Sherritt International Corp. Reports Third-Quarter 2012 Results

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TORONTO, ONTARIO -- (Marketwire - Oct. 31, 2012) - Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX:S) -

All amounts are Canadian dollars unless otherwise indicated.

• Production of finished nickel and cobalt commenced at Ambatovy in third-quarter 2012. Total nickel production in the quarter, including test briquettes, was 2,370 tonnes, with an average nickel content exceeding 99.8%. The first Ambatovy cobalt briquettes were sintered in September. Total cobalt production during the quarter was 165 tonnes, including test production, with an average cobalt content exceeding 99.8%.

• Ramp-up of the Ambatovy facility continues; all five autoclaves in the Pressure Acid Leach (PAL) area were operable during the quarter. Total autoclave operating hours during third-quarter 2012 were 4,119 hours, progressing from 988 hours in July to 1,707 hours in September. During the quarter, an average ore throughput of approximately 30% of nameplate capacity was achieved in the PAL circuit. In September, ore throughput was 39% of nameplate capacity.

• An offering of $500 million principal amount of 7.5% Senior Unsecured Debentures Series 2 due September 24, 2020 was completed during third-quarter 2012. A portion of the net proceeds of approximately $490 million was used to fund the repurchase and redemption of the outstanding principal amount of the Corporation's 8.25% Senior Unsecured Debentures Series B due October 24, 2014 (the "2014 debentures"), mainly in October 2012; the remainder is available for general corporate purposes.

• The net loss for third-quarter 2012 was $22.6 million ($0.08 per share, basic), compared to net earnings of $45.5 million ($0.16 per share, basic) for third-quarter 2011. Compared to the prior-year quarter, the net loss reflected lower nickel prices and volumes and lower export thermal coal volumes, partially offset by higher fertilizer revenue and the impact of a weaker Canadian dollar relative to the U.S. dollar. The third-quarter 2012 net loss included net charges of $42.8 million pre tax ($32.4 million or $0.11 per share, basic, after tax). These items related to the $27.4 million pre-tax redemption premium, and deferred cost write-off, associated with the redemption of the 2014 debentures ($20.5 million or $0.07 per share, basic, after tax), a $12.2 million pre-tax, non-cash adjustment to the environmental rehabilitation obligation in Coal ($9.1 million or $0.03 per share, basic, after tax), and a $3.2 million pre-tax, non-cash adjustment to the Ambatovy Call Option ($2.8 million or $0.01 per share, basic, after tax). 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 third-quarter 2012 (Sherritt's share) totaled 8.6 million pounds of finished nickel, 0.9 million pounds of finished cobalt, 8.5 million tonnes of thermal coal, 1.0 million barrels of oil and 154 GWh of electricity.

• Cash, cash equivalents and short-term investments were $934.2 million at September 30, 2012, including $8.9 million held by Energas S.A. (33 1/3% basis) and $53.0 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 $10.8 million (40% basis) as at September 30, 2012.

• Operating cash flow for third-quarter 2012 was $113.8 million, compared to $95.8 million in third-quarter 2011.

• Spending on capital and intangibles relating to operations totaled $48.7 million for third-quarter 2012 compared to $53.6 million in third-quarter 2011. Spending on capital at the Ambatovy Joint Venture for third-quarter 2012 was US$8.6 million (100% basis) and cumulative spending on capital at Ambatovy to

September 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 September 30, 2012, total available liquidity was approximately $1.4 billion. Total long-term debt at September 30, 2012 was $2.0 billion, including approximately $0.8 billion related to non-recourse Ambatovy partner loans to Sherritt.

Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX:S) today reported a third-quarter 2012 net loss of $22.6 million ($0.08 per share, basic), compared to net earnings of $45.5 million ($0.16 per share, basic) for third-quarter 2011.

Summary Data
SUMMARY FINANCIAL DATA
Nine months ended
September 30,
($ millions unless otherwise noted) Q3 2012 Q3 2011 2012 2011
Revenue 422.2 466.4 1,372.3 1,441.5
EBITDA(1) 115.9 148.5 401.7 470.8
Earnings from operations and associate 47.8 89.7 215.0 311.7
Net earnings (22.6) 45.5 50.5 169.2
Basic earnings per share ($ per share) (0.08) 0.16 0.17 0.58
Diluted earnings per share ($ per share) (0.08) 0.15 0.17 0.57
Net working capital balance(2) 1,110.8 1,031.7 1,110.8 1,031.7
Spending on capital and intangibles(3) 48.7 53.6 152.2 153.8
Total assets 6,971.0 6,497.5 6,971.0 6,497.5
Shareholders' equity 3,674.0 3,764.4 3,674.0 3,764.4
Long-term debt to total assets (%) 33 26 33 26
Weighted average number of shares (millions)
Basic 296.4 295.2 296.2 295.0
Diluted 297.0 296.4 296.8 296.2

(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
Nine months ended
September 30,
($ millions unless otherwise noted) Q3 2012 Q3 2011 2012 2011
Sales volumes
Nickel (thousands of pounds, 50% basis)(1) 8,590 9,421 28,060 27,922
Cobalt (thousands of pounds, 50% basis) (1) 949 1,052 3,096 3,121
Thermal coal - Prairie Operations (millions of tonnes) 7.6 8.1 22.5 23.5
Thermal coal - Mountain Operations (millions of tonnes) 0.9 1.0 2.7 3.1
Oil (boepd, net working-interest production) 11,408 11,982 11,511 12,250
Electricity (GWh, 33 1/3% basis) 154 159 466 461
Average realized prices
Nickel ($/lb) (1) 7.20 9.81 7.94 10.70
Cobalt ($/lb) (1) 12.55 15.50 13.54 16.42
Thermal coal - Prairie Operations ($/tonne) 17.47 16.20 17.55 16.19
Thermal coal - Mountain Operations ($/tonne) 100.32 102.39 102.66 98.03
Oil ($/boe) 69.81 69.62 72.74 66.81
Electricity ($/MWh) 41.20 40.66 41.49 40.49

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

Review of Operations

METALS
Nine months ended
September 30,
($ millions unless otherwise noted) Q3 2012 Q3 2011 2012 2011

Production(1)
Mixed sulphides (Ni+Co contained, tonnes, 50% basis) 4,750 4,872 14,285 14,647
Nickel (tonnes, 50% basis) 3,909 4,395 12,693 12,689
Cobalt (tonnes, 50% basis) 436 489 1,410 1,408
Fertilizers (tonnes) 67,065 58,083 200,950 173,249
Sales (1)
Nickel (thousands of pounds, 50% basis) 8,590 9,421 28,060 27,922
Cobalt (thousands of pounds, 50% basis) 949 1,052 3,096 3,121
Fertilizers (tonnes) 20,451 15,055 118,372 103,400
Reference prices
Nickel (US$/lb) 7.40 10.00 8.04 11.04
Cobalt (US$/lb)(2) 13.06 16.13 13.96 17.16
Realized prices(1)
Nickel ($/lb) 7.20 9.81 7.94 10.70
Cobalt ($/lb) 12.55 15.50 13.54 16.42
Unit operating costs (US$/lb) (1)
Mining, processing and refining costs 6.48 6.28 6.55 6.06
Third-party feed costs 0.06 0.11 0.10 0.17
Cobalt by-product credits (1.39) (1.76) (1.49) (1.87)
Other (0.02) (0.17) (0.28) (0.11)
Net direct cash costs of nickel(3) 5.13 4.46 4.88 4.25
Natural gas ($/GJ) 2.27 3.45 2.13 3.64
Fuel oil (US$/tonne) 629 658 676 605
Sulphur (US$/tonne) 263 261 266 235
Sulphuric acid (US$/tonne) 184 192 188 188
Revenue ($ millions)
Nickel 61.9 92.4 222.8 298.8
Cobalt 11.9 16.3 41.9 51.2
Fertilizers, other 14.6 14.2 78.7 62.7
Total revenue 88.4 122.9 343.4 412.7
EBITDA ($ millions)(4) 17.2 44.4 95.9 164.7
Earnings from operations and associate ($ millions) 8.6 35.7 68.6 143.2
Spending on capital ($ millions)(1) 6.3 8.0 18.3 23.3

(1) Production and sales volumes, realized prices, unit operating costs and spending on capital do not include the impact of the Ambatovy Joint Venture.
(2) Average Metal Bulletin - Low Grade Cobalt published price.
(3) Net direct cash costs of nickel after cobalt and other by-product credits.
(4) For additional information see the 'Non-IFRS Measure - EBITDA' section of this release.

Mixed sulphides production for third-quarter 2012 was 2% (243 tonnes, Ni+Co contained, 100% basis) lower than third-quarter 2011, due to lower process plant throughput resulting from planned maintenance activities in third-quarter 2012. Finished nickel and cobalt production was 11% (972 tonnes of nickel and 106 tonnes of cobalt, 100% basis) lower than the prior-year period and reflects the impact of the annual maintenance turnaround at the refinery in third-quarter 2012, which was conducted in the second quarter in 2011.

Third-quarter 2012 metals sales volumes were 9% (831 lbs, 50% basis) lower for nickel and 10% (103 lbs, 50% basis) lower for cobalt, compared to third-quarter 2011, consistent with the production trend.

Average metals reference prices were substantially lower in third-quarter 2012 compared to third-quarter 2011, as the global supply of nickel and cobalt outpaced demand. Nickel reference pricing was 26% (US$2.60/lb) lower and cobalt reference pricing was 19% (US$3.07/lb) lower than the prior-year period.

The net direct cash cost of nickel for third-quarter 2012 was 15% (US$0.67/lb) higher than third-quarter 2011, and 23% (US$0.97/lb) higher than second-quarter 2012. The increase from the prior-year period was due to the impact of lower realized cobalt prices and sales volumes, higher refining costs reflecting the timing of the annual maintenance turnaround at the refinery, and the variability resulting from the timing of realized nickel prices relative to the nickel reference price. These increases were partially offset by lower input commodity costs (fuel oil and sulphuric acid) and higher realized fertilizer prices and sales volumes. The increase in the net direct cash cost of nickel in third-quarter 2012 from second-quarter 2012 was due to the impact of lower relative fertilizer sales (seasonality-related), the annual maintenance turnaround and the variability resulting from the timing of realized nickel prices relative to the nickel reference price. These increases were partially offset by lower input commodity costs (fuel oil).

Spending on capital in third-quarter 2012 for the Moa Joint Venture was 21% ($1.7 million, 50% basis) lower than third-quarter 2011, reflecting the capital spending deferral implemented earlier in 2012 and, more recently, due to delays related to the execution of capital projects.

Ambatovy

Total nickel production in the quarter, including test briquettes, was 2,370 tonnes, with an average nickel content exceeding 99.8%. The first Ambatovy cobalt briquettes were sintered in September. Total cobalt production during the quarter was 165 tonnes, including test production, with an average cobalt content exceeding 99.8%.

Ramp-up of the Ambatovy facility continues; all five autoclaves in the Pressure Acid Leach (PAL) area were operable during the quarter. Total autoclave operating hours during third-quarter 2012 were 4,119 hours, progressing from 988 hours in July to 1,707 hours in September. During the quarter, an average ore throughput of approximately 30% of nameplate capacity was achieved in the PAL circuit. In September, ore throughput was 39% of nameplate capacity. Approximately 5,980 tonnes of nickel and cobalt contained in mixed sulphides were introduced to the refinery during third-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 third-quarter 2012 was US$8.6 million (100% basis), 91% lower than the prior-year period, as construction has been completed. Cumulative spending on capital at Ambatovy to September 30, 2012 was US$5.3 billion (100% basis), excluding financing charges, working capital and foreign exchange.

Total project costs in third-quarter 2012 were US$170.7 million (100% basis). Cumulative total project costs to September 30, 2012 were US$6.5 billion (100% basis). Total project costs (including financing charges, working capital and foreign exchange) will 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 third-quarter 2012, a total of US$170.0 million (100% basis) in funding was provided by the Ambatovy Joint Venture partners, 38% lower than in second-quarter 2012. Sherritt's 40% share of the third-quarter 2012 funding (US$68.0 million) was sourced from cash on hand.

As announced on September 13, 2012, Ambatovy received a six-month authorization ("Operating Permit") to commercially operate the processing plant in Toamasina, Madagascar, which is to automatically convert to a life-of-mine Operating Permit at the end of the six-month period. The Ambatovy operations are expected to reach commercial production (defined as 70% of mixed sulphides production capacity, also referred to as ore throughput as a percentage of nameplate capacity) by early 2013. Commercial production is 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

			Nine months ended September 30,	
($ millions unless otherwise noted)	Q3 2012	Q3 2011	2012	2011
Production (millions of tonnes)				
Prairie Operations	7.3	7.7	22.9	22.9
Mountain Operations	0.9	1.0	2.7	3.1
Sales (millions of tonnes)				
Prairie Operations	7.6	8.1	22.5	23.5
Mountain Operations	0.9	1.0	2.7	3.1
Realized prices ($/tonne)				
Prairie Operations(1)	17.47	16.20	17.55	16.19
Mountain Operations	100.32	102.39	102.66	98.03
Unit operating costs ($/tonne)				
Prairie Operations(1)	15.22	14.32	14.95	14.19
Mountain Operations	84.57	83.94	87.12	81.44
Revenue ($ millions)				
Prairie Operations				
Mining revenue	140.3	136.9	417.6	398.9
Coal royalties	10.1	7.6	30.9	29.1
Potash royalties	3.0	4.8	9.8	14.8
Mountain Operations and other assets	83.7	97.9	274.7	304.4

Total revenue 237.1 247.2 733.0 747.2
EBITDA ($ millions)(2)
Prairie Operations 33.9 27.8 103.7 88.0
Mountain Operations and other assets 10.4 15.7 34.1 47.2
Total EBITDA 44.3 43.5 137.8 135.2
Earnings from operations ($ millions) 4.9 14.0 40.4 56.1
Spending on capital ($ millions)
Prairie Operations 23.6 21.0 50.3 57.4
Mountain Operations and other assets 4.7 5.5 44.6 17.8
Total spending on capital 28.3 26.5 94.9 75.2

(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.

Third-quarter 2012 production volumes at Prairie Operations were 5% (0.4 million tonnes) lower than third-quarter 2011 mainly due to unscheduled dragline and shovel maintenance at the contract Highvale mine and the planned dragline maintenance at the Bienfait mine. Third-quarter production volumes at Mountain Operations were approximately 10% (0.1 million tonnes) lower than the prior-year quarter, mainly due to a planned reduction in production at the Obed Mountain mine in order to manage toward an optimal thermal export sales mix in a declining price environment. The reduction at the Obed Mountain mine was partially offset by higher production at the Coal Valley mine, made possible by additional loading equipment and mining activity in the Yellowhead Tower area, both of which occurred in second-quarter 2012.

Third-quarter 2012 sales volumes at Prairie Operations were 6% (0.5 million tonnes) lower than the prior-year period due to unscheduled dragline and shovel maintenance activity at the Highvale mine and the scheduled replacement of a major dragline component at the Bienfait mine. Mountain Operations sales volumes in third-quarter 2012 were approximately 10% (0.1 million tonnes) lower than the prior-year period, reflecting the production trends outlined above.

Realized pricing (excluding royalties, char and activated carbon) for third-quarter 2012 at Prairie Operations was 8% ($1.27/tonne) higher than third-quarter 2011, mainly due to higher cost recoveries at both the Highvale mine and the Genesee mine, as well as the unit impact of fixed revenue over lower sales volumes at the Paintearth, Sheerness and Poplar River mines. Realized pricing at Mountain Operations for third-quarter 2012 was 2% ($2.07/tonne) lower than the prior-year period, primarily due to weaker international export coal prices.

Third-quarter unit operating costs at Prairie Operations were 6% ($0.90/tonne) higher relative to the prior-year period, due to the impact of the fixed cost component of unit costs being distributed over lower sales volumes. Unit operating costs at Mountain Operations for third-quarter 2012 were relatively unchanged compared to the prior quarter despite the small reduction in production volumes.

The environmental rehabilitation obligation (ERO) in Coal was reviewed during third-quarter 2012 in response to new reclamation bonding requirements under the Mine Financial Security Program in Alberta. As a result of the review, the ERO obligation was revised upward by $12.2 million, reflecting updated cost and productivity assumptions for reclamation activities on the existing footprint of disturbed land in Mountain Operations.

Coal royalties for third-quarter 2012 were 33% ($2.5 million) higher than the prior-year period, due to the timing of mining activity in royalty assessable areas. Potash royalties were 38% ($1.8 million) lower in third-quarter 2012 compared to the prior-year period, due to lower potash production that has resulted from relatively weak demand and higher than normal inventories.

Spending on capital at Prairie Operations for third-quarter 2012 was 12% ($2.6 million) higher than third-quarter 2011, primarily due to the timing of equipment arrivals at the sites. Spending on capital at Mountain Operations was 15% ($0.8 million) lower for third-quarter 2012 compared to the prior-year period, reflecting the timing of equipment arrivals at the Coal Valley mine, with the majority of 2012 deliveries occurring in the second quarter.

OIL AND GAS
Nine months ended
September 30,
($ millions unless otherwise noted) Q3 2012 Q3 2011 2012 2011
Production (boepd)(1)
Gross working-interest - Cuba(2),(3) 20,557 20,756 20,481 20,843

Net working-interest(4)
Cuba - cost recovery 2,746 3,501 2,907 3,809
Cuba - profit oil 8,015 7,764 7,908 7,665
Cuba - total 10,761 11,265 10,815 11,474
Spain 297 354 343 422
Pakistan 350 363 353 354
Total net working-interest 11,408 11,982 11,511 12,250
Reference prices (US$/bbl)
U.S. Gulf Coast Fuel Oil No.6 97.30 98.55 100.97 94.45
Brent crude 110.14 114.47 112.89 112.73
Realized prices
Cuba ($/bbl) 70.69 70.36 73.59 67.06
Spain ($/bbl) 110.67 111.21 112.42 109.81
Pakistan ($/boe) 7.95 8.15 8.10 8.01
Weighted average ($/boe) 69.81 69.62 72.74 66.81
Unit operating costs
Cuba ($/bbl) 11.81 12.65 12.38 11.59
Spain ($/bbl) 52.86 84.22 48.49 46.75
Pakistan ($/boe) 3.80 2.49 3.56 2.98
Weighted average ($/boe) 12.72 14.45 13.29 12.55
Revenue ($ millions) 74.2 78.5 232.7 230.5
EBITDA ($ millions)(5) 58.6 60.8 182.2 181.2
Earnings from operations ($ millions) 42.0 43.4 130.3 132.2
Spending on capital ($ millions)(6) 11.4 16.6 32.3 50.3

(1) Oil production is stated in barrels of oil per day ("bopd"). Natural gas production is stated in barrels of oil equivalent per day ("boepd"), which is converted at 6,000 cubic feet per barrel.
(2) In Cuba, Oil and Gas delivers all of its gross working-interest oil production to Union Cubapetroleo (CUPET) at the time of production. Gross working-interest oil production excludes: (i) production from wells for which commercial viability has not been established in accordance with production-sharing contracts, and (ii) working interest of other participants in the production sharing contracts.
(3) Gross working-interest oil production is allocated between Oil and Gas and CUPET in accordance with production-sharing contracts. The Corporation's share, referred to as 'net working-interest oil production', includes: (i) cost recovery oil (based upon the recoverable capital and operating costs incurred by Oil and Gas under each production-sharing contract), and (ii) a percentage of profit oil (gross working-interest production remaining after cost recovery oil is allocated to Oil and Gas). Cost recovery pools for each production-sharing contract include cumulative recoverable costs, subject to certification by CUPET, less cumulative proceeds from cost recovery oil allocated to Oil and Gas. Cost recovery revenue equals capital and operating costs eligible for recovery under the production-sharing contracts.
(4) Net working-interest production (equivalent to net sales volume) represents the Corporation's share of gross working-interest production.
(5) For additional information see the 'Non-GAAP Measure - 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 third-quarter 2012 was relatively unchanged from third-quarter 2011. Net working-interest production in Cuba was 4% (504 bopd) lower for third-quarter 2012 when compared to the prior-year period, primarily due to a decrease in cost recovery expenditures.
Third-quarter 2012 production in Spain was 16% (57 bopd) lower than in the prior-year period, due to the combined impact of natural reservoir declines and the temporary shut-in of Rodaballo production due to mechanical issues. Production from Rodaballo is expected to resume in 2013.

Average realized prices in third-quarter 2012 for all jurisdictions were relatively unchanged from the prior-year period, as the reduction in the reference prices was offset by the foreign exchange impact of a weaker Canadian dollar relative to the U.S. dollar.

Unit operating costs in Cuba were 7% ($0.84/bbl) lower in third-quarter 2012 compared to the prior-year period, reflecting lower treatment and transportation, insurance and input chemical costs, partly offset by higher costs for maintenance, freight and duty, and lower net production. Unit operating costs in Spain were 37% ($31.36/bbl) lower in third-quarter 2012, mainly due to lower workover costs and the foreign exchange impact of a stronger Canadian dollar relative to the Euro.

Spending on capital in third-quarter 2012 was 31% ($5.2 million) lower than third-quarter 2011, mainly due to lower equipment and inventory purchases in Cuba and lower facilities spending. During third-quarter 2012, one development well was drilled and completed, drilling commenced on another development well, and two workovers were conducted on existing wells. Based on initial rates, the completion and two workovers conducted during the quarter resulted in 820 bopd of incremental oil production.

POWER
Nine months ended
September 30,
($ millions unless otherwise noted) Q3 2012 Q3 2011 2012 2011
Electricity sold (GWh, 33 1/3% basis) 154 159 466 461
Realized price ($/MWh) 41.20 40.66 41.49 40.49
Unit operating cost ($/MWh) (1)
Base 13.78 12.78 14.90 17.57
Non-base 1.03 7.35 1.38 3.69
Total unit cash operating costs 14.81 20.13 16.28 21.26
Net capacity factor (%) 67 68 67 66
Revenue ($ millions) 18.8 14.0 53.0 41.4
EBITDA ($ millions)(2) 6.5 6.4 18.2 17.7
Earnings from operations ($ millions) 3.5 3.7 9.9 9.8
Spending on capital ($ millions, 33 1/3% basis)(3) 1.7 2.5 4.2 4.7
Spending on projects ($ millions, 33 1/3% basis)(4) 9.7 4.3 24.6 13.4
Total spending on capital and projects 11.4 6.8 28.8 18.1

(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 incurred at the Boca de Jaruco and Puerto Escondido sites that otherwise would have been capitalized if these sites were not accounted for as service concession arrangements.
(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 third-quarter 2012 was consistent with the prior-year period.

Unit operating costs for the quarter were 26% ($5.32/MWh) lower than third-quarter 2011, primarily due to higher repair and maintenance costs in third-quarter 2011 relating to scheduled maintenance at the Puerto Escondido site.

Spending on capital for third-quarter 2012 was 32% ($0.8 million) lower than the prior-year period due to major capital spending in 2011 related to maintenance spending at the Varadero facility. Spending on projects for the quarter was 126% ($5.4 million) higher than the prior-year period, due to increased spending on the 150 MW Boca de Jaruco Combined Cycle Project.

150 MW Boca de Jaruco Combined Cycle Project

Project expenditures for third-quarter 2012 were $29.1 million (100% basis) and cumulative spending on the Project at September 30, 2012 was $223.8 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 $934.2 million at September 30, 2012, including $8.9 million held by Energas S.A. (33 1/3% basis) and $53.0 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 $10.8 million (40% basis) as at September 30, 2012.

An offering of $500 million principal amount of 7.5% Senior Unsecured Debentures Series 2 due September 24, 2020 was completed during third-quarter 2012. A portion of the net proceeds of approximately $490 million was used to fund the repurchase and redemption of the outstanding principal amount of the Corporation's 8.25% Senior Unsecured Debentures Series B due October 24, 2014 mainly in October 2012;

the remainder is available for general corporate purposes.

Total long-term debt at September 30, 2012 was $2.0 billion, including approximately $0.8 billion related to non-recourse Ambatovy partner loans to Sherritt. At September 30, 2012, the amount of credit available under various facilities was $0.5 billion.

Outlook

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

Projected for the year ending
(units as noted) December 31, 2012
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 6,400
Total 40,400
Cobalt, finished (tonnes, 100% basis)
Moa Joint Venture 3,700
Ambatovy Joint Venture 620
Total 4,320
Coal - Prairie Operations (millions of tonnes) 31
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) 610
Royalties ($ millions)
Coal 40
Potash 14
Spending on capital ($ millions)
Metals - Moa Joint Venture (50% basis), Fort Site(1) 37
Coal - Prairie Operations 78
Coal - Mountain Operations 59
Oil and Gas - Cuba(2) 44
Oil and Gas - Other(2) 11
Power (33 1/3% basis)(3) 6
Spending on capital (excluding Projects and Corporate) 235
Spending on projects
Metals - Ambatovy Joint Venture (US$ millions, 100% basis) 73
Power - 150 MW Boca de Jaruco ($ millions, 100% basis)(4) 93

(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 relatively unchanged. The minor increase (3%, 100 tonnes) in estimated cobalt production reflects a lower nickel to cobalt ratio that has been characteristic of the feed this year. Capital spending for 2012 is 30% ($16 million, 50% basis) lower than prior guidance, reflecting the capital spending deferral implemented earlier in 2012 and, more recently, due to delays related to the execution of capital projects.

• In Metals - Ambatovy Joint Venture, 2012 production estimates for finished metal are lower than previous guidance (1,600 tonnes or 20% for nickel, 180 tonnes or 23% for cobalt). Estimates were adjusted to reflect the insights gained, and production achievements reached, during Ambatovy's first quarter of production that occurred in third-quarter 2012. Capital spending for 2012 at Ambatovy is estimated to be 14% ($9 million) higher than prior guidance, reflecting actual spending in the first three quarters of the year.

• In Metals - Sulawesi Project, exploration drilling is forecast to begin in early 2013, deferred from the earlier estimate of second-half 2012 due to delays in receiving the Forestry Borrow and Use Permit from the Ministry of Forestry and the resolution of overlapping claims within the mining concession. Work continues to advance the environmental and social baseline studies and the prefeasibility study; all remain scheduled for completion in 2013.

• In Coal - Prairie Operations, full-year 2012 production is 6% (2 million tonnes) lower than previous guidance, reflecting lower production at the Highvale mine due to reduced customer demand. Capital spending for 2012 is 4% ($3 million) lower than prior guidance, reflecting management's efforts to reduce or defer capital to maximize cash flows.

• In Coal - Mountain Operations, full-year 2012 production remains unchanged from previous guidance. Capital spending for 2012 is 5% ($3 million) lower than prior guidance, reflecting management's efforts to reduce or defer capital to maximize cash flows.

• In Oil and Gas, 2012 GWI production in Cuba and total divisional capital expenditures remain relatively unchanged from prior guidance.

• In Power, projected 2012 production is 3% (15 GWh, 33 1/3% basis) higher than prior guidance, due to the higher gas supply realized in the first three quarters and the expectation this will continue for the remainder of the year. Spending on capital for 2012 remains unchanged from previous guidance.

• In Power - 150 MW Boca de Jaruco Combined Cycle Project, spending in 2012 is relatively unchanged from prior guidance. 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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