# Sherritt Reports First-Quarter 2012 Results

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TORONTO, ONTARIO -- (Marketwire - April 25, 2012) - Sherritt International Corporation (TSX: S) -

**Sherritt International Corporation Reports First-Quarter 2012 Results**

- Net earnings for first-quarter 2012 were $32.3 million ($0.11 per share, basic), compared to net earnings of $63.6 million ($0.22 per share, basic) for first-quarter 2011. Lower revenue, higher input commodity prices, and higher net financing expense were the primary factors in the decrease. Lower revenue resulted primarily from lower nickel prices (partially offset by higher oil prices and foreign exchange fluctuations).

- Net financing expense was $27.7 million ($0.09 per share) higher in first-quarter 2012, compared to the prior-year period, primarily due to a higher net loss on financial instruments ($17.4 million, $0.06 per share), as well as higher interest expense (resulting primarily from the net increase in principal value of debentures outstanding of approximately $127 million), and lower interest income resulting from lower average investment balances. The largest component of the increase in the net loss on financial instruments was a non-cash change in the fair value estimate of the Ambatovy call option ($13.7 million or $0.05 per share higher than first-quarter 2011). The Ambatovy call option relates to the right of the Corporation and Sumitomo Corporation to acquire SNC-Lavalin's 5% equity interest in Ambatovy at any time over a two-year period after Ambatovy is complete. The fair value of the option is updated each quarter and can be volatile as it is derived from a mathematical model used to price derivative financial instruments that depend on estimates primarily related to future cash flows, interest rates, risk, and timing.

- Sales volumes for first-quarter 2012 (Sherritt's share) totaled 9.6 million pounds of nickel, 1.0 million pounds of cobalt, 8.9 million tonnes of thermal coal, 1.0 million barrels of oil and 155 GWh of electricity.

- Cash, cash equivalents and short-term investments were $592.9 million at March 31, 2012, including $43.7 million (50% basis) held by the Moa Joint Venture. Cash held by the Ambatovy Joint Venture is included in "Investment in an Associate" and was $10.0 million (40% basis) as at March 31, 2012.

- Operating cash flow for first-quarter 2012 was $122.8 million, compared to $107.3 million in first-quarter 2011.

- Spending on capital and intangibles relating to operations totaled $40.9 million for first-quarter 2012 compared to $41.6 million in first-quarter 2011. Spending on capital at the Ambatovy Joint Venture for first-quarter 2012 was US$45.7 million (100% basis) and cumulative spending on capital at Ambatovy to March 31, 2012 was US$5.27 billion (100% basis). Total capital costs for Ambatovy are expected to remain within the US$5.5 billion (100% basis) estimate.

- At the Ambatovy Joint Venture, all of the systems in the pressure acid leach (PAL) area are either in operation or start-up. Of the key PAL process components, the slurry thickener, three ore leach autoclaves, neutralization circuit and countercurrent decantation (CCD) wash circuit are operable. The final step in the PAL process - sulphide precipitation - which results in the production of mixed sulphides, is in start-up and is expected to be operational in April. First metal remains scheduled for second-quarter 2012.

- The current estimate of total project costs remains US$6.4 billion inclusive of financing charges, working capital and foreign exchange. Total project costs in first-quarter 2012 were US$239.9 million (100% basis). Cumulative total project costs to March 31, 2012 were US$6.0 billion (100% basis). The Ambatovy operations are expected to reach commercial production (defined as 70% of mixed sulphides production capacity) by the end of 2012 or early 2013. Commercial production is a significant milestone as it defines the point at which all operating costs, net of revenue, are expensed rather than capitalized. The date at which the project becomes cash-flow neutral is difficult to predict as it depends on several external factors, including the nickel reference price which has demonstrated significant volatility in 2012.

- At March 31, 2012, total available liquidity was approximately $1.0 billion. Total long-term debt at March 31, 2012 was $1.7 billion, including approximately $0.7 billion related to non-recourse Ambatovy partner loans to Sherritt.

Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX:S) today reported first-quarter 2012 net earnings of $32.3 million ($0.11 per share, basic), compared to net earnings of $63.6 million ($0.22 per share, basic) for first-quarter 2011.

David Pathe, President and Chief Executive Officer, commented, "Our first quarter results reflect strong operational performance across our businesses. Continued pressure on input commodity costs, combined with lower realized nickel and cobalt prices, adversely affected the margin in Metals, which was partially offset by stronger results from Oil and Gas. During the quarter we made significant progress on the start-up of our Ambatovy Joint Venture in Madagascar, which is designed to produce 65,600 tonnes (100% basis) of finished nickel and cobalt annually at capacity and will more than double Sherritt's gross metal production capacity. With long-life mining reserves and a strong financial position, we are very positive on the long-term prospects of our business."

**Summary Data**

**SUMMARY FINANCIAL DATA**

| ($ millions unless otherwise noted) | Q1 2012 | Q1 2011 |
|---|---|---|
| Revenue | 462.2 | 474.5 |
| EBITDA(1) | 146.4 | 164.4 |
| Earnings from operations and associate | 90.1 | 113.1 |
| Net earnings | 32.3 | 63.6 |
| Basic earnings per share ($ per share) | 0.11 | 0.22 |
| Diluted earnings per share ($ per share) | 0.11 | 0.22 |
| Net working capital(2) | 964.1 | 1,099.0 |
| Spending on capital and intangibles(3) | 40.9 | 41.6 |
| Total assets | 6,478.3 | 6,096.3 |
| Shareholders' equity | 3,715.2 | 3,539.4 |
| Long-term debt to total assets (%) | 27 | 27 |
| Weighted average number of shares (millions) | | |
| Basic | 296.2 | 295.0 |
| Diluted | 296.6 | 296.4 |

*(1) For additional information see the 'Non-GAAP 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 Joint Venture or service concession arrangements.*

**SUMMARY SALES DATA**

| (units as noted) | Q1 2012 | Q1 2011 |
|---|---|---|
| Sales volumes | | |
| Nickel (thousands of pounds, 50% basis) | 9,555 | 9,438 |
| Cobalt (thousands of pounds, 50% basis) | 1,017 | 1,014 |
| Thermal coal - Prairie Operations (millions of tonnes) | 8.1 | 8.5 |
| Thermal coal - Mountain Operations (millions of tonnes) | 0.8 | 1.0 |
| Oil (boepd, net working-interest production) | 11,455 | 12,484 |
| Electricity (GWh, 33 1/3% basis) | 155 | 148 |
| Average realized prices | | |
| Nickel ($/lb) | 8.66 | 11.73 |
| Cobalt ($/lb) | 14.10 | 17.55 |
| Thermal coal - Prairie Operations ($/tonne) | 17.01 | 15.04 |
| Thermal coal - Mountain Operations ($/tonne) | 104.04 | 91.44 |
| Oil ($/boe) | 77.66 | 61.85 |
| Electricity ($/MWh) | 41.48 | 40.54 |

**Review of Operations**

**METALS**

| (units as noted) | Q1 2012 | Q1 2011 |
| --- | --- | --- |
| Production | | |
| Mixed sulphides (tonnes, 50% basis) | 4,676 | 4,844 |
| Nickel (tonnes, 50% basis) | 4,299 | 4,303 |
| Cobalt (tonnes, 50% basis) | 477 | 470 |
| Fertilizer (tonnes) | 66,121 | 59,574 |
| Sales | | |
| Nickel (thousands of pounds, 50% basis) | 9,555 | 9,438 |
| Cobalt (thousands of pounds, 50% basis) | 1,017 | 1,014 |
| Fertilizer (tonnes) | 26,627 | 17,694 |
| Reference prices | | |
| Nickel (US$/lb) | 8.91 | 12.20 |
| Cobalt (US$/lb)(1) | 14.59 | 18.38 |
| Realized prices | | |
| Nickel ($/lb) | 8.66 | 11.73 |
| Cobalt ($/lb) | 14.10 | 17.55 |
| Unit operating costs (US$/lb) | | |
| Mining, processing and refining costs | 6.50 | 5.52 |
| Third-party feed costs | 0.14 | 0.24 |
| Cobalt by-product credits | (1.50) | (1.91) |
| Other | (0.01) | 0.22 |
| Net direct cash costs of nickel(2) | 5.13 | 4.07 |
| Revenue ($ millions) | | |
| Nickel | 82.8 | 110.7 |
| Cobalt | 14.4 | 17.8 |
| Fertilizer, other | 17.6 | 11.9 |
| Total revenue | 114.8 | 140.4 |
| EBITDA ($ millions)(3) | 31.3 | 65.9 |
| Earnings from operations and associate ($ millions) | 24.3 | 57.4 |
| Spending on capital ($ millions) | 5.8 | 6.3 |

*(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-GAAP Measure - EBITDA' section of this release.*

Mixed sulphides production for first-quarter 2012 was 3% (336 tonnes, Ni+Co contained, 100% basis) lower than first-quarter 2011, reflecting reduced processing plant throughput as a result of reduced mining truck availability, which has since been resolved. Finished nickel production and finished cobalt production were relatively unchanged from the prior-year period, reflecting stable refinery operation and processing of feed from inventory.

First-quarter 2012 nickel sales volumes were 1% (234 tonnes, 100% basis) higher, due to timing of shipments, while finished cobalt sales volumes were relatively unchanged from first-quarter 2011. These results were generally consistent with production trends. Fertilizer sales volumes were 50% higher (8,933 tonnes) in first-quarter 2012 compared to the prior-year period, as the timing of the spring season sales in 2011 was affected by the high level of snow cover in Western Canada that delayed spring fertilizer application.

The average nickel reference price in first-quarter 2012 was 27% (US$3.29/lb) lower than first-quarter 2011, reflecting decreased global demand and a projected increase in supply from projects currently in development. The average cobalt reference price was 21% (US$3.79/lb) lower than first-quarter 2011, as global production exceeded demand. Average realized prices in first- quarter 2012 were positively affected by the weaker Canadian dollar relative to the U.S. dollar, compared to the prior-year period.

The net direct cash cost of nickel for first-quarter 2012 was 26% (US$1.06/lb) higher than first-quarter 2011, due to increased mining, processing and refining costs resulting from higher input commodity costs and lower cobalt by-product credits, partly offset by lower third-party feed costs and higher fertilizer by-product credits.

Spending on capital in first-quarter 2012 for the Moa Joint Venture was 8% ($0.5 million, 50% basis) lower than the prior-year period, primarily due to a decrease in capitalization of interest, reflecting lower shareholder loan balances, as well as the cessation of capitalization of interest during the quarter.

**Ambatovy**

At the Ambatovy Joint Venture, all of the systems in the pressure acid leach (PAL) area are either in operation or start-up. Of the key PAL process components, the slurry thickener, three ore leach autoclaves, neutralization circuit and countercurrent decantation (CCD) wash circuit are operable. The final step in the PAL process - sulphide precipitation - which results in the production of mixed sulphides, is in start-up and is expected to be operational in April. First metal remains scheduled for second-quarter 2012.

Total capital costs for Ambatovy are expected to remain within the US$5.5 billion (100% basis) estimate. Spending on capital at the Ambatovy Joint Venture for first-quarter 2012 was US$45.7 million (100% basis), 84% lower than the prior-year period, as construction has been completed. Cumulative spending on capital at Ambatovy to March 31, 2012 was US$5.27 billion (100% basis).

Total project costs in first-quarter 2012 were US$239.9 million (100% basis). Cumulative total project costs to March 31, 2012 were US$6.0 billion (100% basis). Total project costs (including financing charges, working capital and foreign exchange) may vary until commercial production is declared. The most significant variability in total project costs is likely to arise from the working capital component and production revenue component (which is netted from these costs). The current estimate of the total project cost for Ambatovy remains US$6.4 billion.

During first-quarter 2012, a total of US$230.0 million (100% basis) in funding was provided by the Ambatovy Joint Venture partners; Sherritt's 40% share (US$92.0 million) was funded directly from cash on hand.

As of March 31, 2012, almost 90% of the construction personnel had been demobilized, including approximately 1,400 people in first-quarter 2012. The remaining construction personnel are providing assistance in the start-up and maintenance activities and will be demobilized in a staged manner as the start-up process is completed.

The Ambatovy operations are expected to reach commercial production (defined as 70% of mixed sulphides production capacity) by the end of 2012 or early 2013. Commercial production is a significant milestone as it defines the point at which all operating costs, net of revenue, are expensed rather than capitalized. The date at which the project becomes cash-flow neutral is difficult to predict as it depends on several external factors, including the nickel reference price which has demonstrated significant volatility in 2012. Ambatovy is designed to produce 60,000 tonnes (100% basis) of nickel and 5,600 tonnes (100% basis) of cobalt annually at capacity.

**COAL**

| (units as noted) | Q1 2012 | Q1 2011 |
|---|---|---|
| Production (millions of tonnes) | | |
| Prairie Operations | 8.6 | 8.6 |
| Mountain Operations | 1.0 | 1.1 |
| Sales (millions of tonnes) | | |
| Prairie Operations | 8.1 | 8.5 |
| Mountain Operations | 0.8 | 1.0 |
| Realized prices ($/tonne) | | |
| Prairie Operations(1) | 17.01 | 15.04 |
| Mountain Operations | 104.04 | 91.44 |
| Unit operating costs ($/tonne) | | |
| Prairie Operations(1) | 13.32 | 12.72 |
| Mountain Operations | 89.08 | 78.26 |
| Revenue ($ millions) | | |
| Prairie Operations | | |
| Mining revenue | 145.6 | 133.2 |
| Coal royalties | 10.8 | 11.8 |
| Potash royalties | 2.7 | 4.8 |
| Mountain Operations and other assets | 86.2 | 96.1 |
| Total revenue | 245.3 | 245.9 |
| EBITDA ($ millions)(2) | | |
| Prairie Operations | 43.5 | 35.2 |
| Mountain Operations and other assets | 9.6 | 12.5 |
| Total EBITDA | 53.1 | 47.7 |
| Earnings from operations ($ millions) | 25.8 | 23.5 |
| Spending on capital ($ millions) | | |
| Prairie Operations | 7.2 | 15.5 |
| Mountain Operations and other assets | 16.1 | 4.3 |
| Total spending on capital | 23.3 | 19.8 |

*(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 - EBITDA' section of this release.*

First-quarter 2012 production volumes at Prairie Operations were consistent with the prior-year period. First-quarter production volumes at Mountain Operations were 9% lower (0.1 million tonnes) compared to first-quarter 2011, as production levels at the Obed Mountain mine were reduced to achieve an optimal export thermal sales mix.

First-quarter 2012 sales volumes were 5% (0.4 million tonnes) lower at Prairie Operations compared to the prior-year period, primarily as a result of unscheduled maintenance activities at the customer's power generating unit at the Boundary Dam mine. The power generating unit returned to service in February 2012. First-quarter 2012 sales volumes were 20% (0.2 million tonnes) lower at Mountain Operations compared to the prior-year period, due to port and rail congestion that caused a shipment to be delayed until second-quarter 2012.

Realized pricing (excluding royalties, char and activated carbon) for first-quarter 2012 at Prairie Operations was 13% ($1.97/tonne) higher than the prior-year period, primarily due to higher cost recoveries at the Highvale mine (contract mining operation) and the Boundary Dam mine as a result of having a significant fixed component of mining revenue on lower sales volumes. Realized pricing at Mountain Operations for first-quarter 2012 was 14% ($12.60/tonne) higher than in first-quarter 2011, reflecting stronger thermal coal export prices.

Unit operating costs at Prairie Operations were higher for first-quarter 2012 (5% or $0.60/tonne) relative to the prior-year period, due to higher cost recoveries at the Highvale mine, partially offset by lower unit costs at the Poplar River and Boundary Dam mines resulting from higher production volumes. Unit operating costs at Mountain Operations for first-quarter 2012 were 14% ($10.82/tonne) higher than first-quarter 2011, primarily due to lower Obed Mountain mine production volumes as noted above.

Coal royalties for first-quarter 2012 were 8% ($1.0 million) lower than the prior-year period, due to the timing of mining in royalty assessable areas. Potash royalties were 44% ($2.1 million) lower in first-quarter 2012 compared to the prior-year period, reflecting lower production volumes from producers in response to weaker market demand.

Spending on capital at Prairie Operations for first-quarter 2012 was 54% ($8.3 million) lower than in the prior-year period, primarily due to the timing of equipment arrivals at the mines. Spending on capital at Mountain Operations was 274% ($11.8 million) higher for first-quarter 2012 compared to the prior-year period, primarily due to the purchasing of loading equipment at the Coal Valley mine.

**OIL AND GAS**

| (units as noted) | Q1 2012 | Q1 2011 |
|---|---|---|
| Production (boepd)(1) | | |
| Gross working-interest - Cuba(2), (3) | 20,079 | 20,874 |
| Net working-interest(4) | | |
| Cuba - cost recovery | 3,069 | 4,197 |
| Cuba - profit oil | 7,655 | 7,505 |
| Cuba - total | 10,724 | 11,702 |
| Spain | 376 | 425 |
| Pakistan | 355 | 357 |
| Total net working-interest | 11,455 | 12,484 |
| Reference prices (US$/bbl) | | |
| U.S. Gulf Coast Fuel Oil No.6 | 108.06 | 86.45 |
| Brent crude | 119.70 | 105.95 |
| Realized prices | | |
| Cuba ($/bbl) | 78.47 | 61.92 |
| Spain ($/bbl) | 120.21 | 105.29 |
| Pakistan ($/boe) | 8.08 | 7.98 |
| Weighted average ($/boe) | 77.66 | 61.85 |
| Unit operating costs | | |
| Cuba ($/bbl) | 13.06 | 11.19 |
| Spain ($/bbl) | 46.51 | 33.35 |
| Pakistan ($/boe) | 2.74 | 3.77 |
| Weighted average ($/boe) | 13.94 | 11.73 |
| Revenue ($ millions) | 82.2 | 70.5 |
| EBITDA ($ millions)(5) | 65.2 | 54.8 |
| Earnings from operations ($ millions) | 46.4 | 39.4 |
| Spending on capital ($ millions)(6) | 9.4 | 14.7 |

*(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-GAAP 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 first-quarter 2012 was 4% (795 bopd) lower than in first-quarter 2011, primarily due to natural reservoir declines, partly offset by production from new wells and optimization of existing wells. Net working-interest production in Cuba was 8% (978 bopd) lower for first-quarter 2012 when compared to the prior-year period, primarily due to higher realized oil prices as well as a decrease in gross working-interest production. First-quarter 2012 production in Spain was 12% (49 bopd) lower than in the prior-year period, due to natural reservoir declines.

Average realized prices in first-quarter 2012 were 27% ($16.55/bbl) higher than first-quarter 2011 in Cuba and 14% ($14.92/bbl) higher in Spain, as a result of higher reference prices and the foreign exchange impact of a weaker Canadian dollar relative to the U.S. dollar.

Unit operating costs in Cuba were 17% ($1.87/bbl) higher in first-quarter 2012 compared to the prior-year period, largely as a result of increased fuel and electricity costs, and lower net production. Unit operating costs in Spain were 39% ($13.16/bbl) higher in first-quarter 2012, due to higher operating costs and lower production.

Spending on capital in first-quarter 2012 was 36% ($5.3 million) lower than first-quarter 2011, primarily due to reduced equipment and inventory purchases in Cuba. In first-quarter 2012, one development well was initiated, and two wells were completed in Cuba. Both wells are currently producing oil. Of the three wells that were being assessed as at December 31, 2011, one is currently being tested, one has been suspended pending further evaluation, and one did not produce commercial quantities of oil and has been relinquished. Exploration spending in 2012 was focused on the United Kingdom North Sea prospect area and on the Alboran Sea prospect area off the southern coast of Spain.

**POWER**

| (units as noted) | Q1 2012 | Q1 2011 |
|---|---|---|
| Electricity sold (GWh, 33 1/3% basis) | 155 | 148 |
| Realized price ($/MWh) | 41.48 | 40.54 |
| Unit operating cost ($/MWh)(1) | | |
| Base (Varadero, Boca de Jaruco) | 15.46 | 18.09 |
| Non-base (Boca de Jaruco and Puerto Escondido)(1) | 1.70 | 0.58 |
| Total unit operating costs | 17.16 | 18.67 |
| Net capacity factor (%) | 66 | 63 |
| Revenue ($ millions) | 16.6 | 14.4 |
| EBITDA ($ millions)(2) | 5.9 | 4.8 |
| Earnings from operations ($ millions) | 3.3 | 2.2 |
| Spending on capital ($ millions, 33 1/3% basis)(3) | 1.3 | 0.6 |
| Spending on projects ($ millions, 100% basis)(4) | 21.0 | 16.5 |

*(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-GAAP 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 first-quarter 2012 was 5% (7 GWh, 33 1/3% basis) higher than in the prior-year period, primarily due to a small decrease in maintenance activity.

Unit operating costs for the quarter were 8% ($1.51/MWh) lower than first-quarter 2011 as a result of higher production volumes.

Spending on capital in first-quarter 2012 was 117% ($0.7 million, 33 1/3% basis) higher than in first-quarter 2011, primarily due to the purchase of equipment and major long-term spare parts and capitalized interest relating to the Boca de Jaruco Combined Cycle Project.

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

Expenditures for first-quarter 2012 were $21.0 million (100% basis) and cumulative spending on the Project at March 31, 2012 was $170.5 million (100% basis). Engineering for the project is substantially 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. The total project cost estimate remains $271.0 million.

**CASH, DEBT AND FINANCING**

Cash, cash equivalents and short-term investments were $592.9 million at March 31, 2012, including $43.7

million (50% basis) held by the Moa Joint Venture. Cash held by the Ambatovy Joint Venture is included in "Investment in an Associate" and was $10.0 million (40% basis) as at March 31, 2012.

Total long-term debt at March 31, 2012 was $1.7 billion, including approximately $0.7 billion related to non-recourse Ambatovy partner loans to Sherritt.

At March 31, 2012, total available liquidity was approximately $1.0 billion.

Together, Sherritt and Sumitomo Corporation have the right to acquire SNC-Lavalin's 5% equity interest in Ambatovy at any time over a two-year period after Ambatovy is complete (referred to as the Ambatovy call option). The fair value of the option is updated each quarter and can be volatile as it is derived from a mathematical model used to price derivative financial instruments that depend on estimates primarily related to future cash flows, interest rates, risk, and timing. At March 31, 2012, the Ambatovy call option was valued at $25.6 million.

**Outlook**

Projected production volumes, royalties and spending on capital for the year 2012 are shown below.

| (units as noted) | Projected for the year ending December 31, 2012 |
|---|---|
| Production volumes | |
| Mixed sulphides (tonnes, Ni+Co contained, 100% basis) | |
| Moa Joint Venture | 38,000 |
| Ambatovy Joint Venture | 9,000 - 14,500 |
| Total | 47,000 - 52,500 |
| Nickel, finished (tonnes, 100% basis) | |
| Moa Joint Venture | 33,900 |
| Ambatovy Joint Venture | 8,000 - 13,000 |
| Total | 41,900 - 46,900 |
| Cobalt, finished (tonnes, 100% basis) | |
| Moa Joint Venture | 3,375 |
| Ambatovy Joint Venture | 800 - 1,300 |
| Total | 4,175 - 4,675 |
| Coal - Prairie Operations (millions of tonnes) | 33 |
| Coal - Mountain Operations (millions of tonnes) | 4.0 |
| Oil - Cuba (gross working-interest, bopd) | 20,000 |
| Oil - All operations (net working-interest, boepd) | 11,780 |
| Electricity (GWh, 33 1/3% basis) | 550 |
| Royalties ($ millions) | |
| Coal | 39 |
| Potash | 19 |
| Spending on capital - Operations ($ millions) | |
| Metals - Moa Joint Venture (50% basis), Fort Site(1) | 60 |
| Coal - Prairie Operations | 97 |
| Coal - Mountain Operations | 65 |
| Oil and Gas - Cuba(2) | 51 |
| Oil and Gas - Other(2) | 18 |
| Power (33 1/3% basis)(3) | 8 |
| Spending on capital (excluding Projects and Corporate) | 299 |
| Spending on capital - Projects | |
| Metals - Ambatovy Joint Venture (US$ millions, 100% basis) | 100 - 250 |
| Power - 150 MW Boca de Jaruco ($ millions, 100% basis)(4) | 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, the estimate for full-year 2012 production of mixed sulphides and finished metal production remains unchanged from prior estimates. Guidance for spending on capital for the Moa Joint Venture is unchanged from prior guidance, and does not include any significant expansion-related expenditures. 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.

- In Metals - Ambatovy Joint Venture, first metal is scheduled for second-quarter 2012 and estimated full-year 2012 production of mixed sulphides and finished metal remains unchanged from prior guidance. Spending on capital for 2012 at Ambatovy is expected to range between US$100 million and US$250 million (100% basis). The amount of capital ultimately required during the year will be dependent largely on the performance of key equipment during start-up.

- 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 and spending on capital remains consistent with prior guidance.

- In Coal - Prairie Operations, full year 2012 coal and potash royalties are unchanged from prior guidance.

- In Coal - Mountain Operations, full-year 2012 production is 7% (0.3 million tonnes) lower than previous guidance, reflecting a delay in the receipt of licences that were required to enter a new mining area (received at the end of first-quarter 2012), delays at equipment suppliers that affected the scheduled delivery of a large shovel, and continued management of production levels at the Obed Mountain mine to achieve an optimal export thermal sales mix. Spending on capital for full-year 2012 remains consistent with prior guidance.

- In Oil and Gas, guidance for full-year 2012 GWI oil production in Cuba, net working interest production (all operations), and spending on capital remains consistent with prior estimates.

- In Power, full-year 2012 guidance on production and spending on capital remain unchanged.

- In Power - 150 MW Boca de Jaruco Combined Cycle Project, spending in 2012 remains unchanged from prior guidance and the Project remains on schedule to begin production in first-half 2013.

**Non-GAAP 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 continuing operations as reported in the IFRS financial statements, adjusted for amounts included in net earnings or net loss for income taxes, net finance expense (income), 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 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 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; commencement date of production; future reserves and mine life; environmental rehabilitation provisions; availability of regulatory approvals; earnings and revenues; compliance with applicable environmental laws and regulations; greenhouse gas (GHG) emissions and credits; collection of accounts receivable; and certain corporate objectives, plans or goals for 2012, including development wells 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, commissioning, start-up 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; development programs; uncertainties in reserve estimates; uncertainties in environmental rehabilitation provisions estimates; the Corporation's reliance on significant customers; 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; the ability of the Corporation to obtain government permits; risks associated with government regulations and environmental, health and safety matters; and other factors listed from time to time in the Corporation's continuous disclosure documents. 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 in 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 Corporation disclaims any intention or obligation to update or revise any oral or written forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.*

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