Sherritt International Corporation Reports Second-Quarter 2012 Results

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TORONTO, ONTARIO -- (Marketwire - July 25, 2012) - Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX:S)

- Net earnings for second-quarter 2012 were $40.8 million ($0.14 per share, basic), compared to net earnings of $60.1 million ($0.20 per share, basic) for second-quarter 2011. Lower revenue resulted primarily from lower nickel prices and lower export thermal coal sales volumes. Net earnings were also affected by higher depreciation (primarily resulting from higher plant, property and equipment balances), higher net finance expense, partly offset by lower income tax expense. Net finance expense increased largely due to the interest and accretion on the higher relative loans and borrowing balances.

- Sales volumes for second-quarter 2012 (Sherritt's share) totaled 9.9 million pounds of finished nickel, 1.1 million pounds of finished cobalt, 7.8 million tonnes of thermal coal, 1.1 million barrels of oil and 157 GWh of electricity.

- Cash, cash equivalents and short-term investments were $478.6 million at June 30, 2012, including $52.2 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 $29.3 million (40% basis) as at June 30, 2012.

- Operating cash flow for second-quarter 2012 was $27.8 million, compared to $48.5 million in second-quarter 2011.

- Spending on capital and intangibles relating to operations totaled $62.8 million for second-quarter 2012 compared to $59.1 million in second-quarter 2011. Spending on capital at the Ambatovy Joint Venture for second-quarter 2012 was US$18.4 million (100% basis) and cumulative spending on capital at Ambatovy to June 30, 2012 was US$5.3 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, the production of mixed sulphides, the intermediate product resulting from the Pressure Acid Leach (PAL) process, commenced in late May. Approximately 700 tonnes of nickel and cobalt in mixed sulphides were introduced to the refinery during second-quarter 2012. A preliminary batch of nickel briquettes was sintered on June 26, 2012 as part of the testing and start-up of the refinery. Cobalt reduction and subsequent process steps are ready for start-up, which will commence with the accumulation of sufficient upstream process inventory. As of June 30, 2012, all core construction personnel had been demobilized. Strategic maintenance contracts have been established with key contractors utilized during construction to ensure continuity and additional maintenance capacity through the ramp-up period.

- Total project costs in second-quarter 2012 were US$270.5 million (100% basis). Cumulative total project costs to June 30, 2012 were US$6.3 billion (100% basis). The Ambatovy operations are expected to reach commercial production (defined as 70% of mixed sulphides production capacity) by 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 continuing to work with authorities in Madagascar to obtain an authorization (known as an Operating Permit) to commercially operate the processing plant in Toamasina, Madagascar. Ambatovy has already received the required permits needed to conduct mining activities and to bring the Project through the commissioning and testing phase. The issuance of the Operating Permit is based on compliance with technical, health and safety, and environmental protection requirements. Ambatovy believes it has satisfied all of the requirements established to date for the Operating Permit. However, the transitional government in

Madagascar has advised Ambatovy that it is continuing its review of the Project. Ambatovy is in the process of determining the timing and content of this review. This review or other government actions may delay receipt of the Operating Permit, and as a consequence, Ambatovy may face delays in entering commercial operations.

- At June 30, 2012, total available liquidity was approximately $1.1 billion. Total long-term debt at June 30, 2012 was $1.8 billion, including approximately $0.8 billion related to non-recourse Ambatovy partner loans to Sherritt.

Sherritt International Corporation today reported second-quarter 2012 net earnings of $40.8 million ($0.14 per share, basic), compared to net earnings of $60.1 million ($0.20 per share, basic) for second-quarter 2011.

Summary Data

SUMMARY FINANCIAL DATA

($ millions unless otherwise noted)	Q2 2012	Q2 2011	Six months ended June 30,	
Revenue	487.9	500.6	950.1	975.1
EBITDA(1)	139.4	157.9	285.8	322
Earnings from operations and associate	77.1	108.9		
Net earnings	40.8	60.1	73.1	123
Basic earnings per share ($ per share)	0.14	0.20		
Diluted earnings per share ($ per share)	0.14	0.20		
Net working capital balance(2)	949.8	1,002.4	949	
Spending on capital and intangibles(3)	62.8	59.1		
Total assets	6,558.6	6,068.1	6,558.6	
Shareholders' equity	3,788.4	3,575.8	3,788.4	
Long-term debt to total assets (%)	28	27	28	
Weighted average number of shares (millions)				
Basic	296.1	294.9	296.1	
Diluted	296.4	296.2	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

($ millions unless otherwise noted)	Q2 2012	Q2 2011	Six months ended June 30,	
Sales volumes				
Nickel (thousands of pounds, 50% basis)	9,915	9,063		
Cobalt (thousands of pounds, 50% basis)	1,130	1,055		
Thermal coal - Prairie Operations (millions of tonnes)	6.8	6.9		
Thermal coal - Mountain Operations (millions of tonnes)	1.0	1.1		
Oil (boepd, net working-interest production)	11,671	12,290		
Electricity (GWh, 33 1/3% basis)	157	154	312	
Average realized prices				
Nickel ($/lb)	7.88	10.56	8.26	11
Cobalt ($/lb)	13.87	16.24	13.98	
Thermal coal - Prairie Operations ($/tonne)	18.27	17.57		
Thermal coal - Mountain Operations ($/tonne)	103.47	100.54		
Oil ($/boe)	70.82	69.01	74.21	65
Electricity ($/MWh)	41.79	40.26	41.63	

Review of Operations

METALS

Six months ended June 30,			
($ millions unless otherwise noted)	Q2 2012	Q2 2011	
Production			
Mixed sulphides (Ni+Co contained, tonnes, 50% basis)	4,859		
Nickel (tonnes, 50% basis)	4,485	3,991	
Cobalt (tonnes, 50% basis)	497	449	
Fertilizers (tonnes)	67,764	55,593	
Sales			
Nickel (thousands of pounds, 50% basis)	9,915	9,063	
Cobalt (thousands of pounds, 50% basis)	1,130	1,055	
Fertilizers (tonnes)	71,294	70,651	
Reference prices			
Nickel (US$/lb)	7.78	10.96	8.36
Cobalt (US$/lb)(1)	14.24	17.05	1
Realized prices			
Nickel ($/lb)	7.88	10.56	8.26
Cobalt ($/lb)	13.87	16.24	13.98
Unit operating costs (US$/lb)			
Mining, processing and refining costs	6.56	6.35	
Third-party feed costs	0.09	0.15	
Cobalt by-product credits	(1.56)	(1.95)	
Other	(0.93)	(0.29)	(0.37
Net direct cash costs of nickel(2)	4.16	4.26	
Natural gas ($/GJ)	1.93	3.76	2.0
Fuel oil (US$/tonne)	706.00	629.75	
Sulphur (US$/tonne)	260.08	242.49	
Sulphuric acid (US$/tonne)	183.19	196.68	
Revenue ($ millions)			
Nickel	78.1	95.7	160.9
Cobalt	15.6	17.1	30.0
Fertilizers, other	46.5	36.6	64
Total revenue	140.2	149.4	255.0
EBITDA ($ millions)(3)	47.4	54.4	
Earnings from operations and associate ($ millions)	35.7		
Spending on capital ($ millions)	6.2	9.0	

(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 second-quarter 2012 was 1% (144 tonnes, Ni+Co contained, 100% basis) lower than second-quarter 2011, due to lower ore grade and process plant throughput. Finished nickel and cobalt production were 12% (988 tonnes, 100% basis) and 11% (96 tonnes, 100% basis) higher, respectively, than the prior-year period reflecting the difference in timing of the annual maintenance turnaround. The turnaround was conducted in the second quarter of 2011 and is scheduled for the third quarter of 2012.

Second-quarter 2012 metals sales volumes were 9% (852,000 lbs, 50% basis) higher for nickel and 7% (75,000 lbs, 50% basis) higher for cobalt, compared to second-quarter 2011, consistent with production trends and the timing of shipments.

Average metals reference prices were significantly lower in second-quarter 2012 compared to second-quarter 2011. Pricing reflected the trend of global supply outpacing demand, with nickel reference pricing 29% (US$3.18/lb) lower and cobalt reference pricing 16% (US$2.81/lb) lower than the prior-year period.

The net direct cash cost of nickel for second-quarter 2012 was 2% (US$0.10/lb) lower than second-quarter 2011, and 19% (US$0.97/lb) lower than first-quarter 2012, due to higher fertilizer by-product credits from the spring fertilizer season as well as lower third-party feed costs, which more than offset lower cobalt by-product credits and higher mining, processing and refining costs.

Spending on capital in second-quarter 2012 for the Moa Joint Venture was 31% ($2.8 million, 50% basis) lower than second-quarter 2011, reflecting lower than planned spending in 2012.

Ambatovy

The production of mixed sulphides, the intermediate product resulting from the Pressure Acid Leach (PAL) process, commenced in late May. Approximately 700 tonnes of nickel and cobalt in mixed sulphides was introduced to the refinery during second-quarter 2012. The refining processes of sulphide leaching, iron removal, copper/zinc removal, solvent extraction and hydrogen reduction are in early operation in which final testing continues.

A preliminary batch of nickel briquettes was sintered on June 26, 2012 as part of the testing and start-up of the refinery. Cobalt reduction and subsequent process steps are ready for start-up, which will commence with the accumulation of sufficient upstream process inventory.

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 second-quarter 2012 was US$18.4 million (100% basis), 94% lower than the prior-year period, as construction has been completed. Cumulative spending on capital at Ambatovy to June 30, 2012 was US$5.3 billion (100% basis), excluding financing charges, working capital and foreign exchange.

Total project costs in second-quarter 2012 were US$270.5 million (100% basis). Cumulative total project costs to June 30, 2012 were US$6.3 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).

During second-quarter 2012, a total of US$275.0 million (100% basis) in funding was provided by the Ambatovy Joint Venture partners; Sherritt's 40% share (US$110.0 million) was funded directly from cash on hand.

As of June 30, 2012, all core construction personnel had been demobilized. Strategic maintenance contracts have been established with key contractors utilized during construction to ensure continuity and additional maintenance capacity through the ramp-up period.

Ambatovy is continuing to work with authorities in Madagascar to obtain an authorization (known as an Operating Permit) to commercially operate the processing plant in Toamasina, Madagascar. Ambatovy has already received the required permits needed to conduct mining activities and to bring the Project through the commissioning and testing phase. The issuance of the Operating Permit is based on compliance with technical, health and safety, and environmental protection requirements. Ambatovy believes it has satisfied all of the requirements established to date for the Operating Permit. However, the transitional government in Madagascar has advised Ambatovy that it is continuing its review of the Project. Ambatovy is in the process of determining the timing and content of this review. This review or other government actions may delay receipt of the Operating Permit, and as a consequence, Ambatovy may face delays in entering commercial operations.

The Ambatovy operations are expected to reach commercial production (defined as 70% of mixed sulphides production capacity) by 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

Six months ended June 30, ($ millions unless otherwise noted)	Q2 2012	Q2 2011		
Production (millions of tonnes)				
Prairie Operations	7.0	6.6	15.6	
Mountain Operations	0.8	1.1	1.8	
Sales (millions of tonnes)				
Prairie Operations	6.8	6.9	14.9	
Mountain Operations	1.0	1.1	1.8	
Realized prices ($/tonne)				
Prairie Operations(1)	18.27	17.57	17.58	
Mountain Operations	103.47	100.54	103.73	
Unit operating costs ($/tonne)				
Prairie Operations(1)	16.59	15.84	14.81	
Mountain Operations	87.61	81.68	88.27	
Revenue ($ millions)				
Prairie Operations				
Mining revenue	131.7	128.8	277.3	
Coal royalties	10.0	9.7	20.8	
Potash royalties	4.1	5.2	6.8	
Mountain Operations and other assets	104.8	110.4		
Total revenue	250.6	254.1	495.9	
EBITDA ($ millions)(2)				
Prairie Operations	26.3	25.0	69.8	
Mountain Operations and other assets	14.1	19.0	2	
Total EBITDA	40.4	44.0	93.5	91.7
Earnings from operations ($ millions)	9.7	18.6	3	
Spending on capital ($ millions)				
Prairie Operations	19.5	21.4	26.7	
Mountain Operations and other assets	23.8	8.0	39	
Total spending on capital	43.3	29.4	66.6	

(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.

Second-quarter 2012 production volumes at Prairie Operations were 6% (0.4 million tonnes) higher than second-quarter 2011 when haul efforts at the Boundary Dam mine were impacted by several weeks of heavy rainfall and flooding in southern Saskatchewan. Second-quarter production volumes at Mountain Operations were 27% (0.3 million tonnes) lower than the prior-year quarter, reflecting the reduction of production levels at the Obed Mountain mine to achieve an optimal thermal export sales mix.

Second-quarter 2012 sales volumes at Prairie Operations were similar to the prior-year quarter. Second-quarter 2012 sales volumes at Mountain Operations were 8% (0.1 million tonnes) lower than second-quarter 2011, as a result of the reduced production levels at the Obed Mountain mine to achieve an optimal thermal export sales mix.

Realized pricing (excluding royalties, char and activated carbon) for second-quarter 2012 at Prairie Operations was 4% ($0.70/tonne) higher than second-quarter 2011, due to the higher sales volumes at the Boundary Dam mine and lower sales volumes at the Paintearth and Sheerness mines (which have a significant fixed component of mining revenue). Realized pricing at Mountain Operations for second-quarter 2012 was 3% ($2.93/tonne) higher than the prior-year period, as the impact of a weaker Canadian dollar relative to the U.S. dollar and the lower relative proportion of Obed Mountain mine contribution to total sales volume more than offset the decline in the international export coal price in the comparative period.

Unit operating costs at Prairie Operations were higher for second-quarter 2012 (5% or $0.75/tonne) relative to the prior-year period, due to major dragline repairs at the Boundary Dam and Poplar River mines. Unit operating costs at Mountain Operations for second-quarter 2012 were 7% ($5.93/tonne) higher than second-quarter 2011, primarily due to lower production levels at the higher-cost Obed Mountain mine.

Coal royalties for second-quarter 2012 were 3% ($0.3 million) higher than the prior-year period, due to increased mining activity in royalty-assessable areas. Potash royalties were 21% ($1.1 million) lower in second-quarter 2012 compared to the prior-year period, due to lower production volumes from potash producers in response to weaker market demand.

Spending on capital at Prairie Operations for second-quarter 2012 was 9% ($1.9 million) lower than second-quarter 2011, due to the timing of equipment arrivals at the mines. Spending on capital at Mountain Operations was 198% ($15.8 million) higher for second-quarter 2012 compared to the prior-year period, reflecting increased finance leases for mobile equipment and higher cash capital spending for infrastructure development in the Yellowhead Tower permit area, first entered in May 2012. Equipment lease expenditures for the quarter reflect the majority of planned spending on equipment in Mountain Operations for 2012.

OIL AND GAS

			Six months ended June 30,	
($ millions unless otherwise noted)	Q2 2012	Q2 2011		
Production (boepd)(1)				
Gross working-interest - Cuba(2), (3)	20,806	20,900		
Net working-interest(4)				
Cuba - cost recovery	2,909	3,737	2,989	
Cuba - profit oil	8,054	7,723	7,854	
Cuba - total	10,963	11,460	10,843	
Spain	356	488	366	457
Pakistan	352	342	354	349
Total net working-interest	11,671	12,290	11,563	
Reference prices (US$/bbl)				
U.S. Gulf Coast Fuel Oil No.6	97.99	98.40	102.9	
Brent crude	109.02	118.32	114.30	
Realized prices				
Cuba ($/bbl)	71.70	68.98	75.05	6
Spain ($/bbl)	105.68	112.66	113.13	
Pakistan ($/boe)	8.28	7.87	8.18	
Weighted average ($/boe)	70.82	69.01	74.21	
Unit operating costs				
Cuba ($/bbl)	12.28	10.95	12.67	1
Spain ($/bbl)	46.90	30.81	46.70	
Pakistan ($/boe)	4.16	2.70	3.45	
Weighted average ($/boe)	13.21	11.51	13.57	
Revenue ($ millions)	76.3	81.5	158.5	
EBITDA ($ millions)(5)	58.4	65.6	123.6	
Earnings from operations ($ millions)	41.9	49.4		
Spending on capital ($ millions)(6)	11.5	19.0	20	

(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 second-quarter 2012 was relatively unchanged from second-quarter 2011. Net working-interest production in Cuba was 4% (497 bopd) lower for second-quarter 2012 when compared to the prior-year period, primarily due to higher realized oil prices as well as a decrease in cost-recovery expenditures. Second-quarter 2012 production in Spain was 27% (132 bopd) lower than in the prior-year period, primarily due to natural reservoir declines and one well being shut-in pending evaluation of whether it is economically feasible to return to production.

Average realized prices in second-quarter 2012 were 4% ($2.72/bbl) higher than second-quarter 2011 in Cuba, due to the impact of a weaker Canadian dollar relative to the U.S. dollar. Average realized prices for the same comparative periods were 6% ($6.98/bbl) lower in Spain, as a result of lower reference pricing that was only partially offset by the impact of the weaker Canadian dollar relative to the U.S. dollar.

Unit operating costs in Cuba were 12% ($1.33/bbl) higher in second-quarter 2012 compared to the prior-year period, largely as a result of the impact of lower net production, higher costs for production chemical inputs and labour, which were partially offset by lower insurance, treatment and transportation costs. Unit operating costs in Spain were 52% ($16.09/bbl) higher in second-quarter 2012, primarily due to the impact of lower production described above.

Spending on capital in second-quarter 2012 was 39% ($7.5 million) lower than second-quarter 2011, primarily due to reduced equipment and inventory purchases as well as reduced drilling activity in Cuba. In second-quarter 2012, two development wells were initiated, and one development well was completed in Cuba. Capital spending also included costs related to the United Kingdom North Sea and Alboran Sea prospect areas. Sherritt expects to commence seismic programs in the United Kingdom North Sea and the Alboran Sea in 2013.

POWER

Six months ended June 30,

($ millions unless otherwise noted)	Q2 2012	Q2 2011		
Electricity sold (GWh, 33 1/3% basis)	157	154	31	
Realized price ($/MWh)	41.79	40.26	41.63	
Unit operating cost ($/MWh) (1)				
Base	15.45	23.28	15.46	20.08
Non-base	1.41	1.40	1.55	1.77
Total unit cash operating costs	16.86	24.68	17.0	
Net capacity factor (%)	68	66	67	
Revenue ($ millions)	17.6	13.0	34.2	
EBITDA ($ millions)(2)	5.8	6.5	11.7	
Earnings from operations ($ millions)	3.1	3.9	6	
Spending on capital ($ millions)(3)	1.3	1.6	2.5	
Spending on projects ($ millions, 100% basis)(4)	23.8	10.8		

(1) Base unit operating costs are costs incurred at the Varadero, Boca de Jaruco and Puerto Escondido sites. Non-base unit operating costs are costs that are expensed as incurred at the Boca de Jaruco and Puerto Escondido sites as part of a service concession arrangement.
(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 second-quarter 2012 was 2% (3 GWh, 33 1/3% basis) higher than in the prior-year period, primarily due to a small increase in gas supply.

Unit operating costs for the quarter were 32% ($7.82/MWh) lower than second-quarter 2011, due to the impact of a turbine failure in second-quarter 2011.

Spending on capital in second-quarter 2012 was 19% ($0.3 million, 33 1/3% basis) lower than in second-quarter 2011, primarily due to lower maintenance activity levels in 2012.

150 MW Boca de Jaruco Combined Cycle Project

Expenditures for second-quarter 2012 were $23.8 million (100% basis) and cumulative spending on the

Project at June 30, 2012 was $194.7 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 $478.6 million at June 30, 2012, including $52.2 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 $29.3 million (40% basis) as at June 30, 2012.

Total long-term debt at June 30, 2012 was $1.8 billion, including approximately $0.8 billion related to non-recourse Ambatovy partner loans to Sherritt. At June 30, 2012, the amount of credit available under various facilities was $0.6 billion.

Outlook

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

(units as noted) Projected for the year ending
December 31, 2012

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Production volumes
Mixed sulphides (tonnes, Ni+Co contained, 100% basis)
        Moa Joint Venture        38,000
        Ambatovy Joint Venture        9,000
        Total        47,000
Nickel, finished (tonnes, 100% basis)
        Moa Joint Venture        34,000
        Ambatovy Joint Venture        8,000
        Total        42,000
Cobalt, finished (tonnes, 100% basis)
        Moa Joint Venture        3,600
        Ambatovy Joint Venture        800
        Total        4,400
Coal - Prairie Operations (millions of tonnes)        33
Coal - Mountain Operations (millions of tonnes)        4
Oil - Cuba (gross working-interest, bopd)        20,000
Oil - All operations (net working-interest, boepd)        11,500
Electricity (GWh, 33 1/3% basis)        595

Royalties ($ millions)
Coal        39
Potash        15

Spending on capital ($ millions)
Metals - Moa Joint Venture (50% basis), Fort Site(1)        53
Coal - Prairie Operations        81
Coal - Mountain Operations        62
Oil and Gas - Cuba(2)        51
Oil and Gas - Other(2)        8
Power (33 1/3% basis)(3)        6
Spending on capital (excluding Projects and Corporate)        261

Spending on projects
Metals - Ambatovy Joint Venture (US$ millions, 100% basis)        64
Power - 150 MW Boca de Jaruco ($ millions, 100% basis)(4)        94
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(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, production guidance for 2012 remains largely unchanged from previous estimates, with a small increase in cobalt production reflecting a slightly lower nickel to cobalt ratio in feed from Moa. Capital spending for 2012 is 12% ($7 million, 50% basis) lower than prior guidance, due to planned reduction in sustaining capital in light of weaker commodity prices.

- In Metals - Ambatovy Joint Venture, 2012 production estimates reflect the lower end of the production range provided in previous guidance, primarily due to delays in the start-up of the refinery by one quarter. Capital spending guidance is 35% (US$35 million, 100% basis) lower than previous guidance as no significant construction capital expenditures are anticipated after second-quarter 2012.

- In Metals - Sulawesi Project, the environmental baseline scoping study was completed in second-quarter 2012. Both the environmental and social baseline studies are scheduled for completion in 2013. Commencement of the resource drilling program is anticipated in second-half 2012, and is expected to bring total spending on the Project to approximately $22 million, or 20% of the total funding requirement to obtain Sherritt's 46% economic interest in the Project.

- In Coal - Prairie Operations, full-year 2012 production remains consistent with prior guidance. Capital spending for 2012 has been reduced by 17% ($16 million) from prior guidance, reflecting timing of equipment arrivals at the sites and cost saving initiatives in light of weaker thermal coal export pricing.

- In Coal - Mountain Operations, full-year 2012 production remains consistent with prior guidance. Capital spending for 2012 has been reduced by 5% ($3 million) from prior guidance, reflecting timing of equipment arrivals at the sites and cost saving initiatives in light of weaker thermal coal export pricing.

- In Oil and Gas, 2012 GWI production in Cuba remains unchanged from prior guidance, while total net production is 2% (280 bopd) lower than previous guidance, reflecting expected lower cost recovery volumes primarily due to the impact of continued strength in reference pricing. Projected 2012 capital spending in Cuba remains consistent with prior guidance, while projected 2012 capital spending in other jurisdictions is 56% ($10 million) lower than previous guidance, reflecting the postponement of seismic programs in both the Alboran Sea and the United Kingdom North Sea prospect areas, until 2013.

- In Power, projected 2012 production is 8% (45 GWh, 33 1/3% basis) higher than prior guidance, due to the impact of higher gas supply year-to-date that is expected to continue for the remainder of the year. Spending on capital for 2012 is expected to be 25% ($2 million, 33 1/3% basis) lower than previous guidance due to a reduction in sustaining capital projects.

- In Power - 150 MW Boca de Jaruco Combined Cycle Project, spending in 2012 is 14% ($15 million) lower than previous guidance, due to a deferral of costs to 2013. The Project remains on schedule to be in 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; commodity prices and demand; future reserves and mine life; environmental rehabilitation provisions; availability of regulatory approvals; earnings and revenues; debt repayments; compliance with financial covenants; sufficiency of working capital and capital project funding; compliance with applicable environmental laws and regulations; 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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