuban production-sharing agreement related to the Varadero enhanced oil recovery project expired during 2011. In 2011, these events in Cuba resulted in impairment losses of \$2.0 million and \$2.8 million respectively.

## POWER

(\$ millions unless otherwise noted)	Q4 2012	Q4 2011	Twelve months ended December 31,	
			2012	2011
<b>Electricity sold</b> (GWh, 33 1/3% basis)	<b>162</b>	157	<b>628</b>	618
<b>Realized price</b> (\$/MWh)	<b>40.83</b>	42.51	<b>41.32</b>	41.00
<b>Unit operating cost</b> (\$/MWh)				
Base <sup>(1)</sup>	<b>13.38</b>	16.30	<b>14.51</b>	17.35
Non-base <sup>(2)</sup>	<b>4.23</b>	(0.14)	<b>2.11</b>	2.70
<b>Total unit cash operating costs</b>	<b>17.61</b>	16.16	<b>16.62</b>	20.05
<b>Net capacity factor</b> (%)	<b>77</b>	69	<b>69</b>	71
<b>Revenue</b> (\$ millions)	<b>17.0</b>	18.6	<b>70.0</b>	60.0
<b>Adjusted EBITDA</b> (\$ millions) <sup>(3)</sup>	<b>3.8</b>	7.4	<b>22.0</b>	25.1
<b>Earnings from operations</b> (\$ millions)	<b>1.1</b>	4.7	<b>11.0</b>	14.5
<b>Spending on capital</b> (\$ millions, 33 1/3% basis) <sup>(4)</sup>	<b>1.7</b>	1.0	<b>6.1</b>	5.7
<b>Spending on projects</b> (\$ millions, 33 1/3% basis) <sup>(5)</sup>	<b>7.4</b>	8.3	<b>32.0</b>	21.7
<b>Total spending on capital and projects</b>	<b>9.1</b>	9.3	<b>38.1</b>	27.4

(1) Base costs relate to the operations in Cuba and do not include the impairment of receivables that relates to the operations in Madagascar.

(2) Costs incurred at the Boca de Jaruco and Puerto Escondido facilities that otherwise would have been capitalized if these facilities were not accounted for as service concession arrangements.

(3) For additional information see the 'Non-GAAP Measure – Adjusted EBITDA' section of this release.

(4) Spending on capital includes sustaining capital at the Varadero site as well as capitalized interest relating to the 150 MW Boca de Jaruco Combined Cycle Project.

(5) Sherritt provides 100% of the funding for the 150 MW Boca de Jaruco Combined Cycle Project and accounts for the Project as a "Service Concession Arrangement". As a result, two thirds of the project spending (relating to the non-Sherritt partners' share) is recorded as a loan receivable. The remaining one third of project spending (Sherritt's share) is recorded as a construction cost, and is offset by the same amount recorded as construction revenue.

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**Electricity production** for fourth-quarter 2012 and full-year 2012 were 3% (5 MWh, 33 1/3% basis) and 2% (10 MWh, 33 1/3% basis) higher than the respective prior-year periods, mainly due to a small increase in gas supply in the quarter and year, as well as a decrease in maintenance activities in 2012.

**The average realized price** of electricity was 4% (\$1.68/MWh) lower in fourth-quarter 2012 compared to the prior-year period, due to the stronger Canadian dollar relative to the U.S. dollar, while the average realized price for full-year 2012 was largely unchanged compared to 2011.

**Total unit operating costs** increased 9% (\$1.45/MWh) in fourth-quarter 2012, compared to the prior-year period, due to major maintenance activity at Boca de Jaruco, partially offset by a decrease in routine repairs and maintenance costs. Total unit operating costs decreased by 17% (\$3.43/MWh), compared to full-year 2011 primarily due to a decrease in maintenance costs and higher major inspection costs at Puerto Escondido in 2011.

**Spending on capital** for fourth-quarter 2012 was 70% (\$0.7 million) higher than the prior-year period, mainly due to the difference in capitalized interest on the 150 MW Boca de Jaruco Combined Cycle Project. Full-year 2012 spending on capital was 7% (\$0.4 million) higher than full-year 2011, due to the increase in capitalized interest that was only partially offset by a reduction in sustaining capital expenditures. Spending on sustaining capital was largely directed to the purchase of equipment and major long-term spare parts. Excluding capitalized interest, spending on sustaining capital in 2011 was higher as a result of major turbine maintenance at the Varadero facility.

#### **150 MW Boca de Jaruco Combined Cycle Project**

Spending on the Project for the quarter was 11% (\$2.7 million, 100% basis) lower than in fourth-quarter 2011, while full-year 2012 spending was 47% (\$30.9 million, 100% basis) higher than full-year 2011, reflecting the increased level of project activity in 2012. Cumulative spending on the Project at December 31, 2012 was \$246.0 million (100% basis). The Project is scheduled to begin production in first-half 2013. The total project cost estimate remains \$271.0 million.

#### **CASH, DEBT AND FINANCING**

Cash, cash equivalents and short-term investments were \$526.8 million at December 31, 2012, including \$8.6 million held by Energas S.A. (33 1/3% basis) and \$23.6 million (50% basis) held by the Moa Joint Venture. Cash, cash equivalents and short-term investments held by the Ambatovy Joint Venture are included in "Investment in an Associate" and were \$52.4 million (40% basis) as at December 31, 2012.

Total long-term debt at December 31, 2012 was \$2.0 billion, including approximately \$0.8 billion related to non-recourse Ambatovy partner loans to Sherritt. At December 31, 2012, Sherritt had approximately \$0.6 billion of credit available under various facilities.

# Outlook

Projected production volumes, royalties and spending on capital for full-year 2013 are shown below.

(units as noted)	Actual for the year ended December 31, 2012	Projected for the year ending December 31, 2013
<b>Production volumes</b>		
Mixed sulphides (tonnes, Ni+Co contained, 100% basis)		
Moa Joint Venture	38,054	38,000
Ambatovy Joint Venture	8,972	40,000
<b>Total</b>	<b>47,026</b>	<b>78,000</b>
Nickel, finished (tonnes, 100% basis)		
Moa Joint Venture	34,263	34,000
Ambatovy Joint Venture	5,695	35,000
<b>Total</b>	<b>39,958</b>	<b>69,000</b>
Cobalt, finished (tonnes, 100% basis)		
Moa Joint Venture	3,792	3,350
Ambatovy Joint Venture	493	3,000
<b>Total</b>	<b>4,285</b>	<b>6,350</b>
Coal - Prairie Operations (millions of tonnes)	31	22
Coal - Mountain Operations (millions of tonnes)	3.7	3.5
Oil - Cuba (gross working-interest, bopd)	20,164	18,000
Oil - All operations (net working-interest, boepd)	11,336	10,700
Electricity (GWh, 33 1/3% basis)	628	630
<b>Royalties (\$ millions)</b>		
Coal	40	40
Potash	13	11
<b>Spending on capital (\$ millions)</b>		
Metals - Moa Joint Venture (50% basis), Fort Site (100% basis) <sup>(1)</sup>	32	51
Metals - Ambatovy Joint Venture (40% basis)	-	29
Coal - Prairie Operations	69	76
Coal - Mountain Operations	60	52
Oil and Gas - Cuba <sup>(2)</sup>	38	54
Oil and Gas - Other <sup>(2)</sup>	7	18
Power (33 1/3% basis) <sup>(3)</sup>	6	5
<b>Spending on capital (excluding Projects and Corporate)</b>	<b>212</b>	<b>285</b>
<b>Spending on projects</b>		
Metals - Ambatovy Joint Venture (US\$ millions, 100% basis)	73	-
Power - 150 MW Boca de Jaruco (\$ millions, 100% basis) <sup>(4)</sup>	96	25

(1) Spending on capital relating to the Corporation's 50% share of the Moa Joint Venture and to the Corporation's 100% interest in the fertilizer and utilities assets in Fort Saskatchewan.

(2) Exploration and evaluation spending incurred prior to the technical feasibility and commercial viability of extracting the resources is recorded as an intangible asset.

(3) Spending on capital for Power includes sustaining capital at the Varadero site as well as capitalized interest in respect of the 150 MW Boca de Jaruco Combined Cycle Project.

(4) Sherritt provides 100% of the funding for the 150 MW Boca de Jaruco Combined Cycle Project and accounts for the Project as a "Service Concession Arrangement". As a result, two thirds of the project spending (relating to the non-Sherritt partners' share) is recorded as a loan receivable. The remaining one third of project spending (Sherritt's share) is recorded as a construction cost.

- In Metals, production guidance (for mixed sulphides and finished metal) reflects the first full year of contribution from both operations, the Moa Joint Venture (Cuba/Canada) and the Ambatovy Joint Venture (Madagascar). While Moa Joint Venture

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production guidance is largely consistent with 2012 levels, Ambatovy production levels are expected to ramp up over the course of 2013, reaching full capacity rates by the end of the year. Spending on capital of \$80 million (Sherritt's share) for all operations reflects sustaining expenditures in all jurisdictions.

- In Metals-Sulawesi Project, the Corporation expects to fund exploration and development activities to meet the US\$30 million requirement under the Project's earn-in agreement by October 2013. This requirement, among others, must be satisfied in order for Sherritt to obtain ownership of a 46% economic interest in the Project. After spending US\$30 million and obtaining its ownership interest in the Project, Sherritt may elect to spend an additional US\$80 million by June 2017, directed towards additional exploration drilling and producing a feasibility study. If Sherritt does not elect to spend additional funds, or does not complete the additional spending, the Corporation would forfeit its ownership interest.
- In Coal-Prairie Operations, full-year 2013 production is expected to be 22 million tonnes, 29% (9 million tonnes) lower than 2012, primarily due to the transfer of mining operations at the Highvale mine to the customer/owner. Full-year 2013 spending on capital at Prairie Operations is expected to be 10% (\$7 million) higher than the prior year, largely due to pre-strip mining equipment at the Paintearth mine.
- In Coal-Mountain Operations, full-year 2013 production is expected to be 5% (0.2 million tonnes) lower than 2012, primarily due to the suspension of operations at the Obed Mountain mine in November 2012. Full-year 2013 spending on capital at Mountain Operations is expected to be 13% (\$8 million) lower than 2012, mainly due to comparatively lower loading equipment capital additions.
- In Oil and Gas, full-year 2013 GWI production in Cuba is expected to be lower (11% or 2,164 bopd) than in 2012, reflecting the natural reservoir decline rates and the impact of a limited drilling program in 2012 and 2013. Total net working-interest production for full-year 2013 is expected to follow the same trend. Spending on capital for 2013 is expected to increase 42% (\$16 million) in Cuba and 157% (\$11 million) in other jurisdictions, reflecting increased spending on equipment, facilities and workovers in Cuba as well as seismic work in the United Kingdom North Sea prospect area and in the Alboran Sea prospect area off the southern coast of Spain.
- In Power, full-year 2013 production is expected to be consistent with 2012 levels. Full-year 2013 spending on capital is expected to be relatively unchanged from the prior-year.
- In Power-150 MW Boca de Jaruco Combined Cycle Project, initial production is scheduled to commence in first-half 2013. Sherritt's estimate of the total project cost remains \$271.0 million.

## Non-GAAP Measure – Adjusted EBITDA

Management uses Adjusted EBITDA to monitor financial performance and provide additional information to investors and analysts. Adjusted EBITDA does not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As Adjusted EBITDA does not have a standardized meaning, it may not be comparable to similar measures provided by other companies.

The Corporation defines Adjusted EBITDA as net earnings (loss) from operations and associate as reported in the financial statements, adjusted for amounts included in net earnings or net loss during the period for depletion, depreciation and amortization; impairment charges for property, plant and equipment, intangible assets, goodwill and investments; gain or loss on disposal of property, plant and equipment; and the Corporation's share of income or loss of associate.

## About Sherritt

Sherritt is a world leader in the mining and refining of nickel from lateritic ores with projects and operations in Canada, Cuba, Indonesia and Madagascar. The Corporation is the largest thermal coal producer in Canada and is the largest independent energy producer in Cuba, with extensive oil and power operations across the island. Sherritt licenses its proprietary technologies and provides metallurgical services to mining and refining operations worldwide. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "S".

## Forward-Looking Statements

This press release contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will”, “could”, “should”, “suspect”, “outlook”, “projected”, “continue” or other similar words or phrases. Specifically, forward-looking statements in this document include statements respecting certain future expectations about capital expenditures; capital project commissioning and completion dates; commodity and product prices and demand; production volumes; realized prices for production; future reserves and mine life; environmental rehabilitation provisions; availability of regulatory approvals; earnings and revenues; compliance with applicable environmental laws and regulations; debt repayments; compliance with financial covenants; sufficiency of working capital and capital project funding; the impact of regulations related to greenhouse gas emissions and credits; collection of accounts receivable; and certain corporate objectives, plans or goals for 2013, including development and exploratory wells and enhanced oil recovery in Cuba. These forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The Corporation cautions readers of this press release not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

Key factors that may result in material differences between actual results and developments and those contemplated by this press release include global economic conditions, and business, economic and political conditions in Canada, Cuba, Madagascar, Indonesia, and the principal markets for the Corporation’s products. Other such factors include, but are not limited to, uncertainties in the development, construction and ramp-up of large mining, processing and refining projects; risks related to the availability of capital to undertake capital initiatives; changes in capital cost estimates in respect of the Corporation’s capital initiatives; risks associated with the Corporation’s joint-venture partners; future non-compliance with financial covenants; potential interruptions in transportation; political, economic and other risks of foreign operations; the Corporation’s reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainty of gas supply for electrical generation; uncertainties in oil and gas exploration; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; risks related to the Cuban government’s ability to make certain payments to the Corporation; drilling and development programs; uncertainties in reserve estimates; risks associated with access to reserves and resources; uncertainties in environmental rehabilitation provisions estimates; the Corporation’s reliance on significant customers; risks related to the Corporation’s corporate structure; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; the Corporation’s ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainties in pension liabilities; the ability of the Corporation to enforce legal rights in foreign jurisdictions; risks associated with future acquisitions; the ability of the Corporation to obtain government permits; risks associated with government regulations and environmental, health and safety matters; uncertainties in growth management and other factors listed from time to time in the Corporation’s continuous disclosure documents. Statements relating to “reserves” or “resources” are deemed to be forward-looking statements, as they involve assessments based on certain estimates or assumptions. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this press release and the Corporation’s other documents filed with the Canadian securities authorities.

The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this press release and in the Corporation’s other documents filed with the Canadian securities authorities should be read for a description of certain factors that could cause the actual results of the Corporation to differ materially from those in the oral forward-looking statements. The forward-looking information and statements contained in this press release are made as of the date hereof and the Corporation undertakes no obligation to update publicly or revise any oral or written forward-looking information or statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement.

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