

# SHERRITT INTERNATIONAL CORPORATION

## MANAGEMENT INFORMATION CIRCULAR

DATED APRIL 20, 2009

### SOLICITATION OF PROXIES AND VOTING INSTRUCTIONS

The information contained in this management information circular (the “Circular”) is furnished in connection with the solicitation of proxies and voting instructions from registered owners and non-registered owners, as the case may be, of common shares (the “Shares”) of Sherritt International Corporation (the “Corporation”), to be used at the annual meeting of shareholders of the Corporation (the “Meeting”) to be held on May 21, 2009 at 10:00 a.m. in the North Lobby, Roy Thomson Hall, 60 Simcoe Street, Toronto, Ontario and at all adjournments of the Meeting, for the purposes set forth in the accompanying notice of meeting (the “Notice”). It is expected that the solicitation will be made primarily by mail, but proxies and voting instructions may also be solicited personally by employees of the Corporation, or by soliciting investment dealers. The Corporation has also retained the services of Georgeson Shareholder Communications Canada Inc (“Georgeson”) in connection with the solicitation of proxies. For this service, and other advisory services, Georgeson will be paid a fee of up to \$30,000 plus certain out-of-pocket expenses. The total cost of the solicitation of proxies will be borne by the Corporation. The information contained in this circular is given as at March 31, 2009, except where otherwise noted.

### REGISTERED OWNERS

If you are a registered owner of Shares, you may vote in person at the Meeting or you may appoint another person to represent you as proxyholder and vote your Shares at the Meeting. Please register with the scrutineers, CIBC Mellon Trust Company, when you arrive at the Meeting.

#### Appointment of Proxies

If you do not wish to attend the Meeting, you should complete and return the enclosed form of proxy. The individuals named in the form of proxy are representatives of management of the Corporation and are officers of the Corporation. **You have the right to appoint someone else to represent you at the Meeting.** If you wish to appoint someone else to represent you at the Meeting, insert that other person’s name in the blank space in the form of proxy. The person you appoint to represent you at the Meeting need not be a shareholder of the Corporation.

To be valid, proxies must be deposited with CIBC Mellon Trust Company at CIBC Mellon Trust Company, Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1 or by facsimile to (416) 368-2502 not later than 5:00 pm on May 20, 2009, being the business day preceding the date of the Meeting or, if the Meeting is adjourned, not later than 5:00 pm on the day (excluding Saturdays, Sundays and holidays) preceding the date of such adjourned Meeting.

#### Revocation

If you have submitted a proxy and later wish to revoke it, you can do so by:

- a) completing and signing a form of proxy bearing a later date and depositing it with CIBC Mellon Trust Company as described above;
- b) depositing a document revoking your proxy that is signed by you (or by someone you have properly authorized to act on your behalf) (i) at the registered office of the Corporation at any time up to 5:00 pm on the last business day preceding the day of the Meeting, or any adjournment of the Meeting, at which the proxy is to be used, or (ii) with the chair of the Meeting before the Meeting starts on the day of the Meeting or any adjournment of the Meeting; or
- c) following any other procedure that is permitted by law.

## Voting of Proxies

In connection with any ballot that may be called for, the management representatives designated in the enclosed form of proxy will vote or withhold from voting your Shares in accordance with the instructions you have indicated on the proxy and, if you specify a choice with respect to any matter to be acted upon, the Shares will be voted accordingly. **In the absence of any direction, your Shares will be voted by the management representatives FOR the election of each of the proposed directors, FOR the appointment of the auditors and the authorization of the directors to fix their remuneration.**

The management representatives designated in the enclosed form of proxy have discretionary authority with respect to amendments to matters identified in the Notice and with respect to other matters that may properly come before the Meeting. At the date of this circular, management of the Corporation knows of no such amendments or other matters.

## NON-REGISTERED OWNERS

If your Shares are registered in the name of an intermediary (an “Intermediary”), such as a bank, trust company, securities dealer or broker, or trustee or administrator of a self-administered RRSP, RRIF, RESP or similar plan, or a depository, such as CDS Clearing and Depository Services Inc., in which the Intermediary is a participant, you are a non-registered owner.

Only registered owners of Shares, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. If you are a non-registered owner, you are entitled to direct how the Shares beneficially owned by you are to be voted or you may obtain a form of legal proxy that will entitle you to attend and vote at the Meeting.

In accordance with Canadian securities law, the Corporation has distributed copies of the Notice and this Circular (collectively, the “meeting materials”) to Intermediaries for onward distribution to non-registered owners who have not waived their right to receive them. Typically, Intermediaries will use a service company, such as Broadridge Financial Solutions, Inc., to forward the meeting materials to non-registered owners.

If you are a non-registered owner and have not waived your right to receive meeting materials, you will receive either a request for voting instructions or a form of proxy with your meeting materials. The purpose of these documents is to permit you to direct the voting of the Shares you beneficially own. You should follow the procedures set out below, depending on which type of document you receive.

### A. REQUEST FOR VOTING INSTRUCTIONS

If you do not wish to attend the Meeting (nor have another person attend and vote on your behalf), you should complete, sign and deliver the enclosed request for voting instructions in accordance with the directions provided. You may revoke your voting instructions at any time by written notice to your Intermediary, except that the Intermediary is not required to honour the revocation unless it is received in time for use at the Meeting.

If you wish to attend the Meeting and vote in person (or have another person attend and vote on your behalf), you must complete, sign and return the enclosed request for voting instructions in accordance with the directions provided and a form of proxy will be sent to you giving you (or the other person) the right to attend and vote at the Meeting. You (or the other person) must register with the scrutineers, CIBC Mellon Trust Company, when you arrive at the Meeting.

or

## B. FORM OF PROXY

The form of proxy has been signed by the Intermediary (typically by a facsimile, stamped signature) and completed to indicate the number of Shares beneficially owned by you. Otherwise, the form of proxy is uncompleted.

If you do not wish to attend the Meeting, you should complete the form of proxy in accordance with the instructions set out in the section titled "Registered Owners" above.

If you wish to attend the Meeting, you must strike out the names of the persons named in the proxy and insert your name in the blank space provided. To be valid, proxies must be deposited with CIBC Mellon Trust Company at CIBC Mellon Trust Company, Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1 not later than 5:00 p.m. on May 20, 2009. You must register with the scrutineers, CIBC Mellon Trust Company, when you arrive at the Meeting.

*You should follow the instructions on the document that you have received and contact your Intermediary promptly if you need assistance. If you wish to revoke a voting instruction form or a form of proxy you should contact your Intermediary for instructions.*

## VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of March 31, 2009, the Corporation had 293,051,276 Shares issued and outstanding. Each holder of Shares of record at the close of business on April 3, 2009, the record date established for notice of the Meeting and for voting, will be entitled to vote on all matters proposed to come before the Meeting on the basis of one vote for each Share held.

To the knowledge of the directors and officers of the Corporation, no person or company beneficially owns, or exercises control or direction over, directly or indirectly, securities of the Corporation carrying more than 10% of the votes attached to the issued and outstanding Shares. All matters to be voted upon as set forth in the Notice require approval by a simple majority of all votes cast at the Meeting.

## MATTERS REQUIRING SHAREHOLDER APPROVAL

### ELECTION OF DIRECTORS

The number of directors to be elected at the Meeting is eight. The management representatives designated in the enclosed form of proxy intend to vote **FOR** the election as directors of each of the proposed nominees whose names are set out below. Management does not contemplate that any of the proposed nominees will be unable to serve as a director but, if that should occur for any reason before the Meeting, the management representatives designated in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each director elected will hold office until the next annual shareholders' meeting or until his or her successor is elected or appointed.

The Corporation has an Audit Committee, a Nominating and Corporate Governance Committee, a Compensation and Pension Committee, an Environment, Health and Safety Committee, a Reserve Committee and a Capital Projects Committee. The members of these committees are indicated below.

The following table sets forth the names of the persons nominated for election as directors of the Corporation and includes the nominees' jurisdiction of residence, their age, all positions and offices held by them with the Corporation, their principal occupations or employment during the past five years, whether or not they are an independent director, and the number of Shares owned or controlled by each of them and the total value of such Shares as at March 31, 2009. For informational purposes, the number of options, deferred share units, restricted share units and stock appreciation rights held by each director are also provided.

The Shareholders can vote for or withhold from voting on the election of each director on an individual basis.

<u>Name</u>	<u>Position with the Corporation</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Ownership or Control Over Shares</u>	<u>Total Value<sup>1</sup> (\$)</u>
<b>Ian W. Delaney</b> <sup>2</sup> . . . . . Toronto, Ontario, Canada Age: 65 <i>Non-Independent Director</i>	Director, Chairman, President and Chief Executive Officer	Chairman, President and Chief Executive Officer of the Corporation	October 25, 1995	1,806,618 Shares 96,398 DSUs <sup>9</sup>	5,329,523.10 273,612.50
<b>Michael F. Garvey</b> <sup>3,4,5,6,7</sup> . . . . . Toronto, Ontario, Canada Age: 64 <i>Independent Director</i>	Director	Corporate Director	May 25, 2006	30,000 Shares 12,540 DDSUs <sup>11</sup>	88,500.00 36,993.00
<b>The Honourable Marc Lalonde</b> <sup>4,5,7,8</sup> . . . . . Montreal, Quebec, Canada Age: 79 <i>Independent and Lead Director</i>	Lead Director	Lawyer	May 22, 2003	30,000 Shares 21,043 DDSUs <sup>11</sup> 21,750 SARs <sup>12</sup>	88,500.00 62,076.85 64,162.50
<b>Edythe A. (Dee) Marcoux</b> <sup>3,5,6,7,8</sup> . . . . . Gibsons, British Columbia, Canada Age: 60 <i>Independent Director</i>	Director	Corporate Director	May 25, 2006	20,000 Shares 12,540 DDSUs <sup>11</sup>	59,000.00 36,993.00
<b>Bernard Michel</b> <sup>3,5</sup> . . . . . Canmore, Alberta, Canada Age: 71 <i>Independent Director</i>	Director	Corporate Director	August 1, 2007	20,000 Shares 10,477 DDSUs <sup>11</sup>	59,000.00 30,907.15
<b>Daniel P. Owen</b> <sup>3,5,6</sup> . . . . . Toronto, Ontario, Canada Age: 73 <i>Independent Director</i>	Director	Chairman of Molin Holdings Limited	November 24, 1995	1,188,741 Shares 27,009 DDSUs <sup>11</sup> 20,000 Options <sup>10</sup> 20,000 SARs <sup>12</sup>	3,506,785.95 79,676.55 59,000.00 59,000.00
<b>Sir Patrick Sheehy</b> <sup>4,5,8</sup> . . . . . London, England Age: 78 <i>Independent Director</i>	Director	Corporate Director	November 24, 1995	223,207 Shares 27,009 DDSUs <sup>11</sup> 20,000 SARs <sup>12</sup>	658,460.65 79,676.55 59,000.00
<b>Jowdat Waheed</b> <sup>2,3</sup> . . . . . Toronto, Ontario, Canada Age: 46 <i>Non-Independent Director</i>	Director	Currently on leave from the Corporation	January 17, 2005	100,325 Shares 24,266 RSUs <sup>13</sup> 1,185,000 Options <sup>10</sup> 161,625 SARs <sup>12</sup>	295,958.75 70,800.00 3,495,750.00 476,793.75

Notes:

- (1) The "Total Value" for Shares, RSUs, DSUs and DDSUs (each as defined herein) was determined by multiplying the closing price of the Shares on the Toronto Stock Exchange (the "TSX") on March 31, 2009 (\$2.95) by the number of Shares, RSUs, DSUs and DDSUs held as at March 31, 2009. The Total Value of Options and SARs (each as defined herein) was determined by subtracting the exercise price from such closing price and multiplying the difference by the number of Options or SARs held on March 31, 2009.
- (2) Effective January 27, 2009, Mr. Waheed was granted a leave of absence from his executive responsibilities with the Corporation and Mr. Delaney was appointed President and Chief Executive Officer of the Corporation.
- (3) Messrs. Michel (Chair), Owen, Waheed and Garvey and Ms. Marcoux are members of the Capital Projects Committee.
- (4) Messrs. Garvey (Chair), The Hon. Marc Lalonde and Sir Patrick Sheehy are members of the Audit Committee.
- (5) Ms. Marcoux (Chair), Messrs. Garvey, Michel and Owen, Sir Patrick Sheehy and The Hon. Marc Lalonde, being all the independent directors, are members of the Nominating and Corporate Governance Committee.
- (6) Messrs. Owen (Chair) and Garvey and Ms. Marcoux are members of the Environment, Health and Safety Committee.
- (7) The Hon. Marc Lalonde (Chair), Mr. Garvey and Ms. Marcoux are members of the Compensation and Pension Committee.
- (8) Sir Patrick Sheehy (Chair), The Hon. Marc Lalonde and Ms. Marcoux are members of the Reserve Committee.

- (9) Deferred Share Units granted pursuant to the Corporation's Executive Share Unit Plan. This plan has been in effect since June 24, 2003 and no Deferred Share Units have been granted under this plan since 2004. See "Executive Compensation Discussion and Analysis — Stock-Linked Compensation — Restricted and Deferred Share Units" for additional information.
- (10) Options to purchase Shares granted pursuant to the Corporation's Stock Option Plan. Non-executive directors have not been eligible to participate in the Stock Option Plan since May 1, 2005.
- (11) Deferred Share Units granted pursuant to the Corporation's Non-executive Directors' Deferred Share Unit Plan. This plan has been in effect since December 6, 2002 and participation in the plan is limited to independent directors. See "Compensation of Directors" for additional information.
- (12) Stock Appreciation Rights in the form of Participation Units granted under the Corporation's Stock-Linked Compensation Plan. These units are fully vested and exercisable at the election of the holder at any time up to the date that is 10 years from the grant date. No grants have been made under this plan since 2003 and the Corporation does not currently anticipate any further grants under this plan in 2009. The other terms and conditions attached to the Stock Appreciation Rights are substantially similar to the terms and conditions attached to Tandem SARs (as defined herein) granted under the Option Plan. See "Executive Compensation Discussion and Analysis — Stock-Linked Compensation — Stock Options and Tandem Stock Appreciation Rights" for more information.
- (13) Restricted Share Units granted pursuant to the Corporation's Executive Share Unit Plan. See "Executive Compensation Discussion and Analysis — Stock-Linked Compensation — Restricted and Deferred Share Units" for additional information.

The information as to Shares beneficially owned or over which the foregoing directors exercise control or direction (other than SARs, RSUs, DSUs and DDSUs, as defined herein), not being within the knowledge of the Corporation, has been furnished by the respective directors individually.

## Biographies

**Ian W. Delaney** has served as a director of the Corporation since October 1995, Chairman of the Corporation from November 1995 to May 2004, and Executive Chairman of the Corporation from May 2004 to December 2008. Effective January 1, 2009, Mr. Delaney ceased serving as Executive Chairman and assumed a non-executive position as Chairman of the Corporation. Effective January 27, 2009, Mr. Delaney was appointed President and Chief Executive Officer of the Corporation. Mr. Delaney also serves as a director of EnCana Corporation, OPTI Canada Inc. and The Westaim Corporation.

**Michael F. Garvey** has served as a director of the Corporation since May 2006. He was with PricewaterhouseCoopers LLP from 1969 until his retirement in July 2006, including as an audit partner from 1982, and managed that firm's practice in Cuba from 1995 to 2005. Mr. Garvey completed the Directors Education Programme at the University of Toronto and has the ICD.D designation. From June 19, 2008 to December 30, 2008, Mr. Garvey was a director of MonoGen, Inc. ("Monogen"), a corporation incorporated under the *Canada Business Corporations Act*. On December 30, 2008, Monogen announced that it would make an assignment in bankruptcy. All of its officers were terminated by the board of directors on December 30, 2008, and all of the directors subsequently resigned on the same date. Effective January 13, 2009, the TSX suspended trading of Monogen's common shares and on February 12, 2009, the common shares were delisted from the TSX for failure to meet the continued listing requirements of the TSX.

**The Honourable Marc Lalonde** has served as a director of the Corporation since May 2003 and as Lead Director of the Corporation since June 19, 2007. He has also served as a director of a related company, Sherritt Power Corporation, from February 1998 until its wind-up into the Corporation in March 2003. Since July 1, 2006, he has practised law as a sole practitioner. Between 1965 and 1984, he served in the government of Canada, including as head of a task force on securities regulation and corporate disclosure, as Principal Secretary to the Prime Minister of Canada and as Minister of several departments, including Justice, Energy, Mines and Resources and Finance. During the 1990s, Mr. Lalonde served as an *ad hoc* judge of the International Court of Justice. Between January 2003 and July 2006, he served as senior counsel at Stikeman Elliott LLP. Prior to January 2003, he was a partner of Stikeman Elliott LLP where he worked in corporate and administrative law and international commercial arbitration.

**Edythe A. Marcoux** has served as a director of the Corporation since May 2006. Ms. Marcoux is a retired executive from the oil industry. She was a consultant to Ensyn Group Inc., a heavy oil upgrading technology company, from 2002 to mid-2005, and from 2001 to 2002, she was Chairman and Chief Executive Officer of Ensyn Energy, a subsidiary of Ensyn Group Inc. Ms. Marcoux also serves as a director of OPTI Canada Inc. and SNC-Lavalin Group Inc. As well, Ms. Marcoux worked as a consultant and served as a director of Southern Pacific Petroleum NL (“SPP”), a company developing shale oil resources in Australia from 1998 to 2003. During this time, SPP’s securities were suspended from quotation on the Australian Stock Exchange prior to the commencement of trading on November 25, 2003 for a period of more than 30 consecutive days, and in respect of which receivers were appointed on December 2, 2003. SPP’s securities are not currently being traded. Ms. Marcoux resigned as a director of SPP with effect from 12:00 noon on December 5, 2003.

**Daniel P. Owen** has served as a director of the Corporation since November 1995 and of its predecessor since 1990. Before that he was Senior Vice President, Operations of Canada Development Corporation. Mr. Owen also serves as a director of The Westaim Corporation and Dynex Power Inc. In addition he is Chairman of Molin Holdings Limited, an investment management company based in Toronto, and Heli-Lynx Helicopter Services Inc., a helicopter conversion and modification company based near Hamilton, Ontario.

**Bernard Michel** has served as a director of the Corporation since August 2007. He is currently the Chairman of Bruce Power Inc., a corporation which generates in excess of 20% of Ontario’s electricity from six nuclear reactors. Mr. Michel has previously served on the boards of Ipsco Ltd., a steel and pipeline manufacturing company, and the Mosaic Company, a US mining and fertilizer company. Mr. Michel was formerly the Chairman and Chief Executive Officer of Cameco Corp., a uranium mining, marketing and refining company.

**Sir Patrick Sheehy** has served as a director of the Corporation since November 1995. From 1996 to 2007 he served as Chairman of Perpetual Income & Growth Investment Trust plc. He has previously served as a member of the audit committee and Chairman of B.A.T. Industries plc and as a member and chairman of the audit committee of BP plc.

**Jowdat Waheed** was appointed President and Chief Executive Officer with effect from January 1, 2005 and has served as a director of the Corporation since January 2005. Effective January 27, 2009, Mr. Waheed was granted a leave of absence from his executive responsibilities with the Corporation. From March 5, 2004 until December 31, 2004, he served as Executive Vice President and Chief Operating Officer of the Corporation. In May 2000, Mr. Waheed was appointed Senior Vice President and Chief Financial Officer of the Corporation and served in that capacity until May 2004. From 1998 until March 2003, Mr. Waheed also served as President and Chief Executive Officer of Sherritt Power Corporation.

## **APPOINTMENT OF AUDITORS**

The persons named in the form of proxy in favour of management intend to vote **FOR** the re-appointment of Deloitte & Touche LLP, Chartered Accountants, Licensed Public Accountants, as auditors of the Corporation and to authorize the directors to fix their remuneration. Deloitte & Touche LLP have served as auditors of the Corporation since November 1995. In 2008, the aggregate amounts billed for professional services rendered by Deloitte & Touche LLP to the Corporation were approximately \$2.54 million for base audit services, \$906,000 for audit related services and \$776,000 for tax compliance and advisory services. The comparative figures for 2007 were approximately \$1.9 million, \$932,000 and \$223,000, respectively.

## EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

The Compensation and Pension Committee (the “Committee”) assists the Board of Directors (the “Board”) in fulfilling its oversight responsibilities in relation to all matters relating to compensation and the retirement plans of the Corporation. The Committee members are The Hon. Marc Lalonde (Chair), Ms. Marcoux and Mr. Garvey, none of whom is employed by the Corporation or its affiliates, and none of whom is a former officer or employee of the Corporation or its affiliates. In fulfilling its mandate, the Committee reports to the Board with an analysis of the compensation and retirement income plans awarded to senior management of the Corporation. A discussion and analysis of the executive compensation policy advanced by the Committee and adopted by the Corporation is set out below.

### **Executive Compensation Policy**

The executive compensation policy of the Corporation recognizes the fundamental value added by a highly-skilled and committed management team. The skills and impact of this group are essential for the successful management of the Corporation. Accordingly, the compensation policy has been designed to meet the following objectives:

- to attract and retain members of the executive team who have superior management ability, judgment and insight;
- to ensure that executives recognize the link between their personal interests and the creation of shareholder value; and
- to reward members of the executive group in a manner consistent with compensation practices prevailing within major comparable organizations producing comparable results.

To this end, the Corporation has adopted a comprehensive total compensation structure for executives that includes three elements: (1) cash compensation, including base salary and an annual short-term incentive plan; (2) stock-linked compensation, including medium-term and long-term incentive plans; and (3) indirect compensation, including retirement savings, benefits and perquisite plans.

Executive compensation awards are determined with reference to the median of the market, measured by industry-specific compensation surveys, and the Committee’s assessment of organizational and individual performance.

### **Cash Compensation**

#### ***Base Salary***

Base salary is the fixed component of total compensation that rewards executives for the scope and complexity of their respective roles and the skills and knowledge each executive brings to his or her role. Base salaries are an important component of a competitive compensation structure and support the objectives of attracting and retaining a knowledgeable and experienced executive team. Base salaries are generally set in relation to the median of market levels of base salaries, determined through third-party salary surveys, and internal comparisons amongst the executives’ roles.

#### ***Short-term Incentive***

Short-term incentive awards reward executives for the achievement of annual operating and strategic performance results and are an important component of a competitive compensation structure. Short-term incentives support the objectives of attracting and retaining a knowledgeable and experienced executive team.

A short-term incentive award target is generally set in relation to the market levels of such awards measured by industry specific, third-party compensation surveys, and internal comparisons at target levels

of performance. Annual performance objectives are established early in each fiscal year. At the end of the performance period, each senior executive's performance is assessed and a performance score is determined. The Committee reviews the results of such performance assessments and performance scores, makes adjustments where deemed appropriate, and recommends to the Board for its approval the amount of the short-term incentive award to be paid to each of the senior executives. Short-term incentive awards are paid in cash following the relevant fiscal year-end.

### **Stock-linked Compensation**

Stock-linked compensation rewards executives for medium-term and long-term achievement of operational and strategic performance results. Such awards are part of a competitive compensation structure and support the objectives of aligning executive compensation with the creation of shareholder value.

In addition, since stock-linked compensation is subject to a vesting period and since executives forfeit their unvested stock-linked compensation upon resignation, stock-linked compensation also serves as a useful tool for executive retention by providing greater incentive for executives to continue their employment with the Corporation.

### ***Restricted and Deferred Share Units***

The Corporation maintains a share unit plan, known as the Executive Share Unit Plan (the "Share Unit Plan"), pursuant to which restricted share units ("RSUs") and deferred share units ("DSUs") may be issued to executive officers of the Corporation. Eligible participants ("Participants") are those employees designated from time to time by the Committee or, if delegated authority by the Committee, by the President and Chief Executive Officer of the Corporation.

RSUs and DSUs are phantom share units that track the value of Shares, including dividend equivalent reinvestment, over the term of the share unit. The RSUs reward Participants for medium-term (two- to three-year time horizon) operational and strategic performance results. The DSUs reward Participants for the creation of shareholder value over the full term of such units.

RSUs are generally granted once annually during the fiscal year. As of 2004, the Board and the Committee ceased issuing DSUs to Participants of the Corporation and thereafter only RSUs have been issued under the Share Unit Plan.

The Committee determines the number of RSUs to be granted to each Participant, including the Named Executive Officers. The RSUs granted remain subject to vesting conditions, including the achievement of specified medium-term performance objectives. The Participant's performance is later assessed against these specified objectives and the number of RSUs which vest and are actually awarded to such Participant is adjusted in relation to actual performance. If some or all of the performance objectives are not achieved, the number of RSUs actually awarded may be reduced to zero. If all the performance objectives are achieved or exceeded, the number of RSUs actually awarded is confirmed at 100% of the original grant.

Provided a Participant remains employed by the Corporation, RSUs vest not later than the earlier of (a) the earlier of: (i) December 31 of the third calendar year following the calendar year in respect of which the RSUs were granted and (ii) the date set out in the RSU grant agreement; and (b) the date of death of a Participant. The vesting date set out in the grant agreement is generally December 31 of the second calendar year following the calendar year in respect of which the RSUs were granted.

If dividends are paid on the Shares, a holder of RSUs or DSUs is entitled to receive an additional number of RSUs or DSUs, as applicable, equal to the per Share dividend multiplied by the number of RSUs or DSUs held by the Participant, divided by the volume-weighted average trading price for the five trading days immediately preceding the record date for the payment of such dividends.

RSUs and DSUs are valued at the redemption date and redeemed for cash in an amount equal to the volume-weighted average trading price of a Share on the TSX for the five trading-days immediately preceding the redemption date. The Corporation shall redeem all of a Participant's vested RSUs on the vesting date, and may, at the discretion of the Committee, redeem all or any part of a Participant's unvested RSUs prior to the vesting date. DSUs are redeemed by the Corporation at the election of the Participant by filing a notice of redemption not earlier than the Termination Date (as defined below) and not later than December 15th of the calendar year following the Termination Date.

An RSU or DSU is personal to the Participant and is non-assignable. In the event of the death of a Participant, vesting of all RSUs and DSUs shall be deemed to occur immediately prior to the Participant's death and the Corporation shall make a payment to such Participant's legal representative using the volume-weighted average trading price of a Share on the TSX for the five trading days immediately preceding the date of death of the Participant. Upon retirement of a Participant or if the employment of a Participant is interrupted, suspended or terminated due to an authorized leave of absence or disability, all RSUs and DSUs continue to vest in accordance with their terms and conditions as if the Participant had not retired or had his or her employment interrupted. If employment of a Participant is terminated for any reason other than death, retirement, leave of absence or disability, the Participant shall forfeit all RSUs and DSUs that are not vested on the termination date ("Termination Date"). For this purpose, the "Termination Date" is (a) the date notice of termination is provided to the Participant if the Participant is terminated for just cause; (b) the date which is the Participant's last day of active employment if the Participant is terminated without just cause; and (c) the date the Participant provides notice of resignation if the Participant resigns.

If a Participant's employment with the Corporation is terminated for any reason other than just cause or a resignation (except a resignation for constructive dismissal), within 24 months of a change of control (as defined in the Share Unit Plan) of the Corporation, all unvested RSUs and DSUs held by such Participant shall vest immediately upon termination and any performance objectives that have not been achieved shall be deemed achieved and the full grant shall be awarded.

The Board has the power to amend, suspend or terminate the Share Unit Plan at any time, subject to any applicable laws that require regulatory or shareholder approvals; provided, however, that except as otherwise permitted under the Share Unit Plan, no action of the Board, the Committee or a shareholder may, without the consent of the relevant Participant, adversely alter or impair the rights under any RSU or DSU previously granted to such Participant.

#### ***Stock Options and Tandem Stock Appreciation Rights***

The Corporation maintains a stock option plan (a "Stock Option Plan"), pursuant to which securities of the Corporation may be issued as compensation. Eligible participants are those persons designated from time to time by the Committee from among the executive officers and key employees of the Corporation or its subsidiaries who occupy responsible managerial or professional positions and who have the capacity to contribute to the success of the Corporation. Only executives and key employees of the Corporation have been eligible to participate in the Stock Option Plan since May 1, 2005.

A stock option is the right to purchase, in the future, a Share at a predetermined price ("exercise price") that is set at the time of the grant. Stock options reward executives for the long-term increased value of the Corporation, measured by the price of its Shares.

There are a number of limitations on grants and the terms of options ("Options") granted under the Stock Option Plan. The exercise price of an Option must be no lower than the market price of the Shares at the date the Option is granted. In no event may the term of an Option exceed ten years from the time of its grant (except where the Option expires during a blackout period, in which case, the Option expiry date is extended to permit exercise). An Option vests in accordance with the terms and conditions determined by the Committee, which has generally required that Options vest in three or five equal annual instalments

commencing on the first anniversary of the grant date. An Option is personal to the optionee (the “Optionee”) and is non-assignable. The total number of Shares to be optioned to any Optionee under the Plan, together with any Shares reserved for issuance under all other share compensation arrangements offered by the Corporation (of which there are currently none) to such Optionee, shall not exceed 5% of the issued and outstanding Shares at the date of the grant of the Option. However, subject to this limitation and any restrictions imposed by any applicable regulatory authority (including the TSX), there is no restriction of the percentage of Options under the Stock Option Plan that may be available to insiders of the Corporation.

The Stock Option Plan includes provision for the expiry of Options in the event of the death, disability or cessation of employment of an Optionee. In the event of death or disability of an Optionee, any outstanding Options become fully exercisable and may be exercised within 180 days of the date of death or disability. In the event of termination of employment of an Optionee for just cause, all Options granted to such Optionee immediately terminate. In the event of termination of the employment of an employee Optionee for reasons other than just cause, or upon the cessation of directorship of a director Optionee, vested and unvested Options granted to such Optionee survive for a period of 90 days, subject to such other period as may be specified by the terms of the particular Option agreement. If Options expire or are forfeited without being exercised, the Shares underlying such Options are available for future issuance under the Stock Option Plan.

The Stock Option Plan does not provide for any financial assistance to be provided by the Corporation to Optionees to facilitate purchases of Shares pursuant to Options.

Under the Corporation’s Stock Option Plan, the Corporation also has the discretion to attach a tandem stock appreciation right (a “SAR” or a “Tandem SAR”) to an Option when granted. Such Tandem SARs entitle the holder to a cash payment of the difference between the Option exercise price and the volume-weighted average trading price of a Share on the TSX for the twenty trading days preceding the exercise date. When Tandem SARs are exercised, the related Options are cancelled and the Shares underlying such cancelled Options are no longer available for issuance under the Stock Option Plan.

Any Option agreement may be supplemented or amended in writing from time to time as approved by the Committee, provided that the terms of the Option agreement as amended or supplemented conform to the provisions of the Stock Option Plan. The Board has the power to amend, modify or discontinue the Stock Option Plan at any time, subject to any applicable laws that require regulatory or shareholder approvals; provided, however, that except as otherwise permitted under the Stock Option Plan, no action of the Board, the Committee or a shareholder may, without the consent of the relevant Optionee, alter or impair any Option previously granted to such Optionee.

The Board or the Committee may make the following types of amendments to the Stock Option Plan without seeking shareholder approval:

- (i) amendments of a “housekeeping” or administrative nature;
- (ii) amendments to the vesting provisions of the Stock Option Plan or any Option;
- (iii) amendments to the Stock Option Plan to comply with tax laws;
- (iv) amendments to termination provisions not providing an extension beyond the original expiry date, or a date beyond a permitted automatic extension in the case of an Option expiring during a blackout period; and
- (v) amendments providing for or modifying or deleting a cashless exercise feature, payable in cash or common shares and providing for a full deduction of underlying common shares from the Stock Option Plan reserve.

Shareholder approval is required, however, for the following types of amendments to the Stock Option Plan, including amongst other things:

- (vi) amendments to the number of Shares issuable under the Stock Option Plan;
- (vii) amendments reducing the exercise price or purchase price of an Option; and
- (viii) amendments to termination provisions providing an extension beyond the original expiry date, or a date beyond a permitted automatic extension in the case of an Option expiring during a blackout period.

The Stock Option Plan was amended, with the approval of shareholders at the Corporation's annual meeting in May 2005, to increase the number of Shares which may be issuable in respect of Options granted under the Plan to a total of 12,500,000 Shares. As of March 31, 2009, the total number of Shares issued and issuable under the Stock Option Plan, being 12,500,000, represented approximately 4.3% of the Corporation's issued and outstanding Shares. As of March 31, 2009, there were 1,507,334 Shares to be issued upon the exercise of outstanding vested Options, 2,311,001 Shares to be issued upon the vesting and exercise of unvested Options and 2,641,668 Shares remaining available for issuance under the Stock Option Plan, representing approximately 0.5%, 0.8% and 0.9% of the Corporation's issued and outstanding Shares, respectively.

#### **Retirement Savings Plan**

In September 2000, the Corporation introduced a group retirement savings plan. Prior to this time a number of registered pension plans were in existence and some such legacy plans continue to exist. None of the Named Executive Officers currently participate in these legacy plans. The current group retirement savings plan has registered and non-registered components. The registered component is referred to as the Group Registered Retirement Savings Plan ("Group RRSP") and the non-registered component is referred to as the Executive Supplementary Pension Plan ("ESPP"). The Corporation contributes to these retirement savings plans a set percentage of base pay, 9% in the case of executive officers, plus a profit sharing amount of between 1% and 9% of base pay, calculated annually based on the Corporation's pre-tax earnings. In order to facilitate payment of the profit sharing amount prior to December 31, the Corporation's financial results as at October 31 are used in the calculation. For 2008, the profit sharing amount was fixed at 3.2% of base pay for all employees of the Corporation. Any variance between the October 31 forecast and the full-year final financial results is carried forward to the next year's profit sharing calculation. All contributions under these arrangements vest immediately.

The Corporation's contributions each year are first directed to the Group RRSP, up to each executive's available RRSP contribution room for the year (as prescribed by the *Income Tax Act*). Contributions that are in excess of the executive's available room are notionally accumulated under the defined contribution portion of the ESPP (the "DC ESPP"). Participants in the Group RRSP and DC ESPP elect their preferred investment vehicles from a range of investment choices. Upon retirement, the funds accumulated in the Group RRSP and notionally accumulated in the DC ESPP can be converted into an annuity or withdrawn in the form of either a single lump-sum payment or multiple lump-sum payments (at the Corporation's discretion in the case of the DC ESPP). Benefits payable under the ESPP are largely financed through the Corporation's contributions to a retirement compensation arrangement trust (and associated refundable tax account with the Canada Revenue Agency) established for the purposes of the ESPP, under which all contributions and investment income are held to pay benefits and certain expenses.

Each of the Named Executive Officers currently participates in the Group RRSP and DC ESPP. Mr. Delaney does not currently participate in the legacy plans, the Group RRSP or the DC ESPP. Pursuant to his employment agreement which expired on December 31, 2008, Mr. Delaney has an individual retirement income arrangement whereby he is guaranteed an annual retirement allowance in an amount

equal to \$500,000 less the notional amount of all other retirement income streams that Mr. Delaney is deemed to receive from any of the Corporation's retirement income plans in which he participated and from the Canada Pension Plan. Additional information on Mr. Delaney's retirement allowance can be found under "Termination, Change of Control and Retirement Benefits".

### **Benefits Plan**

The Corporation offers all employees, including executives, a fully-paid benefits plan, which includes medical, dental, short- and long-term disability, and life insurance coverage. There are no additional benefits for executives, other than additional life insurance coverage for Messrs. Delaney and Waheed and additional disability insurance for Mr. Delaney.

### **Perquisites**

The Corporation offers certain executives a perquisite allowance in order to provide executives with competitive total compensation. The perquisite allowance is paid in lieu of providing executives with specific personal benefits, for example automobile leases and club memberships. This allowance provides executives with funded perquisites for personal benefit while offering each executive the flexibility to choose which perquisites are of most value.

### **2008 Executive Compensation**

Each year the Committee makes recommendations on executive compensation to the Board. These recommendations are made by the Committee in consultation with the President and Chief Executive Officer, management's human resources specialists, on occasion the Corporation's outside consultants, and the Committee's own independent advisor. Management's role is to provide business context, data, analysis and market intelligence to support the decision making of the Committee. The Committee's independent advisor reviews management's reports and provides additional information, insight and advice to the Committee. Management and the Committee's independent advisor typically attend part of each meeting of the Committee. An "in-camera" session of the Committee, without management present is generally held at the end of each meeting, with the Committee's independent advisor attending at the Committee's pleasure.

In May 2008, the Committee reviewed 2007 cash and stock-linked compensation for the senior executives and recommended approval of the 2008 executive compensation to the Board. The Committee focused on the importance of each executive's role within the Corporation, while being mindful of the need to be competitive and balancing internal equity considerations. Based on the Committee's recommendations, the Board approved the following: nominal base pay increases; short-term incentive award targets; restricted share unit award grants for medium-term incentives; and stock option grants for long-term incentives. Details of the specific awards for the Chairman and each of the Named Executive Officers are found in the tables and footnotes that follow.

In assessing compensation levels and awards for the senior executives, the Committee referred to the results of two compensation surveys. Together, these surveys covered approximately 300 organizations and operating units and over 20,000 compensation observations. The surveys were the Hay Group Limited's mining sector compensation survey and Mercer LLC's energy sector compensation survey. A specific "peer group" of comparable companies or operating units was neither defined nor utilized with respect to the 2008 compensation decisions of the Committee.

The following discussion relates to compensation awarded in 2008 to the Named Executive Officers (Messrs. Waheed, Chambers, Bentinck, Saruk and Tiessen) and Mr. Delaney, who served as Executive Chairman of the Corporation throughout the year.

### ***Base Salary***

Base salaries for all of the Named Executive Officers were increased in 2008 by approximately 3%, and are detailed in the Summary Compensation Table that follows. The increases reflect general market movement, as measured by external compensation surveys and internal equity considerations. In the case of Mr. Chambers, the adjustment also reflects a promotion. For 2008, Mr. Delaney's base salary was not adjusted and remained at \$750,000, the same as in 2007.

Mr. Waheed voluntarily offered, and the Board accepted, a 10% reduction in his base salary effective January 1, 2009, as well as commensurate reductions in compensation amounts tied to his base salary including, short-term incentive awards, Helms-Burton allowances, DC ESPP contributions and certain life insurance benefits.

### ***Short-term Incentive***

In 2008, the short-term incentive award target was 50% of base salary for Mr. Delaney and 30% of base salary for each of the Named Executive Officers. The pre-determined performance factors for 2008 were: (a) 40% for achieving targeted cash flow or management of capital expenditures, as applicable; (b) 15% to 20% for achieving a safe working environment; and (c) 30% to 40% for demonstrating strategic leadership, measured through a variety of tools and comprehensive feedback. For Messrs. Delaney, Waheed and Chambers, measures were against consolidated corporate performance. For Messrs. Bentinck, Saruk and Tiessen measures were against their respective business unit's performance.

In assessing full-year performance the Committee considered the strength of the first three quarters and the significant changes in the economic environment in which the Corporation operated in the fourth quarter. The Committee decided that the pre-determined performance measures were less relevant than they would have been otherwise for fourth quarter performance measurement given the dramatic change in economic conditions generally. The Committee assessed how well the senior executives shifted their focus and how they led the company and their respective business units through the fourth quarter. The Committee set short-term incentive awards for the senior executives, including the Named Executive Officers, at approximately 75% of their respective short-term incentive award targets in recognition of the strong performance for the first part of the year and the responsiveness in the fourth quarter to the shifting business priorities.

In recognition of the macroeconomic climate in the latter part of 2008 and its impact on the Share price at the end of the year, Messrs. Delaney and Waheed declined their short-term incentive awards for 2008.

### ***Restricted Share Units***

The Committee considers the size of the RSU award and then values the award by multiplying the number of units granted by the then current Share price in order to determine the compensation value of the award. The Share price used to determine the compensation value of the RSU was \$13.77.

Messrs. Waheed and Chambers received the same number of RSUs as the previous year, 12,000 and 10,000 respectively. Messrs. Bentinck, Saruk and Tiessen received 17,500 RSUs aligning the size of the RSU awards for the operational senior vice presidents. No subsequent adjustments were made to any element of compensation in light of the significant decline in the value of Corporation's Share price. Mr. Delaney does not participate in the Share Unit Plan.

### ***Stock Options***

The Committee considers the number of stock options to be awarded and then calculates the compensation value using the Black-Scholes option pricing model. The Black-Scholes value was calculated using the following assumptions: (a) share price volatility of 33.93%; (b) a dividend yield of 0.93%; (c) an

option term of 10 years; and (d) equal vesting over 3 years. This resulted in a compensation value for each Option fixed at approximately 42% of the Share price on the option grant date. At the time of the stock option grants to Mr. Waheed and the other senior officers, the Share price was \$8.87 and \$15.02, respectively, and, based on the Black-Scholes option pricing model, the compensation value of each option was \$3.73 and \$6.23, respectively. Additional information concerning the stock option grants to the Named Executive Officers can be found under “Summary Compensation Table” and “Executive Incentive Plan Awards”, below. Mr. Delaney did not receive any stock option grants in 2008.

In 2008, Messrs. Waheed and Saruk received the same number of Options as the previous year, 100,000 and 50,000 respectively. Each of Messrs. Bentinck’s, Chambers’ and Tiessen’s 2008 Option grant was set at 50,000 Options resulting in consistent award size across the senior vice president level. All of the Option grants included an equivalent grant of Tandem SARs. The Committee believes that it is important that the senior vice presidents have an equal stake in the future value of the Corporation.

In addition to the long-term incentive option awards, as directors of the Corporation, Messrs. Delaney and Waheed are each required to own a certain number of Shares or deferred share units pursuant to the Corporation’s equity ownership guidelines for Board members. See “Statement of Corporate Governance Practices — Board Composition, Attendance, Committees and Other Matters — Equity Ownership Guidelines”, below. This equity exposure requirement further ensures that Messrs. Delaney and Waheed retain a long-term interest in the Share value.

#### **Independent Advice**

The Committee retained Towers Perrin Inc. (“Towers Perrin”) to advise the Committee in determining the total amounts and composition of the compensation for the Corporation’s senior executives in 2008 and to provide advice on current market practice with respect to executive compensation matters. Fees for such services to the Committee totaled approximately \$97,938 in 2008. Decisions as to compensation are made by the Committee and may reflect factors other than the advice of Towers Perrin. In addition, Towers Perrin provided benefit data services to the Corporation. Towers Perrin’s fees for such services in 2008 totaled \$3,938.

#### **Compensation Changes in 2009**

The Committee commenced a strategic review of executive compensation in 2008 with the aim of revising the Corporation’s compensation policy in 2009. The Committee is mindful of the importance of, and the challenges in, retaining and motivating a workforce during a period of such economic uncertainty. Any changes to the executive compensation structure the Committee may consider for 2009 will be in the context of driving long-term shareholder value.

## SUMMARY COMPENSATION TABLE

The following table sets forth for the period indicated, the compensation of the Corporation's President and Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers of the Corporation measured by total compensation, less any pension value accrued in respect of 2008. Such executive officers are referred to as the "Named Executive Officers".

Mr. Delaney, Executive Chairman of the Corporation in 2008, was not a Named Executive Officer as his total compensation, less amounts accrued in 2008 in respect of his retirement allowance pension value, was less than that of each of the Named Executive Officers. A summary of Mr. Delaney's compensation can be found under "Compensation of Directors", below.

Name and Principal Position	Year	Salary <sup>1</sup> (\$)	Share-Based Awards <sup>2</sup> (\$)	Option-Based Awards <sup>3</sup> (\$)	Non-Equity Incentive Plan Compensation		Pension Value <sup>5</sup> (\$)	All Other Compensation <sup>6</sup> (\$)	Total Compensation (\$)
					Annual Incentive Plans <sup>4</sup> (\$)	Long-Term Incentive Plans (\$)			
JOWDAT WAHEED . . . . . President and Chief Executive Officer <sup>7</sup>	2008	511,250	165,240	368,460	Declined	—	43,523	169,218	1,257,691
DEAN R. CHAMBERS . . . . . Senior Vice President, Finance and Chief Financial Officer	2008	328,750	137,700	311,965	81,000	—	28,628	122,136	1,010,179
GUY I. BENTINCK . . . . . Senior Vice President, Capital Projects	2008	357,500	240,975	311,965	81,000	—	24,415	133,362	1,149,217
ELVIN SARUK . . . . . Senior Vice President, Oil & Gas and Power	2008	357,500	240,975	311,965	81,000	—	28,921	128,385	1,148,746
BRIAN TIESSEN . . . . . Senior Vice President, Metals	2008	357,500	240,975	311,965	81,000	—	24,415	79,310	1,095,165

Notes:

- (1) Base salaries were adjusted in 2008 for all Named Executive Officers. Messrs. Waheed, Bentinck, Saruk and Tiessen received an economic adjustment of approximately 3% or \$15,000, \$25,000, \$10,000, \$10,000 and \$10,000 per annum, respectively. Mr. Chambers' increase of \$25,000 per annum represents a combination of partial promotional increase and economic adjustment. All increases were effective April 1, 2008.
- (2) Grants of restricted share units were made to Named Executive Officers in respect of 2008 performance. The compensation value reported above is calculated by multiplying (a) the number of units granted (assuming all performance vesting objectives are achieved) and (b) the volume-weighted average trading price for a Share on the TSX for the five trading days immediately prior to the grant date. For the grants in 2008, the five-day volume-weighted average trading price was \$13.77.
- (3) Grants of long-term compensation awards to Named Executive Officers in 2008 were in the form of Options, together with Tandem SARs, granted under the Stock Option Plan. Messrs. Chambers, Bentinck, Saruk and Tiessen were each granted 50,000 Options with an exercise price of \$15.02 on June 17, 2008 and Mr. Waheed was granted 100,000 Options with an exercise price of \$8.87 on September 17, 2008. The compensation value reported above is calculated by multiplying (a) the number of Options granted by the volume-weighted average trading price for a Share on the TSX for the twenty trading days immediately prior to the grant date, and (b) the Black-Scholes value of 41.54%. The Black-Scholes value was calculated using the following assumptions: (a) share price volatility of 33.93%; (b) a dividend yield of 0.93%; (c) an option term of 10 years; and (d) equal vesting over 3 years.
- (4) Awards were made to the Named Executive Officers under the short-term incentive program in respect of 2008 performance. The Compensation and Pension Committee considered the strong first three quarters of 2008 and determined that the performance measures for the fourth quarter were less relevant than they would have been otherwise. The Committee therefore determined that short-term incentive awards would be granted at 75% of the targeted amount in recognition of the strong performance for the first three quarters of the year and the focus in the fourth quarter on shifting business priorities in response to the global economic crisis. Mr. Waheed was eligible for an award but voluntarily declined it. See "Executive Compensation Discussion and Analysis — 2008 Executive Compensation — Short-Term Incentive".

- (5) The pension value represents the notional amount of contributions allocated by the Corporation on behalf of each Named Executive Officer to the DC ESPP. Additional information on the DC ESPP can be found under “Executive Compensation Discussion and Analysis — Retirement Savings Plans”, above, and “Pension Plan Benefits”, below.
- (6) All Other Compensation includes:
- Registered Retirement Savings Plan Contributions* — Messrs. Waheed, Chambers, Bentinck, Saruk and Tiessen received \$20,000, \$12,310, \$20,000, \$15,494 and \$20,000, respectively, in the form of contributions to the Corporation’s Group RRSP.
- Perquisite Allowances* — Mr. Waheed received \$35,000. Messrs. Chambers, Bentinck, Saruk and Tiessen each received \$32,000.
- Helms-Burton Allowances* — Each of the Named Executive Officers has been listed under Title IV of the *Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 of the United States* (the “Helms-Burton Act”) and has been advised by the United States Department of State that they, their spouses and minor children are inadmissible for entry into the United States. In recognition of the hardship, loss of opportunity and emotional distress suffered by each of the Named Executive Officers and their respective families, each of Messrs. Waheed, Chambers, Bentinck, Saruk and Tiessen received voluntary payments of \$103,000, \$16,750, \$72,000, \$72,000 and \$18,000, respectively, in recognition of the time they were listed under the Helms-Burton Act in 2008. Although not considered compensation, these amounts have been included in the table in the interest of providing full disclosure.
- Medical, Disability and Other Insurance* — In addition to various insurance benefits offered by the Corporation to all employees, Mr. Waheed has additional life insurance coverage. The 2008 premium was \$865.
- Ambatovy payments* — Mr. Chambers received a \$52,000 payment related to his work on structuring the Corporation’s financing of the Ambatovy project in 2007. This payment was contingent on the financial close of the senior project financing, which occurred in March 2008.
- Other Personal Benefits* — Amounts reported for all of the Named Executive Officers also include miscellaneous personal benefits having an aggregate value of less than the lesser of \$50,000 or 10% of such officers’ base salary.
- (7) This reflects Mr. Waheed’s position with the Corporation as at December 31, 2008. Mr. Waheed voluntarily offered, and the Board accepted, a 10% reduction in his base salary effective January 1, 2009, as well as commensurate reductions in compensation amounts tied to his base salary including, short-term incentive awards, Helms-Burton allowances, DC ESPP contributions and certain life insurance benefits.

## EXECUTIVE INCENTIVE PLAN AWARDS

### Outstanding Share-Based Awards and Option-Based Awards

The following table provides information concerning all outstanding option-based awards and non-vested share-based awards granted by the Corporation to the Named Executive Officers on or before December 31, 2008.

Name	Option-Based Awards				Share-Based Awards	
	Number of Shares Underlying unexercised Options	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-money Options <sup>1</sup> (\$)	Number of Shares or Units of Shares That Have Not Vested <sup>2</sup>	Market or Payout Value of Share-Based Awards That Have Not Vested <sup>3</sup> (\$)
Jowdat Waheed <sup>4</sup>	61,625	2.07	Feb 22, 2010	67,171		
	100,000	5.56	Jun 19, 2011	—		
	500,000	10.89	Oct 4, 2015	—		
	485,000	10.34	Mar 2, 2016	—		
	100,000	14.91	Jul 4, 2017	—		
	100,000	8.87	Sept 17, 2018	—	12,190 RSUs	38,520
Dean R. Chambers	40,000	14.91	Jul 4, 2017	—	12,076 RSUs	38,160
	50,000	15.02	Jun 17, 2018	—		
Guy I. Bentinck					10,155 RSUs	32,099
					10,087 RSUs	31,875
Guy I. Bentinck	150,000	9.78	Nov 9, 2015	—		
	150,000	10.34	Mar 2, 2016	—		
	40,000	14.91	Jul 4, 2017	—		
	50,000	15.02	Jun 17, 2018	—		
Elvin Saruk <sup>4</sup>					10,158 RSUs	32,099
					17,652 RSUs	55,780
Elvin Saruk <sup>4</sup>	50,750	2.07	Feb 22, 2010	55,318		
	25,000	9.78	Nov 9, 2015	—		
	40,000	10.34	Mar 2, 2016	—		
	50,000	14.91	Jul 4, 2017	—		
	50,000	15.02	Jun 17, 2018	—		
Brian Tiessen					20,317 RSUs	64,202
					17,652 RSUs	55,780
Brian Tiessen	25,000	9.78	Nov 9, 2015	—		
	25,000	10.34	Mar 2, 2016	—		
	40,000	14.91	Jul 4, 2017	—		
	50,000	15.02	Jun 17, 2018	—		
					20,317 RSUs	64,202
					17,652 RSUs	55,780

Notes:

- (1) The "Value of Unexercised in-the-money Options" is calculated by multiplying the difference between the Option exercise price or SAR redemption price and the closing price of the Shares on the TSX on December 31, 2008, which was \$3.16, by the number of outstanding Options (both vested and unvested) or SARs, as applicable. Where the difference was negative, the Options or SARs are not in-the-money and no value is reported. Any actual payments resulting from the exercise of SARs, whether issued in the form of Participation Units granted under the Stock-Linked Compensation Plan or as Tandem SARs under the Stock Option Plan, are calculated by multiplying the difference between the SARs exercise price and the volume-weighted-average trading price of a Share on the TSX for the twenty trading days preceding the exercise date, by the number of outstanding Options.

- (2) RSUs that have not vested include RSUs granted in 2007 and 2008, plus additional RSUs credited as dividend equivalents in respect of those awards. Additional information on the RSUs can be found under “Executive Compensation Discussion and Analysis — Stock-linked Compensation”.
- (3) The market value is calculated by multiplying the number of unvested RSUs by the closing price of the Shares on the TSX on December 31, 2008, which was \$3.16. Actual payments resulting from the vesting and redemption of RSUs are calculated by multiplying the number of vested RSUs by the volume-weighted average trading price of a Share on the TSX for the five trading days preceding the vesting date.
- (4) The outstanding option-based awards to Messrs. Waheed and Saruk include certain outstanding SARs granted under the Corporation’s Stock-Linked Compensation Plan, a legacy compensation plan no longer used in compensating officers or directors. No grants have been made under this plan since 2003 and the Corporation does not currently anticipate any further grants under this plan in 2009. The outstanding SARs granted to Mr. Waheed under this Plan consist of 61,625 SARs exercisable at \$2.07 per Share and 100,000 SARs exercisable at \$5.56 per Share. The outstanding SARs granted to Mr. Saruk under this Plan consist of 50,750 SARs exercisable at \$2.07 per Share. All of these legacy SARs are fully vested and are exercisable at the election of the holder at any time up to the date that is 10 years from the grant date. The other terms and conditions attached to the legacy SARs are substantially similar to the terms and conditions attached to Tandem SARs granted under the Option Plan. See “Executive Compensation Discussion and Analysis — Stock-Linked Compensation — Stock Options and Tandem Stock Appreciation Rights” for more information.

### Value Vested or Earned During the Year

The following table provides information concerning the aggregate dollar value that would have been realized by the Named Executive Officers if their option-based awards that vested during 2008 had been exercised on the vesting date, the aggregate dollar value that would have been realized by the Named Executive Officers if their share-based awards that vested during 2008 had been paid out on the vesting date, and the aggregate dollar value of all non-equity incentive plan compensation earned by the Named Executive Officers during 2008.

Name	Option-Based Awards — Value Vested During the Year <sup>1</sup>	Share-Based Awards — Value Vested During the Year <sup>2</sup>	Non-Equity Incentive Plan Compensation — Value Earned During the Year <sup>3</sup>
	(\$)	(\$)	(\$)
Jowdat Waheed . . . . .	953,835	24,683	Declined
Dean R. Chambers . . . . .	0	n/a	81,000
Guy I. Bentinck . . . . .	295,000	24,683	81,000
Elvin Saruk . . . . .	78,665	24,683	81,000
Brian Tiessen . . . . .	49,167	9,875	81,000

Notes:

- (1) Messrs. Waheed, Chambers, Bentinck, Saruk and Tiessen had stock options and Tandem SARs that vested during 2008. The value of these securities is calculated by multiplying (a) the number of Options that vested during the year by (b) the difference between the exercise price of each such Option and the closing price of the Shares on the TSX on the vesting date for such Option. If the vesting date was not a trading day then the first trading day immediately following the vesting date was used to calculate the closing price.
- (2) Only RSUs awarded in 2006, and any additional RSUs awarded in respect of dividends paid since 2006, vested in 2008. These RSUs vested and became payable on December 31, 2008. The “Value Vested During the Year” is calculated by multiplying the number of vested RSUs by the closing price of the Shares on the TSX on December 31, 2008, which was \$3.16. The actual payment was calculated by using the volume-weighted average trading price of a Share on the TSX for the five trading days immediately prior to the vesting date, which was \$2.92. The value of the actual payments made to each of Messrs. Waheed, Bentinck and Saruk was \$21,900. The value of Mr. Tiessen’s payment was \$9,125. Mr. Chambers did not have any share-based awards that vested in 2008.
- (3) Mr. Waheed was eligible for an award but voluntarily declined it. See “Executive Compensation Discussion and Analysis — 2008 Executive Compensation — Short Term Incentive”.

## PENSION PLAN BENEFITS

The following table sets forth details of the DC ESPP, through which Named Executive Officers receive payments in connection with their retirement.

Name	Accumulated Value at Start of Year	Compensatory <sup>1</sup>	Non-Compensatory <sup>2</sup>	Accumulated Value at Year End
	(\$)	(\$)	(\$)	(\$)
Jowdat Waheed . . . . .	581,235	43,523	(145,031)	479,727
Dean R. Chambers . . . . .	23,386	28,628	(7,429)	44,585
Guy I. Bentinck . . . . .	322,171	24,415	(81,891)	264,695
Elvin Saruk . . . . .	214,270	28,921	(46,516)	196,675
Brian Tiessen . . . . .	122,395	24,415	(38,860)	107,950

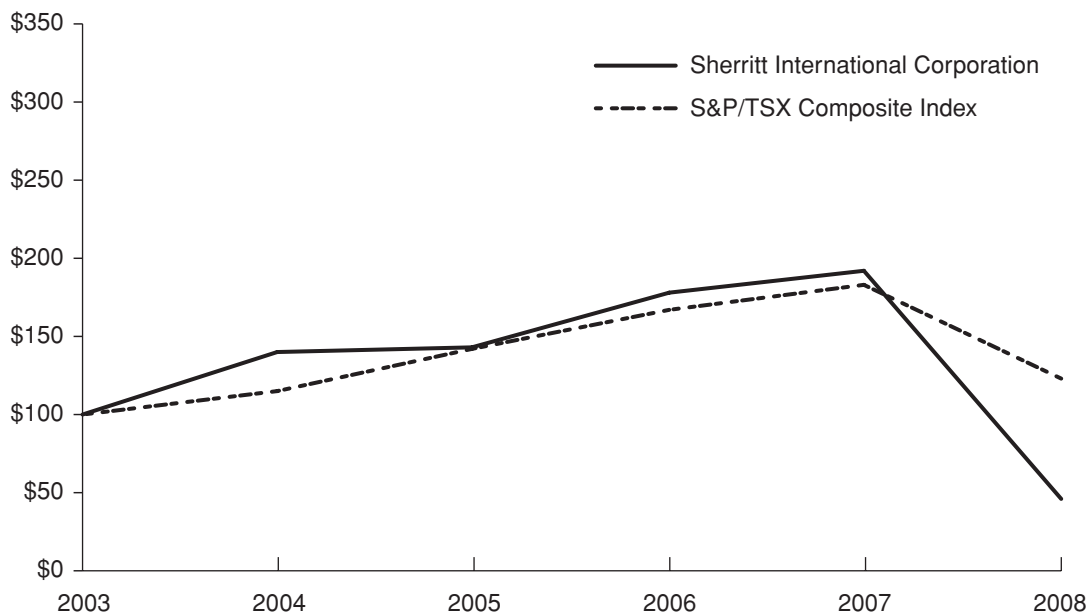
Notes:

- (1) Compensatory changes represent the notional amount contributed by the Corporation in 2008 to each Named Executive Officer's DC ESPP. Additional information on the DC ESPP can be found under "Executive Compensation Discussion and Analysis — Retirement Savings Plans".
- (2) Non-compensatory changes represent the notional investment earnings or losses accrued on each Named Executive Officer's DC ESPP.

## PERFORMANCE GRAPH

The following graph illustrates the cumulative total shareholder return of \$100 invested on December 31, 2003 in Restricted Voting Shares (now Shares) of the Corporation, compared with the return on the S&P/TSX Composite Total Return Index (the "Index").

**Total shareholder return performance graph**  
**Five year total shareholder return on \$100 investment\***



(as at December 31)

	2003	2004	2005	2005	2007	2008
Sherritt International Corporation*	100	140	143	178	192	46
S&P/TSX Composite Total Return Index*	100	115	142	167	183	123

\* Assumes dividends are reinvested.

From 2003 through the end of 2007, the Corporation's total shareholder return outperformed the Index. During this period, the aggregate total compensation for the Named Executive Officers (as determined in each of those years) increased by 84%, which was less than the total shareholder return of 92% over the same period. This trend was generally consistent into 2008 until the second half of the year when, as a result of the global economic environment, the Share price declined significantly, commensurate with overall stock market declines for commodity producers.

The aggregate total compensation for the Named Executive Officers in 2008 was \$5.6 million, which includes equity incentive awards valued at the time of grant. If the equity incentives granted to the Named Executive Officers' are valued using the closing price of a Share on the TSX on December 31, 2008, being \$3.16, the aggregate total compensation awarded to Named Executive Officers would have been \$3.4 million, representing a 39% decrease in the value of the aggregate total compensation awarded to Named Executive Officers in 2008. This is consistent with the Corporation's objective of remunerating executive officers fairly and in a competitive manner, while at the same time aligning the interests of its executive officers with the interests of shareholders.

## **COMPENSATION OF DIRECTORS**

### **Fees**

Directors who are not employees of the Corporation receive a fee of \$8,250 for each Board meeting attended and \$1,650 for each committee meeting attended to a maximum of \$3,300 payable in any two-day period for such committee meetings, plus expenses in connection therewith. Directors receive a fee of \$825 for each telephone conference call meeting attended. The Chair of each of the Audit Committee and the Compensation and Pension Committee receives a fee of \$15,000 per year and the Chair of each of the other committees receives a fee of \$5,000 per year. All Chair fees are prorated for time served throughout the year. Directors are reimbursed for travel expenses, but receive no additional compensation for travel or preparation time.

### **Helms-Burton Allowances**

In addition, so long as the Helms-Burton Act remains in force in the United States, the Corporation will continue to make voluntary payments to the independent directors of the Corporation, in recognition of the actual or apprehended hardship, loss of opportunity and emotional distress occasioned to the director and his or her family as a result of the application of such legislation. In 2008, the amount of such payment was \$150,000 for each independent director who served as a director for the full year.

### **Non-executive Directors' Deferred Share Unit Plan**

The Corporation also maintains a deferred share unit plan, known as the Non-executive Directors' Deferred Share Unit Plan (the "DDSU Plan"), pursuant to which deferred share units (hereinafter referred to as "Director DSUs" or "DDSU") may be issued to non-executive directors of the Corporation. Eligible participants (the "DDSU Participants") are those directors designated from time to time by the Committee. All of the independent directors are currently eligible to receive Director DSUs.

A DDSU is a phantom share unit that tracks the value of a Share, including dividend equivalent reinvestment, over the term of the DDSU. The Board believes that, by tracking the value of the Shares, the DSU Plan will provide appropriate long-term incentives for independent directors which are aligned with the interests of the shareholders.

The number of DDSUs granted to each independent director is calculated by dividing (i) a cash amount determined by the Committee, acting in its sole discretion (the Committee has historically fixed the grant amount at \$25,000 and continued to do so in 2008) by (ii) the volume-weighted average trading price of a Share on the TSX for the five trading days immediately preceding the grant date (the "Market

Price”). In addition, if dividends are paid on the Shares, a DDSU Participant is entitled to receive an additional number of DDSUs equal to the per Share dividend multiplied by the number of DDSUs held by the DDSU Participant, divided by the Market Price based on the five trading days immediately preceding the record date for the payment of such dividends.

DDSU vest on the grant date and are only redeemable when a DDSU Participant ceases to be a director of the Corporation (the “Termination Date”). DDSUs are valued at the redemption date and redeemed for cash in an amount equal to the Market Price based on the five trading-days immediately preceding the redemption date. The DDSU Participant can redeem his or her DDSUs by filing a notice of redemption not later than December 1 of the calendar year following the Termination Date and the payment date can be no later than December 31 of the calendar year following the Termination Date. A DDSU is personal to the DDSU Participant and is non-assignable. In the event of the death of a DDSU Participant while still a director of the Corporation or prior to filing of a notice of redemption, the Corporation shall make a payment to such DDSU Participant’s legal representative using a Market Price based on the five trading days immediately preceding the date of death of the Participant.

The Board may at any time amend the DDSU Plan in any respect, provided that no amendment shall operate to affect materially any rights already acquired by a DDSU Participant under such plan. Without amending the DDSU Plan the Board may, with the consent of the DDSU Participant, approve any variation in the terms of a DDSU that has been granted to the DDSU Participant.

### Director Compensation Table

The total compensation, including the value of DDSUs, awarded to the current directors for acting in their capacity as directors during the fiscal year ended December 31, 2008 was \$1,436,299. This total excludes compensation paid to Messrs. Delaney and Waheed, as they were paid for serving as executive officers of the Corporation and no additional compensation was awarded to either of them for service as a director of the Corporation. As a Named Executive Officer, information on Mr. Waheed’s total compensation is included under “Summary Compensation Table”, “Executive Incentive Plan Awards” and “Pension Plan Benefits”, above. Since he is not a Named Executive Officer, information on Mr. Delaney’s total compensation is included below.

<u>Name</u>	<u>Fees Earned</u>	<u>Share-Based Awards<sup>1</sup></u>	<u>Option-Based Awards</u>	<u>Non-Equity Incentive Plan Compensation</u>	<u>All Other Compensation<sup>2</sup></u>	<u>Total Compensation</u>
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Ian W. Delaney . . . .	—	—	—	Declined <sup>3</sup>	1,271,126	1,271,126
Michael F. Garvey . .	69,755	25,000	—	—	150,000	244,775
The Honourable Marc Lalonde . . . .	66,433	25,000	—	—	150,000	241,433
Edythe A. (Dee) Marcoux . . . . .	61,050	25,000	—	—	150,000	236,050
Bernard Michel . . . .	63,598	25,000	—	—	150,000	238,958
Daniel P. Owen <sup>4</sup> . . . .	66,083	25,000	—	—	150,000	241,083
Sir Patrick Sheehy . .	59,000	25,000	—	—	150,000	234,000

Notes:

- (1) In 2008, each independent director received 1,916 DDSUs pursuant to the Corporation’s DSU Plan. At the time of grant, this number represented Shares with a market value, determined in accordance with such plan, of \$25,000.
- (2) All Other Compensation includes:

*Salary* — As an executive officer of the Corporation, Mr. Delaney did not receive any fees for serving as a director of the Corporation. In 2008, he was paid a base salary of \$750,000. Additional information on Mr. Delaney’s compensation can be found under “Executive Compensation Discussion and Analysis — 2008 Executive Compensation”.

*Retirement Allowance* — Mr. Delaney’s retirement income arrangement under the ESPP accrued \$269,300 in compensatory value for his service in 2008. For additional information on his retirement income arrangement see “Termination, Change of Control and Retirement Benefits”.

*Perquisite Allowances* — Mr. Delaney received \$40,000.

*Helms-Burton Allowances* — In recognition of the hardship, loss of opportunity and emotional distress occasioned to the directors and their respective families as a result of the application of the Helms-Burton Act, the Corporation makes voluntary payments to the non-management directors. In 2008, Messrs. Delaney, Garvey, Michel and Owen, The Hon. Marc Lalonde, Sir Patrick Sheehy and Ms. Marcoux each received \$150,000. Although not considered compensation, these amounts have been included in the table in the interest of providing full disclosure.

*Medical, Disability and Other Insurance* — In addition to various insurance benefits offered by the Corporation to all employees and Canadian directors, Mr. Delaney also has additional disability insurance coverage and each of Messrs. Delaney and Garvey and the Hon. Marc Lalonde have additional life insurance coverage. The 2008 premiums were \$14,448, \$20,208, \$6,415 and \$71,775, respectively.

*Other Personal Benefits* — Amounts reported for Mr. Delaney also include miscellaneous personal benefits having an aggregate value of less than \$50,000.

- (3) Mr. Delaney was eligible for an award but voluntarily declined it. See “Executive Compensation Discussion and Analysis — 2008 Executive Compensation — Short-Term Incentive”.
- (4) Certain fees for services rendered by Mr. Owen are paid to Molin Holdings Limited. The total compensation paid to Mr. Owen includes all compensation paid directly to Mr. Owen and to Molin Holdings Limited, other than GST payable by the Corporation on payments to Molin Holdings Limited.

## Outstanding Share-Based Awards and Option-Based Awards

The following table provides information concerning all outstanding option-based awards and share-based awards granted by the Corporation to the Directors of the Corporation on or before December 31, 2008.

Name	Option-Based Awards <sup>2</sup>				Share-Based Awards	
	Number of Shares Underlying unexercised Options <sup>1</sup> (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money option <sup>2</sup> (\$)	Number of Shares or Units of Shares That Have Not Vested (\$)	Market or Payout value of Share-Based Awards that Have Not Vested (\$)
Ian W. Delaney . . . . .	—	—	—	—	—	—
Michael F. Garvey . . .	—	—	—	—	—	—
The Honourable Marc Lalonde . . . . .	21,750	2.07	Feb. 22, 2010	2,344	—	—
Edythe A. (Dee) Marcoux . . . . .	—	—	—	—	—	—
Bernard Michel . . . . .	—	—	—	—	—	—
Daniel P. Owen . . . . .	20,000	5.05	Sept. 20, 2010	0	—	—
	20,000	5.56	June 19, 2011	0	—	—
Sir Patrick Sheehy . . .	20,000	5.56	June 19, 2011	0	—	—

Notes:

- (1) The outstanding option-based awards to the Hon. Marc Lalonde, Mr. Owen and Sir Patrick Sheehy include certain outstanding SARs granted under the Corporation’s Stock-Linked Compensation Plan, a legacy compensation plan no longer used in compensating officers or directors. The outstanding option-based awards to Mr. Owen also include 20,000 Options exercisable at \$5.05 per Share. No grants have been made under the Stock-Linked Compensation Plan since 2003 and the Corporation does not currently anticipate any further grants under this plan in 2009. All of these legacy SARs and Options are fully vested and exercisable at the election of the holder at any time up to the date that is 10 years from the grant date. The other terms and conditions attached to the SARs are substantially similar to the terms and conditions attached to Tandem SARs granted under the Option Plan. See “Executive Compensation Discussion and Analysis — Stock-Linked Compensation — Stock Options and Tandem Stock Appreciation Rights” for more information.
- (2) The value of unexercised in-the-money options is calculated by multiplying the difference between the option or SARs exercise price and the closing price of the Shares on the TSX on December 31, 2008, which was \$3.16, by the number of Shares

underlying the outstanding options or SARs. Where the difference was negative, the Options or SARs are not in-the-money and no value is reported. Actual payments upon the exercise of SARs are calculated by multiplying the difference between the option exercise price and the volume-weighted-average trading price of a Share on the TSX for the twenty trading days preceding the exercise date, by the number of outstanding options.

### Value Vested or Earned During the Year

The following table provides information concerning the aggregate dollar value that would have been realized by the Directors if their option-based awards that vested during 2008 had been exercised on the vesting date, the aggregate dollar value that would have been realized by the Directors if their share-based awards that vested during 2008 had been paid out on the vesting date, and the aggregate dollar value of all non-equity incentive plan compensation earned by Directors during 2008.

Name	Option-Based Awards — Value Vested During the Year	Share-Based Awards — Value Vested During the Year <sup>1</sup>	Non-Equity Incentive Plan Compensation — Value Earned During the Year
	(\$)	(\$)	(\$)
Ian W. Delaney . . . . .	—	—	—
Michael F. Garvey . . . . .	—	25,000	—
The Honourable Marc Lalonde . . .	—	25,000	—
Edythe A. (Dee) Marcoux . . . . .	—	25,000	—
Bernard Michel . . . . .	—	25,000	—
Daniel P. Owen . . . . .	—	25,000	—
Sir Patrick Sheehy . . . . .	—	25,000	—

Note:

- (1) The value vested during the year is calculated by multiplying (a) the number of DDSUs that vested during the year, including original DDSU grants made in 2008 and any additional DDSUs awarded as a dividend equivalent in respect of such DDSUs, by (b) the volume-weighted average trading price of a Share on the TSX for the five trading days immediately preceding the grant date. All DDSUs vested on January 1, 2008 and the volume-weighted average trading price for the five preceding trading days was approximately \$13.05.

### Retirement Allowance

The following table sets forth details concerning Mr. Delaney's retirement allowance from the Corporation. Additional information on the retirement allowance can be found under "Termination, Change of Control and Retirement Benefits", below.

Name	Number of Years Credited Service (#)	Annual Benefits Payable		Accrued Obligations at Start of Year <sup>1</sup> (\$)	Compensatory Change <sup>1</sup> (\$)	Non-Compensatory Change <sup>2</sup>	Accrued Obligation at Year End <sup>3</sup> (\$)
		At Year End (\$)	At Age 65 (\$)				
Ian W. Delaney . . . . .	n/a	\$500,000	\$500,000	\$5,573,700	\$269,300	(\$724,400)	\$5,118,600

Notes:

- (1) Compensatory changes include service costs, plus plan changes and differences between actual and estimated earnings in prior years, and any additional changes that have a retroactive impact. The value reported as a compensatory change represents the value accrued for Mr. Delaney's service in 2008.
- (2) Non-compensatory changes include all items that are not compensatory, such as changes in assumptions that are made to reflect current market conditions and investment earnings on the accrued obligation since the start of the year.
- (3) The valuation method and the significant assumptions applied to quantify the accrued obligations as at December 31, 2008 can be found at note 14 to the Corporation's consolidated annual audited financial statements for the year ended December 31, 2008, a copy of which can be obtained from the Corporation's website at [www.sherritt.com](http://www.sherritt.com) or from SEDAR at [www.sedar.com](http://www.sedar.com).

## TERMINATION, CHANGE OF CONTROL AND RETIREMENT BENEFITS

In 2008, Mr. Delaney had an employment agreement with the Corporation. The employment agreement expired on December 31, 2008. Under that agreement, the Corporation was entitled to terminate Mr. Delaney’s employment without just cause on 36 months’ notice. In the case of termination without cause, Mr. Delaney had the right to cease his duties and require the Corporation to pay to him a lump sum equal to the present value of 36 months of his salary, the cost to the Corporation of his benefits and his perquisites. In the event that Mr. Delaney was required to assume duties that are not consistent with or to relinquish duties that were consistent with, duties customarily and usually performed by an Executive Chairman, or if Mr. Delaney, at any time within 90 days immediately following a change of control, voluntarily resigned for any reason or for no reason, the Corporation was considered to have terminated his employment for reasons other than just cause. In addition, any failure of Mr. Delaney to be re-appointed as Executive Chairman was deemed to be a termination by the Corporation without cause. As of April 20, 2009, the Corporation has not entered into a new employment agreement with Mr. Delaney.

In accordance with the terms of his employment agreement, effective January 1, 2009 the Corporation pays to Mr. Delaney a retirement allowance in the amount of \$500,000 per year, less the notional amount of all other retirement income streams that Mr. Delaney is deemed to receive from any of the Corporation’s retirement income plans in which he participated and the Canada Pension Plan. The Corporation may elect, at any time in its sole discretion, to pay Mr. Delaney the commuted value of this entitlement. Upon Mr. Delaney’s death, his surviving spouse is entitled to receive a retirement allowance equal to 60% of the net amount payable to Mr. Delaney during his lifetime. This arrangement has been pre-funded and expensed over the period of Mr. Delaney’s employment prior to November 1, 2008. Payment of the annual retirement allowance commenced in 2009 and Mr. Delaney’s appointment to the role of President and Chief Executive Officer in January 2009 did not impact this arrangement. All amounts paid to Mr. Delaney for this retirement allowance are in addition to amounts he will receive for serving as Chairman, President and Chief Executive Officer of the Corporation in 2009.

If a Named Executive Officer has their employment with the Corporation terminated for any reason other than just cause or a resignation (except a resignation for constructive dismissal), within 24 months of a change of control (as defined in the Share Unit Plan) of the Corporation, the following payments would be triggered by the early vesting and redemption of RSUs under provisions of the Share Unit Plan:

<u>Name</u>	<u>Payout Value<sup>1</sup></u>
	(\$)
Jowdat Waheed . . . . .	76,680
Dean R. Chambers . . . . .	63,974
Guy I. Bentinck . . . . .	87,879
Elvin Saruk . . . . .	119,982
Brian Tiessen . . . . .	119,982

Note:

(1) The “Payout Value” is calculated based on the assumption that the triggering event occurred on December 31, 2008. The dollar amount is calculated by multiplying the number of unvested RSUs outstanding on December 31, 2008 by the closing price of the Shares on the TSX on the termination date, which for purposes of this calculation is assumed to December 31, 2008, which was \$3.16.

Except as described above, none of the Named Executive Officers nor Mr. Delaney has any termination or change of control arrangements with the Corporation. Details of their retirement benefits can be found under “Executive Compensation Discussion and Analysis — Retirement Savings Plans”, above.

## DIRECTORS' AND OFFICERS' INSURANCE

Directors' and officers' liability insurance with an annual aggregate policy limit of \$100,000,000, subject to a \$500,000 deductible per wrongful act, has been purchased at the Corporation's expense for the protection of the Corporation and all directors and certain officers against liability incurred by them in their capacities as directors and officers of the Corporation and its present subsidiaries and joint venture companies. The annual premium paid by the Corporation for such insurance is currently \$967,417. In addition, directors of the Corporation have supplementary liability coverage with an annual aggregate policy limit of \$10,000,000 for differences in conditions, which has been purchased at the Corporation's expense. The annual premium paid by the Corporation for such insurance is currently \$68,000. Under these policies there is a deductible of \$500,000 per wrongful act payable by the Corporation. All policies contain standard industry exclusions.

The Corporation has historically provided life insurance to certain of its directors. In 2008, the annual premium paid by the Corporation for such insurance was \$99,263 in the aggregate. In September 2008, the Board decided not to renew this insurance in 2009 and all existing policies are being permitted to lapse. As a result, all outstanding life insurance policies for independent directors will terminate by August 24, 2009.

The Corporation also provides group benefits (health and dental) to certain directors at a current annual premium of \$11,400.

## EQUITY COMPENSATION PLANS AND EMPLOYEE SHARE PURCHASE PLAN

### Equity Compensation Plan Information

The following table sets out information with respect to compensation plans of the Corporation under which equity securities of the Corporation are authorized for issuance to employees or non-employees in exchange for consideration in the form of goods or services. All information is given as at December 31, 2008.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights<sup>1</sup></u> (a)	<u>Weighted-average exercise price of outstanding options, warrants and rights</u> (b)	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<sup>2</sup></u> (c)
Equity compensation plans approved by securityholders <sup>1</sup> . . . . .	3,978,335	\$12.30	2,481,668
Equity compensation plans not approved by securityholders . . . . .	N/A	N/A	N/A
Total . . . . .	<u>3,978,335</u>	<u>\$12.30</u>	<u>2,481,668</u>

Notes:

- (1) Represents Shares issuable under the Corporation's Stock Option Plan. The Stock Option Plan was established in 1995 following the creation of the Corporation and before its Shares were distributed to the public. The Stock Option Plan was amended in 2005 and further amended in 2006 and 2007. Additional information on the Stock Option Plan can be found under "Executive Compensation Discussion and Analysis — Stock-Linked Compensation — Stock Option Plan".
- (2) The Corporation is authorized to issue up to 12,500,000 Shares under the terms of the Stock Option Plan. The number of Shares available for future issuance under the Stock Option Plan includes Shares that have not previously been reserved for an option grant and Shares underlying unexercised options that have expired or were terminated.

## Employee Share Purchase Plan

In addition to the equity compensation plan of the Corporation, the Employee Share Purchase Plan (the “Share Purchase Plan”) is intended to allow eligible employees of the Corporation to purchase Shares by means of automatic payroll deductions. All full-time employees of the Corporation are eligible to participate in the Share Purchase Plan after one year of continuous service. Under the terms of the Share Purchase Plan, participating employees may purchase Shares by electing to have an amount (up to 5% of their previous year’s base earnings) withheld by payroll deduction over a two-year period (the “Purchase Period”). The purchase price of the Shares is the lower of the Share price at the beginning of the two-year Purchase Period and the Share price at the end of the Purchase Period. The Share price is calculated using the weighted-average trading price of a Share on the TSX for the five trading days immediately preceding the day in question. Employees participating in the Share Purchase Plan may elect to withdraw from this plan at any time prior to the end of the Purchase Period, and upon such election, all amounts withheld, together with interest accrued thereon, are returned to the employee.

The Corporation is authorized to issue up to 1,800,000 Shares under the Share Purchase Plan. The Corporation issued 79,700 Shares to employees under the Share Purchase Plan during the year ended December 31, 2008 and has, since the Share Purchase Plan’s inception in 1996, issued an aggregate of 756,820 Shares to employees. There are currently an additional 1,043,180 Shares issuable to employees who elect to participate in the Share Purchase Plan.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

<u>Purpose</u>	<u>To the Corporation or its Subsidiaries</u>	<u>To Another Entity</u>
Share Purchases . . . . .	Nil	Nil
Other — Relocation Mortgage Loans . . . . .	\$553,867.44	Nil

The foregoing table shows aggregate indebtedness of all executive officers, directors, employees and former executive officers, directors and employees of the Corporation or any of its subsidiaries in the total amount of \$553,867.44 as at March 31, 2009. All this indebtedness relates to mortgage loans to employees advanced in connection with employment-related relocations.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board believes that sound corporate governance practices are essential to the well-being of the Corporation and the promotion and protection of its shareholders’ interests. The Board oversees the functioning of the Corporation’s governance system, in part through the work of the Nominating and Corporate Governance Committee.

The Board promotes fair reporting, including financial reporting, to shareholders of the Corporation and other interested persons as well as ethical and legal corporate conduct through an appropriate system of corporate governance, internal controls and disclosure controls. The Board believes that the Corporation is best served by a board of directors which functions independently of management and is informed and engaged.

In fulfilling its mandate, the Board has considered the corporate governance guidelines set forth in National Policy 58-201 — Corporate Governance Guidelines. A discussion of the Corporation’s corporate governance practices in response to the requirements of National Instrument 58-101 — Disclosure of Corporate Governance Practices and in the form set forth in Form 58-101F1 — Corporate Governance Disclosure, is set out in Schedule “A” to this Management Information Circular.

The Board welcomes input and comments from shareholders of the Corporation. Input or comments for the Board or its committees should be directed to the Corporate Secretary at:

Board of Directors of Sherritt International Corporation  
c/o Corporate Secretary  
Sherritt International Corporation  
1133 Yonge Street  
5th Floor  
Toronto, Ontario M4T 2Y7

## **Board Committees, Attendance and Other Matters**

### ***Board Committees***

The Board annually appoints members to the following six committees, each of which has a written mandate:

- Audit Committee
- Capital Projects Committee
- Compensation and Pension Committee
- Environment, Health and Safety Committee
- Nominating and Corporate Governance Committee
- Reserve Committee

Each of the committees of the Board, other than the Capital Projects Committee, is composed entirely of independent directors. As noted in the Mandate of the Board (attached as Schedule “B”), each Board committee has its own mandate which sets forth its duties and responsibilities, among other things. The composition of each of the committees of the Board at the date of this Circular is set out under “Election of Directors”, above.

The key responsibilities of the Nominating and Corporate Governance Committee are set out in Schedule “A”. The Compensation and Pension Committee is responsible for developing compensation policies for the Corporation’s Chairman, President and Chief Executive Officer, as well as formulating compensation policies and strategies applicable more broadly to other senior executives and employees of the Corporation. The Capital Projects Committee is responsible for oversight of significant capital projects of the Corporation. The Environment, Health and Safety Committee is responsible for reviewing environmental, health and safety policies and programs, overseeing environmental, health and safety performance and monitoring related current and future regulatory issues. The Reserve Committee is responsible for reviewing the minerals reserves (including coal and oil and gas reserves) of the Corporation and its affiliated and related entities, and to oversee the availability, maintenance, growth and integrity of the Corporation’s reported reserve base including any additional potential reserves.

The Audit Committee is composed entirely of directors who are both independent and “financially literate” within the meaning of Multilateral Instrument 52-110, “Audit Committees”. The mandate of the Audit Committee ensures that it fulfills the responsibilities contemplated by Multilateral Instrument 52-110.

A description of the responsibilities of the Audit Committee, including in respect of the auditor of the Corporation, is included in the Audit Committee Mandate attached as Appendix 1 to the Corporation’s Annual Information Form for the year ended December 31, 2008. The mandates of each of the committees of the Board are available on the Corporation’s website at [www.sherritt.com](http://www.sherritt.com).

### *Attendance*

The following table sets forth the number of Board and committee meetings held and attendance (in person or by telephone) by the directors for the year ended December 31, 2008:

<b>Director</b>	<b>Board Meetings</b>	<b>Audit Committee Meetings</b>	<b>Nominating and Corporate Governance Committee Meetings</b>	<b>Environment, Health and Safety Committee Meetings</b>	<b>Reserve Committee Meetings</b>	<b>Compensation and Pension Committee Meetings</b>	<b>Capital Projects Committee Meetings</b>
Ian W. Delaney <sup>1</sup> . . . . .	9 of 9	—	—	—	—	—	1 of 1
Michael F. Garvey . . . . .	9 of 9	9 of 9	4 of 4	4 of 4	—	5 of 5	3 of 3
The Hon. Marc Lalonde <sup>2</sup> . . . . .	9 of 9	9 of 9	4 of 4	—	3 of 3	4 of 4	—
Edythe A. (Dee) Marcoux . . . . .	9 of 9	—	4 of 4	4 of 4	3 of 3	5 of 5	4 of 4
Bernard Michel . . . . .	9 of 9	—	4 of 4	—	—	—	4 of 4
Daniel P. Owen <sup>1,2</sup> . . . . .	9 of 9	—	4 of 4	4 of 4	—	1 of 1	3 of 3
Sir Patrick Sheehy . . . . .	9 of 9	9 of 9	4 of 4	—	3 of 3	—	—
Jowdat Waheed . . . . .	9 of 9	—	—	—	—	—	3 of 4

Notes:

- (1) Effective May 22, 2008, Mr. Owen replaced Mr. Delaney on the Capital Projects Committee and Mr. Michel assumed Mr. Delaney's duties as Chair of the committee.
- (2) Effective May 22, 2008, The Hon. Marc Lalonde replaced Mr. Owen as a member and Chair of the Compensation and Pension Committee.

### *Directorships with Other Reporting Issuers*

The directors of the Corporation noted below are presently also directors of the following reporting issuers (or the equivalent):

Ian W. Delaney . . . . .	EnCana Corporation OPTI Canada Inc. The Westaim Corporation
Daniel P. Owen . . . . .	Dynex Power Inc. The Westaim Corporation
Edythe A. (Dee) Marcoux . . . . .	OPTI Canada Inc. SNC-Lavalin Group Inc.

### *Equity Ownership Guidelines*

In 2005, the Board adopted a guideline requiring each director to own initially 10,000 Shares, and requiring each director to increase his or her ownership to 20,000 Shares after five years. In 2006, the Board amended the guideline to clarify that the holding of DDSUs or DSUs issued under the Corporation's DDSU Plan or Executive Share Unit Plan shall be deemed to constitute ownership of underlying Shares for purposes of calculating a director's Share ownership. The Board felt that this amendment was appropriate given that the economic value of DDSUs or DSUs is dependent on the value of the underlying Shares.

### **ADDITIONAL INFORMATION**

Financial information for the financial year ended December 31, 2008 is provided in the Corporation's comparative financial statements and management's discussion and analysis ("MD&A"). Shareholders who wish to be added to the mailing list for the annual and interim financial statements and MD&A should contact the Corporation at 1133 Yonge Street, Toronto, Ontario M4T 2Y7; Attention: Corporate Secretary.

Copies of the Corporation's annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the annual information form, the Corporation's most recently filed comparative annual financial statements, together with the accompanying report of the auditor, and any interim financial statements of the Corporation that have been filed for any period after the end of the Corporation's most recently completed financial year, and this Circular are available, upon request, from the Corporate Secretary of the Corporation, without charge, to shareholders of the Corporation.

The 2008 financial statements and MD&A, the 2008 annual information form and other information relating to the Corporation is also available online on SEDAR at [www.sedar.com](http://www.sedar.com).

### **DIRECTORS' APPROVAL**

The contents of this Circular and its sending to shareholders of the Corporation have been approved by the directors of the Corporation.

By Order of the Board of Directors

*"David Pathe"*

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David Pathe  
Vice President,  
General Counsel and Corporate Secretary

Toronto, Ontario  
April 20, 2009

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**SCHEDULE “A”**  
**CORPORATE GOVERNANCE PRACTICES**  
**PURSUANT TO NATIONAL INSTRUMENT 58-101**

<b>Governance Disclosure Requirement Under NI 58-101</b>	<b>Comment</b>
1.(a) Disclose the identity of directors who are independent	The Board is currently composed of eight members. Of the eight, six (Messrs. Garvey, Lalonde, Michel and Owen, Sir Patrick Sheehy, and Ms. Marcoux) are independent within the meaning of National Instrument 58-101.
(b) Disclose the identity of directors who are not independent and describe the basis for that determination	Messrs. Delaney and Waheed are not independent since they are currently serving as executive officers of the Corporation or have, within the past three years, been executive officers of the Corporation.
(c) Disclose whether a majority of the directors are independent. If a majority of directors are not independent, describe what the Board does to facilitate its exercise of independent judgment in carrying out its responsibilities.	A majority of the directors of the Corporation are independent directors under NI 58-101.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	All directorships with other public entities for each of the Board members, as applicable, are set forth in the Circular under the heading “Board Committees, Attendance and Other Matters — Directorships with Other Reporting Issuers”.
(e) Disclose whether the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer’s most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.	<p>The independent directors meet separately at each quarterly Board meeting and, as required at each committee meeting, without management present and may meet at such other times as any independent director may request. The Board is satisfied that it is not constrained in its access to information, in its deliberations or in its ability to satisfy its mandate to manage or supervise the business and affairs of the Corporation.</p> <p>Each of the committees of the Board, other than the Capital Projects Committee, is composed entirely of independent directors. These Board committees meet and operate independently of management in fulfilling their mandates and making recommendations to the Board. When necessary, the Board and its committees can and do hold in-camera sessions without any management being present. In the case of the Audit Committee, at least once per quarter, the committee meets with the Corporation’s external auditors, Deloitte &amp; Touche LLP, to discuss the financial affairs of the Corporation without management being present.</p>

Governance Disclosure Requirement Under NI 58-101	Comment
(f) Disclose whether the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.	The Board believes that even though the Chairman of the Board, Mr. Delaney, is not independent, the Board is still properly able to function independently of management. The Board has appointed The Honourable Marc Lalonde as Lead Director for the Corporation. The role and responsibilities of the Lead Director are set out in the Board Mandate attached to the Circular as Schedule “B”.
(g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer’s most recently completed financial year.	The attendance record of each director for all Board and committee meetings held since the beginning of the Corporation’s most recently completed financial year is set forth in the Circular under the heading “Corporate Governance — Director Performance Review and Attendance”.
2. Disclose the text of the Board’s written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.	The Board’s Mandate is attached to the Circular as Schedule “B”.

3.(a)	Disclose whether the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.	<p>As noted in the Board's Mandate, the Board has developed terms of reference for the Chairman. The Board has also developed terms of reference for the President and Chief Executive Officer, which delineates that officer's roles and responsibilities. The terms of reference for the Chairman and the President and Chief Executive Officer are available on the Corporation's website at <a href="http://www.sherritt.com">www.sherritt.com</a>.</p> <p>The Chair of each committee is responsible for, amongst other things:</p> <ul style="list-style-type: none"><li>• determining the date, time and location of meetings of the committee in consultation with the Chairman of the Board, Corporate Secretary and the committee members, as appropriate and convening meetings of the committee as often as necessary to carry out the committees responsibilities effectively;</li><li>• chairing all meetings of the committee;</li><li>• confirming that the duties and responsibilities of the committee, as set forth in its mandate, are well understood by the committee members and executed as effectively as possible;</li><li>• in consultation with the Chairman of the Board, committee members, and the Corporate Secretary, as appropriate, review meeting agendas to ensure that required business is brought before the committee to enable the committee to carry out its responsibilities;</li><li>• communicate with appropriate members of senior management in fulfilling the duties and responsibilities set forth in the committee's mandate;</li><li>• with the assistance of the Corporate Secretary, ensure that agenda items for all committee meetings are ready for presentation and that adequate information is distributed to committee members in advance of such meetings in order that committee members may properly inform themselves on matters to be acted upon;</li><li>• ensuring that minutes are kept of all committee meetings and sign minutes once approved by the committee;</li><li>• reporting to the Board at its next meeting following any decision or recommendation arising from any meeting of the committee or the signing of a written resolution evidencing a decision or recommendation of the committee, including reporting on the considerations that led to such decision or recommendation;</li><li>• providing leadership to enable the committee to act as an effective team in carrying out its responsibilities; and</li></ul>
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|       |   | <ul style="list-style-type: none"><li>• overseeing the committee's annual evaluation of its effectiveness in fulfilling the duties and responsibilities set forth in its mandate.</li></ul>   |
| (b)   | Disclose whether the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.  | The Board and the Chief Executive Officer have developed a written position description for the Chief Executive Officer. A copy of the terms of reference for the President and Chief Executive Officer is available at <a href="http://www.sherritt.com">www.sherritt.com</a> .  |
| 4.(a) | Briefly describe what measures the Board takes to orient new members regarding (i) the role of the Board, its committees and its directors; and (ii) the nature and operation of the issuer's business.   | <p>The Nominating and Corporate Governance Committee is responsible for confirming that procedures are in place and resources are made available to provide new directors with a proper orientation to both the Corporation and their duties and responsibilities as directors and to provide other directors with appropriate continuing education opportunities.</p> <p>Directors are regularly updated on the Corporation's activities and operations. There are a significant number of committee and Board meetings. In the last several years, topics for presentation and discussion included financial and operational reviews; acquisition and divestiture opportunities; strategic planning; director duties; and internal audit. Reports relating to the Corporation's business and affairs are provided to new directors. Typically, Board materials include information relating to current regulatory, accounting and financial issues, and the Board regularly discusses them at the Board and committee level. The Corporation's auditors and legal counsel have updated directors on regulatory developments. In addition, Directors meet with senior management of the Corporation to review the business and affairs of the Corporation on an ongoing basis. New directors are given a broad range of materials and are entitled to hold exclusive meetings with management in order to familiarize themselves with the Corporation.</p> |
| (b)   | Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors. | See 4(a) above.   |

	Governance Disclosure Requirement Under NI 58-101	Comment
5.(a)	<p>Disclose whether the Board has adopted a written code for the directors, officers and employees of the issuer. If the Board has adopted a written code:</p>	<p>The Corporation has adopted a Code of Business Conduct and Ethics (the “Code”).</p>
	<p>(i) disclose how a person or company may obtain a copy of the code;</p>	<p>The Code is available on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a>.</p>
	<p>(ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and</p>	<p>The Board, through the Audit Committee, monitors compliance with the Code. The Corporation’s internal auditor regularly monitors compliance with the Code and reports to the Audit Committee of the Board. The Corporation has also adopted a policy (the “Reportable Concerns Policy”) for employees to report concerns regarding, amongst other things, violations of the Code. These concerns may be reported anonymously to the Corporation’s Chief Internal Auditor and the Chief Internal Auditor will raise any such reports with the Audit Committee for further investigation and response.</p>
	<p>(iii) provide a cross-reference to any material change report filed since the beginning of the issuer’s most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>	<p>The Board has not granted any waiver of the Code in favour of any director, officer or employee since its adoption by the Board. Accordingly, no material change report has been required or filed.</p>
	<p>(b) Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p>A majority of the Corporation’s directors are independent within the meaning of the applicable laws. Where a director has a conflict of interest or a material interest in a transaction or agreement with the Corporation, such director is expected to recuse himself or herself from all Board deliberations or discussions relating to the subject matter of the conflict of interest or material interest.</p>
	<p>(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>The Corporation has adopted the Code to promote and require a culture of ethical business conduct, and has also adopted the Reportable Concerns Policy, as described in 5(a)(ii), above.</p>
6.(a)	<p>Describe the process by which the Board identifies new candidates for Board nomination.</p>	<p>The Nominating and Corporate Governance Committee is responsible for identifying new candidates for nomination to the Board, and recommending such nominees to the Board for approval. A copy of the committee’s mandate is available on the Corporation’s website at <a href="http://www.sherritt.com">www.sherritt.com</a>.</p>

Governance Disclosure Requirement Under NI 58-101	Comment
(b) Disclose whether the Board has a Nominating Committee composed entirely of independent directors. If the Board does not have a Nominating Committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.	The Nominating and Corporate Governance Committee is composed entirely of independent directors, being all the independent directors of the Corporation: Ms. Marcoux (Chair), Messrs. Garvey, Michel and Owen, Sir Patrick Sheehy and The Hon. Marc Lalonde.
(c) If the Board has a Nominating Committee, describe the responsibilities, powers and operation of the Nominating Committee	<p>The Committee's responsibilities, include, amongst other things:</p> <ul style="list-style-type: none"> <li>(a) making recommendations to the Board with respect to the appropriate size and composition of the Board;</li> <li>(b) making recommendations to the Board with respect to qualifications for members of the Board, with a view to the independence and expertise required for effective governance and satisfaction of applicable regulatory requirements, and procedures for identifying possible candidates who meet the criteria adopted;</li> <li>(c) making recommendations to the Board with respect to the selection of nominees for election or appointment to the Board to fill Board vacancies;</li> <li>(d) making recommendations to the Board with respect to the number, composition and mandates of committees of the Board;</li> <li>(e) making recommendations to the Board with respect to the establishment and implementation of procedures to assess the effectiveness and contribution of the Board, its committees and individual directors;</li> <li>(f) developing and maintaining a Board succession plan that is responsive to the Corporation's needs and the interests of its shareholders; and</li> <li>(g) confirming that procedures are in place and resources are made available to provide new directors with a proper orientation to the Corporation and the nature and operation of its business and their responsibilities as directors and to provide other directors with appropriate continuing education opportunities.</li> </ul> <p>Additional information on the powers and operation of the Committee can be found in the Committee's mandate, which is available on the Corporation's website at <a href="http://www.sherritt.com">www.sherritt.com</a>.</p>

**Governance Disclosure  
Requirement Under NI 58-101**

**Comment**

- 7.(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.
- See "Executive Compensation Discussion and Analysis" in the Circular for the process by which the Board determines officers' compensation.
- For directors, the Compensation and Pension Committee monitors the adequacy and form of directors' compensation to ensure that directors are adequately compensated for the responsibilities and risks involved in being a director or a member of one or more Board committees, as applicable, with a view to ensuring consistency with the goals for director compensation set out in the Mandate attached to the Circular as Schedule "B".
- Generally, the Compensation and Pension Committee will solicit input from its independent advisor, who provides an analysis the Corporation's director compensation practices relative to public companies of similar scope, size and industry. Any deficiencies in the Corporation's practices are identified, together with alternative practices and the implications of adopting these practices at the Corporation. The Committee works with the independent advisor to develop recommendations for the consideration of the full Board, which ultimately approves any changes to the compensation of directors.
- (b) Disclose whether the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.
- The Compensation and Pension Committee is composed entirely of independent directors, being The Hon. Marc Lalonde (Chair), Mr. Garvey and Ms. Marcoux.
- (c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.
- The Compensation and Pension Committee has responsibility for developing compensation policies for the Corporation's Chairman, President and Chief Executive Officer, as well as formulating compensation policies and strategies applicable more broadly to other senior executives and employees of the Corporation.
- Additional information on the powers and operation of the Committee can be found in the Committee's mandate, which is available on the Corporation's website at [www.sherritt.com](http://www.sherritt.com).

Governance Disclosure Requirement Under NI 58-101	Comment
(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	See "Compensation Discussion and Analysis — Independent Advice" in the Circular.
8. Disclose whether the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees and its individual directors are performing effectively.	The Board monitors the effectiveness of the relationship between management and the Board, the effectiveness of Board operations, the operations of the Board committees and that of individual directors, to recommend improvements to each of the above. Because of the high level of Board member involvement in corporate decisions, and the excellent attendance record of Board members at Board and committee meetings, the Board believes that the Board, its committees and its members are effective. In addition, the Lead Director meets annually with each director to obtain insight as to areas where the Board and its committees could operate more effectively.

## SCHEDULE "B"

### SHERRITT INTERNATIONAL CORPORATION MANDATE OF THE BOARD OF DIRECTORS

#### 1. GENERAL

The Board of Directors (the "Board") is responsible for overseeing the management of the business and affairs of Sherritt International Corporation (the "Corporation") according to lawful and ethical standards and in accordance with the Corporation's viability as a going concern.

The Board will, directly or through its Board committees, carry out the duties referred to in this Mandate.

#### 2. BOARD DUTIES AND RESPONSIBILITIES

The Board's responsibilities include the following:

##### (a) Appointment of, Delegation to, and Evaluation of Senior Management

The Board appoints and supervises the Chairman, the President and Chief Executive Officer and other senior officers and, as permitted by applicable law, delegates to senior management responsibility for the day-to-day operations of the Corporation. The Board, with the assistance of the Nominating and Corporate Governance Committee, will develop and approve position descriptions for the Chairman and the President and Chief Executive Officer, against which descriptions the Board will evaluate the performance of the Chairman and the President and Chief Executive Officer.

The Board approves the compensation of the Chairman, the President and Chief Executive Officer and other senior officers.

The Board, with the assistance of the Nominating and Corporate Governance Committee, will ensure that a process is maintained that adequately provides for succession planning of senior management. For greater certainty, succession planning is the responsibility of management.

##### (b) Ethical Leadership

The Board will foster an ethical corporate environment and ensure that the President and Chief Executive Officer and other senior officers manage the business and affairs of the Corporation in an ethical and legal manner. Through its actions, the Board will promote ethical leadership throughout the Corporation and take such steps to ensure that the President and Chief Executive Officer and other senior officers exhibit such ethical leadership throughout the Corporation.

##### (c) Strategic Direction and Risk Assessment

The Board, with the assistance of the applicable Board committee, will assess and approve management's strategic plan and review and approve annual business plans management develops and proposes. The Board will:

- discuss and provide advice and input regarding strategic opportunities being pursued or contemplated by management, as well as issues and circumstances which could threaten the Corporation's viability as a going concern;
- approve business and operational policies within which management will operate in relation to capital expenditures, acquisitions and dispositions, disclosure and communications, finance and investment, risk management, human resources, internal controls over financial reporting, disclosure controls and management information systems;

- set annual corporate and management performance targets consistent with the Corporation's strategic plan;
- review and discuss with management the process used by management with respect to risk assessment and risk management, including the identification by management of the principal risks of the business of the Corporation and the implementation by management of appropriate systems to deal with such risks; and
- confirm that processes are in place to address and comply with applicable legal, regulatory, corporate, securities and other compliance matters.

**(d) Financial Reporting and Management**

With the assistance of the Audit Committee, the Board will:

- approve the Corporation's annual financial statements and related management's discussion and analysis and review and oversee the integrity of the Corporation with respect to its compliance with applicable audit, accounting and financial reporting requirements;
- approve annual operating and capital budgets;
- confirm the integrity of the Corporation's internal controls over financial reporting and management information systems; and
- review operating and financial performance results relative to established strategies, plans, budgets and objectives.

**(e) Disclosure, Communications and Insider Trading**

The Board will oversee the Corporation's public communication and disclosure practices. With the assistance of the Nominating and Corporate Governance Committee, the Board will satisfy itself that appropriate policies and procedures are in place regarding public disclosure, communications and restricted trading by insiders.

**(f) Corporate Governance**

With the assistance of the Nominating and Corporate Governance Committee, the Board:

- will ensure that there exists an appropriate system of corporate governance, including practices to facilitate the Board's independence;
- will ensure that there exists Board committees and will approve their respective charters and the authority delegated to each committee;
- will ensure that there exists appropriate processes for the regular evaluation of the effectiveness of the Board and its committees and the contributions of individual directors;
- will approve the nomination of directors; and
- will provide an opportunity for independent directors to meet separately at every Board meeting.

**(g) Compensation of Senior Officers and Directors**

With the assistance of the Nominating and Corporate Governance Committee, the Board:

- will approve the compensation of the Chairman, the President and Chief Executive Officer and senior management reporting directly to the President and Chief Executive Officer, as well as policies regarding the compensation of other senior officers; and
- will approve the compensation of directors.

**3. DIRECTOR DUTIES AND RESPONSIBILITIES**

Each Director must act honestly and in good faith with a view to the best interests of the Corporation and its shareholders and in connection therewith must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In order to fulfill this responsibility, each director is expected to:

- participate, with management, in assessing strategic and business plans;
- develop and maintain a thorough understanding of the Corporation's operational and financial objectives, financial position and performance and the performance of the Corporation relative to its principal competitors;
- diligently prepare for each meeting, including reviewing all meeting materials distributed in advance;
- actively and constructively participate in each meeting, including seeking clarification from management and outside advisors where necessary to fully understand the issues under consideration;
- disclose any personal interests that conflict with, or may appear to conflict with, the interests of the Corporation;
- engage in continuing education programs for directors, as appropriate; and
- diligently attend all meetings of the Board and any Board committee of which he or she is a member.

**4. BOARD COMPOSITION**

The Board, with the assistance of the Nominating and Corporate Governance Committee, will determine Board member qualifications, as well as Board member independence to ensure that a majority of directors qualify as independent directors as determined under applicable Canadian securities laws.

**5. LEAD DIRECTOR**

**(a) Appointment**

In the event that there is a non-independent Chairman (as determined under applicable Canadian securities laws), upon the recommendation of the Nominating and Corporate Governance Committee, the Board will in each such year appoint from among its members a lead director who is an independent director ("Lead Director").

**(b) General**

The Lead Director is responsible for ensuring that the Board operates independently of management and that directors have an independent leadership contact.

**(c) Specific Roles and Responsibilities**

The Lead Director will:

- provide input to the Chairman on preparation of agendas for Board meetings;
- chair meetings of the independent directors and assume such other responsibilities which the independent directors as a whole may designate from time to time;
- ensure that independent directors have adequate opportunities to meet to discuss issues without management present;
- communicate to senior management as appropriate the results of private discussions among independent directors;
- monitor compliance with the governance policies of the Corporation, including those regarding regularity and conduct of Board meetings, reporting information and other policies relating to the Board's business; and
- meet annually with each director to obtain insight as to areas where the Board and its committees could be operating more effectively.

**6. BOARD MEETINGS**

Board meetings are scheduled in advance at appropriate intervals throughout the year. Board meetings will be held not less than quarterly, and more often as is necessary. In addition to regularly scheduled Board meetings, additional Board meetings may be called upon proper notice at any time to address specific needs of the Corporation. The Board may also take action from time to time by unanimous written consent. A Board meeting may be called by the Chairman or any director.

(Updated September 2008)









**Questions and Further Assistance**

If you have any questions about the information contained in this document or require assistance in completing your proxy form, please contact the proxy solicitation agent, at:

Georgeson

**100 University Avenue  
11th Floor, South Tower  
Toronto, Ontario  
M5J 2Y1**

North American Toll Free Number: 1-866-656-4121

