Sherritt Reports Fourth-Quarter and Year-Ended December 31, 2011 Results

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TORONTO, ONTARIO -- (Marketwire - Feb. 22, 2012) - Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX:S) today reported fourth-quarter and year-ended 2011 results.

- Net earnings for fourth-quarter 2011 were $28.1 million ($0.10 per share, basic), compared to net earnings of $42.7 million ($0.15 per share, basic) for fourth-quarter 2010. Net earnings for the year 2011 were $197.3 million ($0.67 per share, basic) compared to $144.8 million ($0.49 per share, basic) for the year 2010.

- Strong operating results for fourth-quarter 2011 were affected by the payment of a make-whole premium ($18.2 million, $0.06 per share, basic) for the early redemption of the $274 million principal amount of Sherritt's 7.875% senior unsecured debentures ("2012 debentures"), as well as several adjustments for estimates. The $8.2 million ($0.03 per share, basic) increase in depletion and amortization compared to prior quarters was the result of increases in the environmental rehabilitation provisions in Metals and Coal that were reassessed at the end of the year.

- Net earnings for 2011 surpassed the prior year by $52.5 million ($0.18 per share, basic) largely as a result of higher market pricing for both export thermal coal and oil, and the resultant strong EBITDA, in Coal and Oil and Gas.

- Sales volumes for fourth-quarter 2011 (Sherritt's share) totaled 10.2 million pounds of nickel, 1.1 million pounds of cobalt, 9.8 million tonnes of thermal coal, 1.1 million barrels of oil and 157 GWh of electricity. Sales volumes for full-year 2011 (Sherritt's share) totaled 38.1 million pounds of nickel, 4.2 million pounds of cobalt, 36.4 million tonnes of thermal coal, 4.4 million barrels of oil and 618 GWh of electricity.

- Cash, cash equivalents and short-term investments were $631.4 million at December 31, 2011, including $30.0 million (50% basis) held by the Moa Joint Venture. Cash held by the Ambatovy Project is included in "Investment in an Associate" and was $13.7 million (40% basis) as at December 31, 2011.

- Operating cash flow for fourth-quarter 2011 was $103.2 million, compared to $138.3 million in fourth-quarter 2010. Operating cash flow for full-year 2011 was $354.8 million, compared to $413.8 million in full-year 2010.

- Spending on capital and intangibles relating to operations totaled $81.8 million for fourth-quarter 2011 compared to $55.8 million in fourth-quarter 2010. Spending on capital and intangibles relating to operations for full-year 2011 was $235.6 million, compared to $185.5 million in full-year 2010. Spending on capital in the Ambatovy Project was US$148.9 million (100% basis) for fourth-quarter 2011, lower than previous quarters due to the completion of construction. Cumulative capital spending on the Project at December 31, 2011 was US$5.2 billion (100% basis).

- At the Ambatovy Project, the pressure acid leach circuits continued the start-up sequencing, with a successful three-day test run on the first autoclave. All utilities are either operational or in start-up, including the acid plant, hydrogen plant and the hydrogen sulphide plant. The first ammonia shipment was received and sent to the ammonia storage facility during the quarter. First metal is scheduled for first-quarter 2012. Assuming no significant negative events during the start-up process or production ramp-up, the Ambatovy operations are expected to be cash-flow neutral and reach commercial production by the end of 2012 or early 2013, and achieve full production in 2013.

- At December 31, 2011, total available liquidity was approximately $1.1 billion. Total long-term debt at December 31, 2011 was $1.7 billion, including approximately $0.8 billion related to non-recourse Ambatovy partner loans to Sherritt. During the quarter, the Corporation issued $400 million principal amount of 8% senior unsecured debentures due in 2018. The Corporation does not have a significant debt maturity until October 2014.

Summary Data
SUMMARY FINANCIAL DATA

	Twelve months ended December 31,			
($ millions unless otherwise noted)	Q4 2011	Q4 2010	2011	
Revenue	536.8	485.2	1,978.3	1,670.6
EBITDA(1)	172.4	158.3	643.2	546.0
Earnings from operations and associate	99.0	99.9	410.7	3
Net earnings	28.1	42.7	197.3	144.8
Basic earnings per share ($ per share)	0.10	0.15	0.67	0
Diluted earnings per share ($ per share)	0.09	0.14	0.67	
Net working capital(2)	1,016.7	1,112.6	1,016.7	1,112.6
Spending on capital and intangibles(3)	81.8	55.8	235.6	1
Total assets	6,497.5	6,068.2	6,497.5	6,068.2
Shareholders' equity	3,731.7	3,528.3	3,731.7	3,528.3
Long-term debt to total assets (%)	28	27	28	27
Weighted average number of shares (millions)				
Basic	295.4	294.0	295.1	294.0
Diluted	296.6	296.6	296.3	296.3

(1) For additional information see the 'Non-IFRS Measure - 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 Project.

SUMMARY SALES DATA

	Twelve months ended December 31,			
(units as noted)	Q4 2011	Q4 2010	2011	2010
Sales volumes				
Nickel (thousands of pounds, 50% basis)	10,166	9,791	38,088	
Cobalt (thousands of pounds, 50% basis)	1,128	1,097	4,249	
Thermal coal - Prairie Operations (millions of tonnes)	8.5	9.5	3	
Thermal coal - Mountain Operations (millions of tonnes)(1)	1.3	1.2		
Oil (boepd, net working-interest production)	11,486	12,086	12,05	
Electricity (GWh, 33 1/3% basis)	157	171	618	689
Average realized prices				
Nickel ($/lb)	8.60	10.78	10.14	10.11
Cobalt ($/lb)	14.18	17.21	15.82	18.68
Thermal coal - Prairie Operations ($/tonne)	16.66	13.58	16.31	
Thermal coal - Mountain Operations ($/tonne)	110.36	85.43	101.6	
Oil ($/boe)	72.30	53.44	68.13	52.06
Electricity ($/MWh)	42.51	41.88	41.00	42.42

(1) Prior to July 1, 2010, the Corporation proportionately consolidated its 50% interest in the entity that owned the Coal Valley and Obed Mountain mines.

Review of Operations

METALS

		Twelve months ended December 31,		
(units as noted)	Q4 2011	Q4 2010	2011	
Production				
Mixed sulphides (Ni+Co contained, tonnes, 50% basis)	4,673	4,79		
Nickel (tonnes, 50% basis)	4,597	4,459	17,286	
Cobalt (tonnes, 50% basis)	519	492	1,927	
Fertilizers (tonnes)	65,286	62,054	238,535	
Sales				
Nickel (thousands of pounds, 50% basis)	10,166	9,791		
Cobalt (thousands of pounds, 50% basis)	1,128	1,097		
Fertilizers (tonnes)	61,808	58,332	165,208	
Reference prices				
Nickel (US$/lb)	8.30	10.70	10.36	
Cobalt (US$/lb)(1)	14.18	17.41	16.44	
Realized prices				
Nickel ($/lb)	8.60	10.78	10.14	1
Cobalt ($/lb)	14.18	17.21	15.82	
Unit operating costs (US$/lb)				
Mining, processing and refining costs	6.29	5.09		
Third-party feed costs	0.10	0.16	0.15	
Cobalt by-product credits	(1.54)	(1.91)	(1.78)	(1.99)
Other	(0.44)	0.04	(0.14)	0.04
Net direct cash costs of nickel(2)	4.41	3.38	4.3	
Natural gas ($/GJ)	3.11	3.55	3.50	
Sulphur (US$/tonne)	252.11	146.82	238.79	
Sulphuric acid (US$/tonne)	196.65	144.38	190.00	
Revenue ($ millions)				
Nickel	87.4	105.5	386.2	376.8
Cobalt	16.0	18.9	67.2	76.3
Fertilizers, other	34.3	22.6	97.0	
Total revenue	137.7	147.0	550.4	
EBITDA ($ millions)(3)	35.7	64.5	200.4	
Earnings from operations and associate ($ millions)	23.1	51.8		
Spending on capital ($ millions)	21.4	16.3	44.7	

(1) Average Metal Bulletin - Low Grade Cobalt published price.
(2) Net direct cash costs of nickel after cobalt and other by-product credits.
(3) For additional information see the 'Non-IFRS Measure - EBITDA' section of this release.

Mixed sulphides production for fourth-quarter 2011 was 3% (246 tonnes, Ni+Co contained, 100% basis) lower than fourth-quarter 2010, primarily due to lower ore feed quality and maintenance on the Slurry Preparation Plant. Full-year 2011 production of 38,641 tonnes was a 2% increase over 2010 and a production record at the Moa facility. Finished nickel production was 3% (276 tonnes, 100% basis) higher, and finished cobalt production was 5% (54 tonnes, 100% basis) higher than fourth-quarter 2010. Full-year 2011 nickel production of 34,572 tonnes (100% basis) and cobalt production of 3,853 tonnes (100% basis), were 2% (600 tonnes, 100% basis) and 4% (147 tonnes, 100% basis) higher than the prior year, respectively, and established annual production records at the refinery.

Fourth-quarter 2011 nickel and cobalt sales volumes were 4% (750 tonnes, 100% basis) and 3% (62 tonnes, 100% basis) higher than fourth-quarter 2010, consistent with the finished metal production trends. Full-year 2011 sales volumes also reflected the improvement in production, with nickel sales volumes 2% (1,670 tonnes, 100% basis) higher than the prior year, and annual cobalt sales volumes 4% (326 tonnes, 100% basis) higher in 2011.

The average nickel reference price in fourth-quarter 2011 was 22% (US$2.40/lb) lower than fourth-quarter 2010, reflecting the impact of global economic concerns on market sentiment and the slowing growth of the Chinese economy. The average cobalt reference price was 19% (US$3.23/lb) lower than fourth-quarter 2010. The full-year 2011 average nickel reference price of US$10.36/lb was 5% (US$0.47/lb) higher than 2010, primarily due to stronger global nickel demand, particularly in the first half of 2011, and the average 2011 cobalt reference price of US$16.44/lb was 12% (US$2.30/lb) lower than the prior year due to the rate of supply increasing faster than demand growth.

The net direct cash cost of nickel for fourth-quarter 2011 was 30% (US$1.03/lb) higher than fourth-quarter 2010 due to higher mining, processing and refining costs resulting from higher input commodity prices. The decline in the cobalt by-product credit for the quarter was more than offset by a higher fertilizer by-product credit. The 2011 full-year net direct cash cost of US$4.35/lb was 30% (US$1.00/lb) higher than in 2010, as the impact of higher mining, processing and refining costs and lower cobalt by-product credits were only partially offset by lower third-party feed costs and higher fertilizer by-product credits.

Spending on capital in fourth-quarter 2011 for the Moa Joint Venture was 31% ($5.1 million, 50% basis) higher than the prior-year period, primarily due to expenditures that had been deferred earlier in the year. Full-year 2011 spending on capital was 6% ($2.5 million, 50% basis) higher than 2010, and was directed towards sustaining activities.

Ambatovy

Ambatovy capital expenditures for fourth-quarter 2011 were US$148.9 million (100% basis), lower than previous quarters due to the completion of construction. Cumulative capital spending on the Project at December 31, 2011 was US$5.2 billion (100% basis). During fourth-quarter 2011, a total of US$352.0 million (100% basis) in funding was provided by the Ambatovy Joint Venture partners; Sherritt's 40% share (US$140.8 million) was funded directly from cash on hand.

As of December 31, 2011, 85% of the construction personnel had been demobilized, including over 3,000 people in fourth-quarter 2011. The remaining construction resources will continue to be demobilized in a staged manner, coinciding with commissioning and start-up activities. The third and final coal-fired boiler on the Plant Site was commissioned in the fourth quarter as scheduled. With the successful installation of the supplemental diesel power generation (30 MW) during the quarter, the total installed generation capacity within the Plant Site is 178 MW. Total power requirements at full production capacity range from 65 to 75 MW. The remaining utilities are in start-up, including the acid plant, hydrogen plant and the hydrogen sulphide plant. The first ammonia shipment was received and sent to the ammonia storage facility during the quarter.

The start-up sequencing continued on the first systems of the pressure acid leach circuits. A three-day test run on the first autoclave was successful and no major problems were identified during the post-run inspections.

The estimated Project capital cost remains US$5.5 billion, excluding financing charges, working capital and foreign exchange. The current estimate for the financing charges, working capital and foreign exchange ("other net project costs") is US$900 million and may vary until commercial production (70% of mixed sulphides capacity) is declared, which is dependent on a number of factors. The most significant variability in the other net project costs is likely to arise from the working capital component and the production revenue which are netted from these costs.

The variability in the other net project costs is anticipated to arise primarily from three categories of potential risk.

- Parts and equipment. There still remains an inherent risk that parts and equipment may fail during early operation, and this risk will become apparent during the start-up process. In addition, if a critical part fails during start-up and replacement is not readily available, a ramp-up delay is possible.

- Construction quality risk. As disclosed in December 2010, Sherritt identified and replaced certain contractors who had been performing inadequately at both the Power Plant and Refinery. The Power Plant is now operational and can provide sufficient power for start-up and ongoing operations. In the Refinery and in certain areas of the High Pressure Acid Leach, programs have been implemented to rectify all known quality deficiencies, but latent issues may still exist that could affect metal recoveries during start-up.

- Operational risk. The pace of the start-up process and production ramp-up will be directly affected by the performance of core operators and maintenance teams. The commissioning process has been utilized to train and familiarize the new core operators with the facility. However, their performance in an operating plant remains untested. Supplementary operators and maintenance personnel, experienced in both start-up activities and steady-state operations, are being mobilized to assist further in the training and start-up to mitigate the short-term risks. In addition, a system has been instituted that will monitor the qualifications and performance of this group and mitigate issues over the medium- and long-term.

Production revenue will be affected both by market price volatility of nickel and cobalt during the pre-commercial production phase as well as the volume of output during the period. An estimate of 2012 production is provided in the Outlook section (see page 12).

First metal is scheduled for first-quarter 2012. Assuming no significant impacts arise from the risks outlined above to the start-up process or production ramp-up, the Ambatovy operations are expected to be cash-flow neutral and reach commercial production by the end of 2012 or early 2013, and achieve full production in 2013. Ambatovy is designed to produce 60,000 tonnes (100% basis) of nickel and 5,600 tonnes (100% basis) of cobalt annually at capacity.

COAL

	Twelve months ended December 31,			
(units as noted)	Q4 2011	Q4 2010	2011	2010
Production (millions of tonnes)				
Prairie Operations	9.8	10.0	32.7	34.4
Mountain Operations(1)	1.2	1.2	4.4	3.3
Sales (millions of tonnes)				
Prairie Operations	8.5	9.4	32.0	34.5
Mountain Operations(1)	1.3	1.2	4.4	3.3
Realized prices ($/tonne)				
Prairie Operations(2)	16.66	13.58	16.31	14.18
Mountain Operations	110.36	85.43	101.61	84.21
Unit operating costs ($/tonne)				
Prairie Operations(2)	12.98	11.60	13.87	12.23
Mountain Operations	75.13	67.77	79.61	71.32
Revenue ($ millions)				
Prairie Operations				
Mining revenue	148.6	134.2	547.5	505.8
Coal royalties	10.2	12.4	39.3	44.1
Potash royalties	4.1	4.8	18.9	12.8
Mountain Operations and other assets(1)	140.4	109.2	444.8	
Total revenue	303.3	260.6	1,050.5	846.3
EBITDA ($ millions)(3)				
Prairie Operations	46.7	34.3	134.7	119.7
Mountain Operations and other assets(1)	42.3	20.7	89.5	4
Total EBITDA	89.0	55.0	224.2	159.9
Earnings from operations ($ millions)	48.4	27.6	104.5	81
Spending on capital ($ millions)				
Prairie Operations	29.5	15.2	86.9	58.3
Mountain Operations and other assets(1)	17.1	11.0	34.9	2
Total spending on capital	46.6	26.2	121.8	81.9

(1) Prior to July 1, 2010, the Corporation proportionately consolidated its 50% interest in the entity that owned the Coal Valley and Obed Mountain mines.
(2) Prairie Operations realized pricing and unit operating costs exclude royalties and the results of the char and activated carbon businesses.
(3) For additional information see the 'Non-IFRS Measure - EBITDA' section of this release.

Fourth-quarter 2011 production volumes at Prairie Operations were 2% (0.2 million tonnes) lower than the prior-year period, primarily due to decreased demand at the Genesee mine relating to an unscheduled maintenance shutdown at the power plant as well as lower demand at a contract mine, whose main customer removed two generating units from service in first-quarter 2011. Production volumes at Mountain Operations were comparable to fourth-quarter 2010. Full-year 2011 production volumes were 5% (1.7 million tonnes) lower than 2010 at Prairie Operations mainly due to three factors: lower demand at a contract mine (described above), partially offset by the addition of a new generation unit by the same customer in third-quarter 2011; an unscheduled maintenance shutdown at the generating station served by the Genesee mine in fourth-quarter 2011; and the impact of extremely wet weather and flooding during second-quarter 2011 at the Boundary Dam mine which impeded coal hauling efforts. Mountain Operations production for full-year 2011 was 33% (1.1 million tonnes) higher than the prior year primarily due to the full consolidation of the operations beginning on July 1, 2010.

Fourth-quarter 2011 sales volumes were 10% (0.9 million tonnes) lower at Prairie Operations and were 6% (0.07 million tonnes) higher at Mountain Operations when compared to the prior-year period, reflecting the production trends. Annual sales volumes decreased 7% (2.5 million tonnes) at Prairie Operations and increased 33% (1.1 million tonnes) at Mountain Operations, reflecting the production trends and the full consolidation of Mountain Operations from July 1, 2010 onward.

Realized pricing (excluding royalties, char and activated carbon) for fourth-quarter 2011 and full-year 2011 at Prairie Operations were 23% ($3.08/tonne) and 15% ($2.13/tonne) higher than the comparable prior-year periods, primarily due to higher revenues earned on lower volumes at a contract mine. Higher revenues resulted from increased mining costs that are reimbursable through cost and capital recoveries. Realized pricing at Mountain Operations for fourth-quarter 2011 and full-year 2011 were 29% ($24.93/tonne) and 21% ($17.40/tonne) higher than the comparable prior-year periods due to higher export thermal coal reference pricing during 2011, which was partially offset by the foreign exchange impact of a stronger Canadian dollar relative to the U.S. dollar.

Unit operating costs at Prairie Operations were higher for fourth-quarter 2011 (12% or $1.38/tonne) and the full year (13% or $1.64/tonne) relative to the prior-year periods, due to lower production volumes on increased fixed costs at a contract mine. Unit operating costs at Mountain Operations for fourth-quarter 2011 were 11% ($7.36/tonne) higher than fourth-quarter 2010 primarily due to longer haul distances, while full-year 2011 costs were 12% ($8.29/tonne) higher than in 2010 primarily due to the impact of lower loading equipment availability on production volumes and the impact of higher equipment repair costs at the Coal Valley mine.

Coal royalties in 2011 were lower for both the fourth-quarter (18% or $2.2 million) and full-year (11% or $4.8 million) periods compared to 2010 as a result of the timing of mining in royalty assessable areas. Potash royalties were 15% ($0.7 million) lower in fourth-quarter 2011 compared to the prior-year period, reflecting both lower market pricing and lower production volumes. Full-year 2011 potash royalties were 48% ($6.1 million) higher than 2010, reflecting a stronger twelve months in both market pricing and production.

Spending on capital at Prairie Operations for fourth-quarter 2011 and full-year 2011 was 94% ($14.3 million) and 49% ($28.6 million) higher than in the comparable prior-year periods primarily due to a dragline tub replacement at the Paintearth mine and mining equipment lease additions at the Boundary Dam mine. Spending on capital at Mountain Operations was 55% ($6.1 million) higher for fourth-quarter 2011 compared to the prior-year period due to the timing of lease expenditures at the Coal Valley mine. Spending on capital for full-year 2011 was 48% ($11.3 million) higher than in 2010 primarily due to the full consolidation of 100% of Mountain Operations from July 1, 2010 onward.

OIL AND GAS

			Twelve months ended December 31,	
(units as noted)	Q4 2011	Q4 2010	2011	2010
Production (boepd)(1)				
Gross working-interest - Cuba(2), (3)	21,023	20,957	20,888	
Net working-interest(4)				
Cuba - cost recovery	2,307	3,671	3,430	3,910
Cuba - profit oil	8,422	7,635	7,856	7,218
Cuba - total	10,729	11,306	11,286	11,128
Spain	398	422	416	466
Pakistan	359	358	355	362
Total net working-interest	11,486	12,086	12,057	11,956
Reference prices (US$/bbl)				
U.S. Gulf Coast Fuel Oil No.6	98.22	73.21	95.41	69.76
Brent crude	110.34	86.99	112.14	79.89
Realized prices				
Cuba ($/bbl)	72.93	53.58	68.47	52.24
Spain ($/bbl)	111.28	88.35	110.16	81.73
Pakistan ($/boe)	8.11	8.05	8.03	8.26
Weighted average ($/boe)	72.30	53.44	68.13	52.06
Unit operating costs				
Cuba ($/bbl)	13.59	11.04	12.07	10.66
Spain ($/bbl)	45.74	29.98	46.51	32.12
Pakistan ($/boe)	4.79	1.91	3.44	2.01
Weighted average ($/boe)	14.43	11.43	13.01	11.24
Revenue ($ millions)	74.4	61.9	304.9	238.2
EBITDA ($ millions)(5)	54.7	46.0	235.9	177.0
Earnings from operations ($ millions)	37.8	29.8	170.0	10
Spending on capital ($ millions)(6)	12.3	14.0	62.6	55.4

(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 production from wells for

which commercial viability has not been established in accordance with 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-IFRS Measure - 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 for fourth-quarter 2011 was relatively unchanged from the prior-year period. Full-year 2011 GWI production in Cuba was 1% (316 bopd) lower than in 2010, largely due to natural reservoir declines, which were partially offset by additional production from recent drilling and workovers. Net working-interest production in Cuba was 5% (577 bopd) lower for fourth-quarter 2011 and 1% (158 bopd) higher for full-year 2011 when compared to 2010. Lower cost recovery volumes in fourth-quarter 2011 resulted from higher oil prices and reduced cost recoverable expenditures in the period, while full-year cost recovery volumes decreased primarily due to high oil prices, partially offset by an increase in cost recovery expenditures. Fourth-quarter 2011 production in Spain was 6% (24 bopd) lower than in the prior-year period due to workovers being conducted during the quarter, while full-year 2011 production was 11% (50 bopd) lower than in 2010 largely due to natural reservoir declines.

Average realized prices in fourth-quarter 2011 were 36% ($19.35/bbl) higher than fourth-quarter 2010 in Cuba and 26% ($22.93/bbl) higher in Spain as a result of higher reference pricing, partially offset by the impact of a stronger Canadian dollar relative to the U.S. dollar. Full-year 2011 realized pricing was affected by the same variables as the fourth-quarter 2011, and as a result, was 31% ($16.23/bbl) higher in Cuba and 35% ($28.43/bbl) higher in Spain compared to 2010.

Unit operating costs in Cuba were 23% ($2.55/bbl) higher in fourth-quarter 2011 and 13% ($1.41/bbl) higher in full-year 2011 compared to the prior-year periods, largely as a result of well workover costs, inventory provisions of $1.2 million, and price escalation of inputs during the year, partially offset by the impact of a stronger Canadian dollar relative to the U.S. dollar. Unit operating costs in Spain were 53% ($15.76/bbl) higher in fourth-quarter 2011 and 45% ($14.39/bbl) higher in full-year 2011 compared to 2010 due to the incurrence of workover costs as well as the full-year impact of natural reservoir declines.

Spending on capital in fourth-quarter 2011 was 11% ($1.5 million) lower than fourth-quarter 2010 primarily due to reduced equipment and inventory purchases, partially offset by increased spending in the North Sea prospect area. Full-year 2011 spending on capital was 13% ($7.2 million) higher than in 2010, reflecting increased spending in the Puerto Escondido and Yumuri fields, workovers in Spain and Pakistan, and exploration expenditures in the North Sea. Drilling activity in 2011 was concentrated in Cuba. In fourth-quarter 2011, one development well was initiated, and one well was completed and is in production. For full-year 2011, eight development wells were initiated and seven development wells were completed. Of the seven wells completed, four are in production.

The expiry of a production-sharing contract, related to an enhanced oil recovery project, resulted in an impairment loss (non-cash) of $2.8 million during the quarter.

POWER

			Twelve months ended December 31,	
(units as noted)	Q4 2011	Q4 2010	2011	20
Electricity sold (GWh, 33 1/3% basis)	157	171	61	
Realized price ($/MWh)	42.51	41.88	41.00	
Unit cash operating cost ($/MWh)(1)				
Base (Varadero, Boca de Jaruco)	16.30	15.01	17.3	
Non-base (Boca de Jaruco and Puerto Escondido)(1)	(0.14)	2.02		
Total unit cash operating costs	16.16	17.03	20.0	
Net capacity factor (%)	69	71	71	72
Revenue ($ millions)	18.6	12.3	60.0	47.0
EBITDA ($ millions)(2)	7.4	7.4	25.1	29.7
Earnings from operations ($ millions)	4.7	4.8	14	
Spending on capital ($ millions)(3)	1.0	(0.7)	5	
Spending on projects ($ millions, 100% basis)(4)	24.9	4.8		

(1) Costs incurred at the Boca de Jaruco and Puerto Escondido sites relating to major inspections and sustaining equipment expenditures are expensed as incurred in accordance with IFRS. Similar costs are capitalized at the Varadero site.
(2) For additional information see the 'Non-IFRS Measure - EBITDA' section of this release.
(3) 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.
(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, and is offset by the same amount recorded as construction revenue.

Electricity production for fourth-quarter 2011 was 8% (14 GWh, 33 1/3% basis) lower, and full-year 2011 was 10% (71 GWh, 33 1/3 % basis) lower than the prior-year periods, due to gas shortages, as well as scheduled maintenance and a turbine failure at the Varadero site in second-quarter 2011. The impact of the gas shortages was also seen in the slightly lower net capacity factors for the fourth-quarter and full-year periods of 2011 compared to the prior year.

Unit cash operating costs were lower for fourth-quarter 2011 by 5% ($0.87/MWh) as a result of a turbine failure in fourth-quarter 2010 at Boca de Jaruco. Full-year 2011 unit cash operating costs were 39% ($5.59/MWh) higher than in 2010 due to the combined impact of the turbine failure at Varadero in second-quarter 2011 and costs associated with scheduled major inspection and maintenance activities at the Puerto Escondido site.

Spending on capital in fourth-quarter 2011 was 243% ($1.7 million, 33 1/3% basis) higher than in fourth-quarter 2010, due to both an increase in capitalized interest associated with the 150 MW Boca de Jaruco Combined Cycle Project and the reversal of interest charges in fourth-quarter 2010 related to the Project when it was reinitiated. Spending on capital for full-year 2011 was 24% ($1.1 million, 33 1/3% basis) higher than in 2010 primarily due to major turbine maintenance at the Varadero site during 2011.

150 MW Boca de Jaruco Combined Cycle Project

Expenditures for fourth-quarter 2011 were $24.9 million (100% basis) and cumulative spending on the Project at December 31, 2011 was $149.5 million (100% basis). Sherritt's estimate of the total project cost has increased from $247 million to $271 million, primarily due to the higher cost of materials compared to the original cost estimate provided in 2007. Approximately 80% of the engineering for the Project is complete and all major equipment has been ordered, the majority of which is on site. The Project is scheduled to begin production in first-half 2013.

CASH, DEBT AND FINANCING

Cash, cash equivalents and short-term investments were $631.4 million at December 31, 2011, including $30.0 million (50% basis) held by the Moa Joint Venture. Cash held by the Ambatovy Project is included in "Investment in an Associate" and was $13.7 million (40% basis) as at December 31, 2011.

Total long-term debt at December 31, 2011 was $1.7 billion, including approximately $0.8 billion related to non-recourse Ambatovy partner loans to Sherritt. During fourth-quarter 2011, Sherritt redeemed all $274 million principal amount outstanding of the Corporation's 7.875% senior unsecured debentures and paid the

$18.2 million make-whole premium for the early redemption. During the quarter, the Corporation issued $400 million principal amount of 8% senior unsecured debentures due in 2018.

At December 31, 2011, the amount of credit available under various facilities was $0.4 billion.

Outlook

Actual and projected production volumes, royalties and spending on capital for full-year 2011 and projections for the year 2012 are shown below.

(units as noted)	Actual for the year ended 2011	Projected for the year ending 2012
Production volumes		
Mixed sulphides (tonnes, Ni+Co contained, 100% basis)		
Moa Joint Venture	38,641	38,000
Ambatovy Joint Venture	-	9,000 - 14,500
Total	38,641	47,000 - 52,500
Nickel, finished (tonnes, 100% basis)		
Moa Joint Venture	34,572	33,900
Ambatovy Joint Venture	-	8,000 - 13,000
Total	34,572	41,900 - 46,900
Cobalt, finished (tonnes, 100% basis)		
Moa Joint Venture	3,854	3,375
Ambatovy Joint Venture	-	800 - 1,300
Total	3,854	4,175 - 4,675
Coal - Prairie Operations (millions of tonnes)	33	33
Coal - Mountain Operations (millions of tonnes)	4.4	4.3
Oil - Cuba (gross working-interest, bopd)	20,888	20,000
Oil - All operations (net working-interest, boepd)	12,057	11,780
Electricity (GWh, 33 1/3% basis)	618	550
Royalties ($ millions)		
Coal	39	39
Potash	19	19
Spending on capital ($ millions)		
Metals - Moa Joint Venture (50% basis), Fort Site(1)	45	60
Coal - Prairie Operations	87	97
Coal - Mountain Operations	35	65
Oil and Gas - Cuba(2)	55	51
Oil and Gas - Other(2)	8	18
Power (33 1/3% basis)(3)	6	8
Spending on capital (excluding Projects and Corporate)	236	299
Spending on projects		
Metals - Ambatovy Joint Venture (US$ millions, 100% basis)	1,064	250
Power - 150 MW Boca de Jaruco ($ millions, 100% basis)(4)	65	109

(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 - Moa Joint Venture, full-year 2012 production of mixed sulphides is expected to be 2% (641 tonnes, Ni+Co contained, 100% basis) lower than 2011, reflecting a change in ore grade. Finished metal production is also expected to reflect the mixed sulphides production trend. Spending on capital for 2012 is expected to be approximately 33% ($15 million, 50% basis) higher than in 2011, reflecting the timing of replacement of equipment and the impact of longer haul distances on mine infrastructure. The Moa Joint Venture partners continue to review options and update costs pertaining to the completion of the Phase 2 Expansion and construction of a sulphuric acid plant at Moa. Guidance for spending on capital does not include any expansion-related expenditure, other than capitalized interest.

- In Metals - Ambatovy Joint Venture, first metal is scheduled for first-quarter 2012. Guidance for full-year 2012 production of mixed sulphides is 9,000 - 14,500 tonnes (Ni+Co contained,100% basis). Finished metal production guidance for full-year 2012 (100% basis) is 8,000 - 13,000 tonnes of nickel and 800 - 1,300 tonnes of cobalt. With the completion of construction in 2011, spending on capital is expected to be US$250 million (100% basis) for 2012.

- In Metals - Sulawesi Project, activity in 2012 is anticipated to include the commencement of a resource drilling program in second-half 2012, which is expected to bring total spending on the Project to approximately $30 million, or 27% of the total funding requirement to obtain Sherritt's 46% economic interest in the Project. It is anticipated that the environmental and social baseline studies will be initiated in second-quarter 2012, with expected completion in mid-year 2013.

- In Coal - Prairie Operations, full-year 2012 production is expected to be 33 million tonnes, consistent with the prior year. Full-year 2012 spending on capital at Prairie Operations is expected to be 11% ($10 million) higher than the prior year, largely due to the timing of major dragline capital replacement work at the Bienfait mine.

- In Coal - Mountain Operations, full-year 2012 production is expected to be marginally lower (2% or 0.1 million tonnes) than in 2011, as production between the two mines is adjusted to optimize the characteristics of the coal delivered to customers. Spending on capital for 2012 is expected to be approximately 80% ($30 million) higher at Mountain Operations due to the purchase of major pieces of loading and mining support equipment as well as to an augmented exploratory drilling program and infrastructure development to further define future mining areas at the Coal Valley mine.

- In Oil and Gas, full-year 2012 GWI oil production in Cuba is expected to be marginally lower than in 2011 (4% or 888 bopd), reflecting natural reservoir decline rates, partially offset by expected production resulting from the 2011 drilling program. Total net working-interest production for 2012 is expected to reflect this trend. Spending on capital for 2012 is expected to increase 10% ($6 million), with a small decline in spending on capital in Cuba (7% or $4 million) being more than offset by an expanded program in other jurisdictions. The $10 million increase over 2011 spending on capital in other jurisdictions mainly relates to maintenance spending in Spain as well as seismic acquisition in respect of the North Sea.

- In Power, full-year 2012 production is expected to decline 11% (68 GWh, 33 1/3% basis) from 2011 levels, reflecting increasing gas supply shortages. Full-year 2012 spending on capital is expected to be 33% ($2 million, 33 1/3% basis) higher than in 2011, reflecting increased capitalized interest for the 150 MW Boca de Jaruco Combined Cycle Project.

- In Power - 150 MW Boca de Jaruco Combined Cycle Project, spending in 2012 is expected to be $109 million (68% or $44 million, 100% basis higher than in 2011), as activity will increase approaching a first-half 2013 completion date.

Non-IFRS Measure - EBITDA

Management uses EBITDA to monitor financial performance and provide additional information to investors and analysts. 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 EBITDA does not have a standardized meaning, it may not be comparable to similar measures provided by other companies.

The Corporation defines EBITDA as earnings (loss) from operations and associate as reported in the IFRS financial statements, adjusted for amounts included in net earnings or net loss for income taxes, financing income, financing expense, depletion, depreciation, and amortization in cost of sales and administrative expenses, impairment charges for property, plant and equipment, intangible assets, goodwill and investments, gain or loss on disposal of property, plant and equipment, and 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 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 generally can be identified by the use of statements that include words such 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 the Corporation's capital and project development spending; Ambatovy Project commissioning, startup, production and completion dates; production volumes; royalty revenues; and other corporate objectives, plans or goals for 2012. These forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. 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. Sherritt cautions readers of this press release not to place undue reliance on any forward-looking statements 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. By their nature, forward-looking statements require Sherritt to make assumptions and are subject to inherent risks and uncertainties.

Key factors that may result in material differences between actual results and developments and those contemplated by this press release include global economic conditions, business, economic and political conditions in Canada, Cuba, Indonesia, Madagascar, and the principal markets for Sherritt's products. Other such factors include, but are not limited to, uncertainties in the development and construction of large mining 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 Sherritt's joint venture partners; future non-compliance with financial covenants; potential interruptions in transportation; political, economic and other risks of foreign operations; Sherritt'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; 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; development programs; uncertainties in reserve estimates; uncertainties in asset-retirement and reclamation cost estimates; Sherritt's reliance on significant customers; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; Sherritt's ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainties in pension liabilities; the ability of Sherritt to enforce legal rights in foreign jurisdictions; the ability of Sherritt to obtain government permits; risks associated with government regulations and environmental health and safety matters; differences between Canadian GAAP and IFRS; and other factors listed from time to time in Sherritt's continuous disclosure documents.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and except as required by law, Sherritt undertakes no obligation to update any forward-looking statements.

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