

# Q2

## Press Release

# Sherritt reports 2009 second-quarter results

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TORONTO, JULY 29, 2009 - Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S) today announced second-quarter 2009 results.

- Net earnings of \$24.4 million in second-quarter 2009 (\$0.08 per share), compared with net earnings of \$80.3 million (\$0.28 per share) for second-quarter 2008, despite a significant decline in commodity prices. A net loss for the first six months of 2009 totaled \$18.5 million (\$0.07 per share) compared to net earnings of \$169.3 million (\$0.65 per share) for the first six months of 2008. First-quarter 2009 results included a \$79.5 million (\$57.4 million after-tax) loss on disposal in respect of the sale of certain Oil and Gas assets.
- Consolidated cash, cash equivalents and short-term investments were \$1.0 billion at June 30, 2009, of which \$29.0 million (50% basis) was held in the Moa Joint Venture and \$341.7 million (100% basis) was held in the Ambatovy Joint Venture. In addition to cash generated by operations, the majority of the net increase in the balance from March 31, 2009 was due to an increase in Ambatovy Project cash that was utilized to satisfy capital expenditure obligations subsequent to the end of the quarter.
- Cash flow from operations totaled \$47.0 million for second-quarter 2009, net of a non-cash working capital increase of \$57.3 million. This compares to operating cash flow of \$21.3 million for second-quarter 2008, net of a non-cash working capital increase of \$133.7 million.
- Capital expenditures totaled \$388.2 million for second-quarter 2009, including \$326.8 million relating to the Ambatovy Project (100% basis). Sherritt's share of Ambatovy capital expenditures (\$130.7 million) was funded through loans provided by the Ambatovy partners.
- In May, the Corporation amended and extended its \$140.0 million syndicated 364-day revolving-term credit facility. The amendments provide for less restrictive financial covenants, revise applicable interest rates to current market benchmarks and extend the facility to May 10, 2010. Corresponding amendments to the covenants of two short-term facilities totaling \$60.0 million were also completed.
- In June, the Ambatovy partners finalized arrangements to fund Sherritt's pro rata share of shareholder funding for the Project. These arrangements create a mechanism by which the partners can provide new, non-recourse loans to Sherritt that the Corporation can only use to meet its shareholder funding obligations. The arrangements also provide Sherritt additional completion guarantee protection related to the US\$2.1 billion senior project financing.
- Total debt approximated \$2.7 billion at June 30, 2009, of which \$1.2 billion (100% basis) was attributable to the limited-recourse Ambatovy senior project financing and \$0.4 billion to non-recourse partner loans to Sherritt.

## Summary Financial and Sales Data (unaudited)

	Q2 2009		Q2 2008		Six months ended June 30	
					2009	2008
<b>Financial Data</b> (millions of dollars, except per share amounts and ratios)						
Revenue	\$	357.7	\$	441.2	\$	755.4
EBITDA <sup>(1)</sup>		112.2		190.4		366.1
Operating earnings		52.4		126.3		262.3
Net earnings (loss)		24.4		80.3		169.3
Basic earnings (loss) per share		0.08		0.28		0.66
Diluted earnings (loss) per share		0.08		0.28		0.65
Net working capital <sup>(2)</sup>		861.8		904.7		904.7
Capital expenditures		388.2		619.3		1,081.5
Total assets		10,076.6		8,255.0		8,255.0
Shareholders' equity		3,586.7		3,794.8		3,794.8
Long-term debt to capitalization		33%		25%		25%
Weighted average number of shares (millions)						
Basic		293.1		282.1		257.1
Diluted		295.9		286.6		261.7
<b>Sales Volumes</b> (units as noted)						
Nickel (thousands of pounds, 50% basis)		9,582		8,200		16,562
Cobalt (thousands of pounds, 50% basis)		1,078		902		1,822
Thermal coal – Prairie Operations (millions of tonnes) <sup>(3)</sup>		8.2		8.4		17.5
Thermal coal – Mountain Operations (millions of tonnes, 50% basis)		0.4		0.4		0.8
Oil (boepd, net production)		12,757		18,060		18,213
Electricity (GWh, 100% basis)		515		567		1,164
<b>Average Realized Prices</b> (units as noted)						
Nickel (\$/lb)	\$	6.86	\$	12.12	\$	12.53
Cobalt (\$/lb)		16.62		45.67		45.90
Thermal coal – Prairie Operations (\$/tonne)		14.35		14.61		14.12
Thermal coal – Mountain Operations (\$/tonne)		85.86		87.87		77.56
Oil (\$/boe)		42.72		62.50		57.01
Electricity (\$/MWh)		47.93		40.83		40.72

(1) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release.

(2) Net working capital is calculated as total current assets less total current liabilities.

(3) Prairie Operations volumes presented on a 100% basis for each period.

# Review of Operations

## Metals

	Q2 2009		Q2 2008		Six months ended June 30	
					2009	2008
Production (tonnes, 50% basis)						
Nickel	4,261		3,704		8,334	7,452
Cobalt	470		406		939	813
Sales (thousands of pounds, 50% basis)						
Nickel	9,582		8,200		18,318	16,562
Cobalt	1,078		902		2,076	1,822
Reference prices (US\$/lb)						
Nickel	\$ 5.89	\$ 11.67	\$ 5.31	\$ 12.38		
Cobalt <sup>(1)</sup>	13.53	45.93	13.91	46.06		
Realized prices (\$/lb)						
Nickel	\$ 6.86	\$ 12.12	\$ 6.30	\$ 12.53		
Cobalt	16.62	45.67	16.43	45.90		
Unit operating costs (US\$/lb)						
Mining, processing and refining costs	\$ 4.34	\$ 6.91	\$ 4.65	\$ 6.26		
Third-party feed costs	0.13	1.02	0.24	1.17		
Cobalt by-product credits	(1.61)	(4.96)	(1.55)	(5.01)		
Other	(0.01)	(0.56)	0.09	(0.24)		
Net direct cash costs of nickel <sup>(2)</sup>	\$ 2.85	\$ 2.41	\$ 3.43	\$ 2.18		
Revenue (\$ millions)						
Nickel	\$ 65.7	\$ 99.4	\$ 115.4	\$ 207.5		
Cobalt	17.9	41.1	34.1	83.6		
Fertilizer and other	27.5	37.2	41.3	48.9		
	\$ 111.1	\$ 177.7	\$ 190.8	\$ 340.0		
EBITDA (\$ millions) <sup>(3)</sup>	\$ 26.5	\$ 71.3	\$ 25.1	\$ 160.5		
Operating earnings (\$ millions)	\$ 20.0	\$ 65.5	\$ 11.2	\$ 149.8		
Capital expenditures (\$ millions)						
Moa Joint Venture (50% basis)	\$ 7.3	\$ 64.6	\$ 12.8	\$ 114.9		
Ambatovy Joint Venture (100% basis)	326.8	501.7	703.7	884.6		
	\$ 334.1	\$ 566.3	\$ 716.5	\$ 999.5		

(1) Average Metal Bulletin: Low Grade cobalt published price.

(2) Net direct cash cost of nickel after cobalt and by-product credits.

(3) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release. EBITDA excludes depreciation of \$6.4 million and \$3.4 million in the three-month periods ended June 30, 2009 and June 30, 2008 and \$10.9 million and \$6.5 million in the six-month periods ended June 30, 2009 and June 30, 2008.

Mixed sulphide production for second-quarter 2009 was 9,277 tonnes (100% basis), up 7% (631 tonnes) from the prior-year period. The production increase reflects the impact of the additional capacity from the Phase 1 Expansion which was commissioned during second-quarter 2008.

Second-quarter 2009 finished nickel production of 8,522 tonnes (100% basis) and finished cobalt production of 940 tonnes (100% basis) were 15% (1,115 tonnes) and 16% (129 tonnes) respectively higher than the prior-year period. The production increases reflect the impact of the additional capacity from the Phase 1 Expansion which was commissioned during the second quarter of 2008.

Nickel sales of 9.6 million pounds (50% basis) increased by 17% (1.4 million pounds) from second-quarter 2008. Cobalt sales of 1.1 million pounds (50% basis) were 20% (0.2 million pounds) higher than the prior-year period. Increased sales reflected increased metal production and the drawdown of nickel

inventory to more normal levels.

Average nickel reference prices in second-quarter 2009 were down 50% (US\$5.78/lb) and average cobalt reference prices were 71% (US\$32.40/lb) lower compared to the prior-year period due to the impact of weakened global industrial demand on the base metals markets.

The net direct cash cost of nickel for the quarter was US\$2.85/lb, 31% (US\$1.27/lb) lower than first-quarter 2009, reflecting the impact of declining input commodity costs and the realization of spring fertilizer by-product sales. Compared to the prior-year period, the cash cost of nickel was 18% (US\$0.44/lb) higher as the benefit of lower mining, processing and refining costs, lower maintenance and lower third-party feed costs were more than offset by the 68% (US\$3.35/lb) decline in the cobalt by-product credit.

Sustaining capital expenditures for second-quarter 2009 were 69% (\$8.8 million) lower than the prior-year period, commensurate with lower metal prices. Expansion expenditures in the Moa Joint Venture during the second quarter were \$3.4 million, 93% (\$48.5 million) lower than the prior-year period. The decline was due to the suspension of the Phase 2 Expansion in October 2008. Current spending reflects the capitalization of interest related to the financing of the Phase 2 Expansion and the Moa Acid Plant, and the construction of certain expansion assets at Fort Saskatchewan.

## The Ambatovy Project

Ambatovy Project expenditures for second-quarter 2009 were \$326.8 million (100% basis), bringing total Project expenditures to US\$2.8 billion (100% basis), excluding capitalized interest. The Project, which is expected to produce 60,000 tonnes (100% basis) of nickel and 5,600 tonnes (100% basis) of cobalt, is on schedule for mechanical completion in the latter part of 2010.

There were no borrowings against the senior project loans in second-quarter 2009. During the second quarter, Sherritt finalized arrangements with its Ambatovy partners to fund Sherritt's pro rata share of the shareholder funding for the Ambatovy Project. These arrangements create a mechanism by which the partners can provide new, non-recourse loans to Sherritt that the Corporation can only use to meet its shareholder funding obligations. As a result, Sherritt's share of the Project expenditures during second-quarter 2009 was funded by partner loans.

## Coal

	Q2 2009		Q2 2008		Six months ended June 30	
					2009	2008
Production (millions of tonnes)						
Prairie Operations <sup>(1)</sup>	8.4		8.8		16.9	17.6
Mountain Operations <sup>(2)</sup> (50% basis)	0.5		0.4		1.0	0.8
Sales (millions of tonnes)						
Prairie Operations <sup>(1)</sup>	8.2		8.4		16.7	17.5
Mountain Operations <sup>(2)</sup> (50% basis)	0.4		0.4		0.8	0.8
Realized prices, excluding royalties (\$/tonne)						
Prairie Operations <sup>(1)</sup>	\$ 14.35	\$	14.61	\$	14.68	\$ 14.12
Mountain Operations <sup>(2)</sup>	85.86		87.87		92.72	77.56
Unit operating costs (\$/tonne)						
Prairie Operations <sup>(1)</sup>	\$ 11.19	\$	11.88	\$	11.41	\$ 11.04
Mountain Operations <sup>(2)</sup>	63.17		72.19		61.01	63.44

	Six months ended June 30			
	Q2 2009	Q2 2008	2009	2008
<b>Revenue (\$ millions)</b>				
Prairie Operations <sup>(1)</sup>				
Mining revenue	\$ 116.7	\$ 123.6	\$ 244.6	\$ 247.4
Coal royalties	13.2	11.0	26.1	19.5
Potash royalties	2.3	4.6	6.6	8.1
Mountain Operations and Other Assets <sup>(2),(3)</sup> (50% basis)	33.5	34.2	77.3	65.1
	<b>\$ 165.7</b>	<b>\$ 173.4</b>	<b>\$ 354.6</b>	<b>\$ 340.1</b>
<b>EBITDA (\$millions)<sup>(4)</sup></b>				
Prairie Operations <sup>(1)</sup>	\$ 34.3	\$ 30.2	\$ 78.6	\$ 70.2
Mountain Operations and Other Assets <sup>(2),(3)</sup> (50% basis)	7.6	5.6	23.3	10.9
	<b>\$ 41.9</b>	<b>\$ 35.8</b>	<b>\$ 101.9</b>	<b>\$ 81.9</b>
Operating earnings (\$ millions)	\$ 17.9	\$ 6.5	\$ 52.7	\$ 24.5
<b>Capital expenditures (\$ millions)</b>				
Prairie Operations <sup>(1)</sup>	\$ 16.4	\$ 7.5	\$ 25.0	\$ 11.5
Mountain Operations <sup>(2)</sup> (50% basis)	1.9	0.5	3.1	1.1
Activated Carbon Project (50% basis)	3.8	-	5.6	-
Obed Mountain mine (50% basis) <sup>(5)</sup>	11.4	-	12.6	-
	<b>\$ 33.5</b>	<b>\$ 8.0</b>	<b>\$ 46.3</b>	<b>\$ 12.6</b>

- (1) Prairie Operations are presented on a 100% basis. Sherritt equity-accounted for these operations up to the date of the acquisition of Royal Utilities Income Fund in May 2008.
- (2) Mountain Operations include the results of the Coal Valley mine, which is primarily involved in the export of thermal coal, and are presented on a 50% basis.
- (3) Other Assets include certain undeveloped reserves that produce coal-bed methane and technologies under development, including the Dodds-Roundhill Coal Gasification Project, and are presented on a 50% basis.
- (4) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release. EBITDA excludes depreciation of \$14.7 million and \$9.2 million for the three-month periods ended June 30, 2009 and June 30, 2008, and \$29.8 million and \$11.1 million for the six-month periods ended June 30, 2009 and June 30, 2008.
- (5) Includes \$6.5 million of equipment financed through a bank credit facility that ordinarily would have been acquired under a capital lease.

Prairie Operations production and sales volumes in second-quarter 2009 were 5% (0.4 million tonnes) and 4% (0.3 million tonnes), respectively lower than the prior-year period, due to the timing of outages at the generating stations supplied by contract mining operations. Production at the Mountain Operations was up 17% (0.1 million tonnes) compared to the prior-year quarter, continuing the trend of improved equipment availability from the first quarter.

Realized pricing was down slightly in both the Prairie and Mountain Operations when compared to the prior-year period. The 2% (\$0.26/tonne) decline in realized pricing in the Prairie Operations was the result of index adjustments to prices at owned mines and lower cost and capital recoveries at the contract mines. Second-quarter pricing in the Mountain Operations was 2% (\$2.01/tonne) lower than the prior-year period, reflecting the impact of new contract pricing which began to take effect in April, partially offset by the impact of a stronger Canadian dollar. For the first six months of 2009, Mountain Operations pricing was 20% (\$15.16/tonne) higher than the comparable period in 2008, reflecting the record pricing on thermal coal contracts for the period from April 2008 through March 2009.

Unit cost improvements at both the Prairie (6% or \$0.69/tonne) and Mountain Operations (12% or \$9.02/tonne) in second-quarter 2009 were largely attributable to the decline in input commodity prices when compared to the prior-year period, and higher production at the Mountain Operations.

Total royalties of \$15.5 million in second-quarter 2009 were largely unchanged from the prior-year period, as an increase in coal royalties (\$2.2 million) due to the timing of mining in royalty areas was offset by a decline in potash royalties (\$2.3 million) that resulted from lower potash production. Lower potash

production resulted as producers reacted to relieve downward pressure on potash prices.

Sustaining capital expenditures for Coal were \$18.3 million for the quarter, 129% higher than the prior-year period. The increase in cash capital expenditures reflected the reduced availability of equipment lease-financing on acceptable terms. Expenditures for the Activated Carbon Project (50% basis) and the Obed Mountain mine expansion (50% basis) totaled \$15.2 million for the quarter.

## Oil and Gas

	Six months ended June 30			
	Q2 2009	Q2 2008	2009	2008
Production (boepd) <sup>(1), (2)</sup>				
Gross working interest – Cuba <sup>(3), (5)</sup>	20,167	33,813	20,923	32,409
Net working interest <sup>(4)</sup>				
Cuba – cost recovery <sup>(5)</sup>	6,589	5,320	7,380	6,683
Cuba – profit oil <sup>(5)</sup>	5,510	11,879	5,498	10,653
Cuba – total	12,099	17,199	12,878	17,336
Spain <sup>(4)</sup>	276	476	290	485
Pakistan <sup>(4)</sup>	382	385	376	392
Total net working-interest production	12,757	18,060	13,544	18,213
Reference prices (US\$/bbl)				
US Gulf Coast Fuel Oil No. 6	\$ 51.68	\$ 84.44	\$ 45.38	\$ 77.11
Brent crude	58.89	121.38	51.85	109.46
Realized prices				
Cuba (\$/bbl)	\$ 43.18	\$ 62.01	\$ 39.40	\$ 56.63
Spain (\$/bbl)	70.75	124.76	62.92	110.78
Pakistan (\$/boe)	7.90	7.36	8.41	7.21
Unit operating costs				
Cuba (\$/bbl)	\$ 7.87	\$ 5.51	\$ 8.48	\$ 5.82
Spain (\$/bbl)	81.49	32.44	67.99	31.39
Pakistan (\$/boe)	1.12	1.06	1.22	1.00
Revenue (\$ millions)	\$ 50.2	\$ 104.5	\$ 96.8	\$ 192.0
EBITDA (\$ millions) <sup>(6)</sup>	\$ 33.6	\$ 86.5	\$ 60.8	\$ 154.5
Operating earnings (\$ millions)	\$ 13.3	\$ 57.3	\$ 13.3	\$ 101.6
Capital expenditures (\$ millions)	\$ 10.3	\$ 30.8	\$ 22.4	\$ 55.1

(1) Production figures exclude production from wells for which commerciality has not been established.

(2) Oil production is stated in barrels per day (“bpd”). Natural gas production is stated in barrels of oil equivalent per day (“boepd”), which is converted at 6,000 cubic feet per barrel.

(3) In Cuba, Oil and Gas delivers all of its gross working-interest oil production to CUPET at the time of production. Gross working-interest oil production excludes (i) production from wells for which commerciality has not been established in accordance with production-sharing contracts; and (ii) working interests of other participants in the production-sharing contracts.

(4) Net production (equivalent to net sales volume) represents the Corporation’s share of gross working-interest production. In Spain and Pakistan, net oil production volumes equal 100% of gross working-interest production volumes.

(5) Gross working-interest oil production is allocated between Oil and Gas and CUPET in accordance with production-sharing contracts. The Corporation’s share, referred to as ‘net oil production’, includes (i) cost recovery oil (based upon the recoverable capital and operating costs incurred by Oil and Gas under each production-sharing contract) and (ii) a percentage of profit oil (gross working-interest production remaining after cost recovery oil is allocated to Oil and Gas). Cost recovery pools for each production-sharing contract include cumulative recoverable costs, subject to certification by CUPET, less cumulative proceeds from cost recovery oil allocated to Oil and Gas. Cost recovery revenue equals capital and operating costs eligible for recovery under the production-sharing contracts. Therefore, cost recovery oil volumes increase as a result of higher capital expenditures and decrease when selling prices increase. When oil prices increase, the resulting reduction in cost recovery oil volumes is partially offset by an increase in profit oil barrels.

(6) EBITDA is a non-GAAP measure. See the “Non-GAAP Measures” section at the end of this release.

Gross working-interest (GWI) production in 2009 reflects the loss of Block 7 production in Cuba resulting from the premature termination of the production-sharing contract earlier in the year. Excluding Block 7, second-quarter GWI production was 19% (4,758 bpd) lower than the prior-year period, reflecting the

impact of the suspension of drilling activity in late 2008 and early 2009 due to cash flow restrictions in Oil and Gas. For comparison, GWI production in Cuba for second-quarter 2008, excluding Block 7, was 24,925 bpd and net working-interest production was 12,872 bpd. Net production in Cuba for second-quarter 2009 was down 6% (773 bpd) from the prior-year period excluding Block 7, reflecting the impact of lower GWI production and lower oil prices. In Spain, continued reservoir declines and the impact of a series of workovers resulted in a 42% reduction in net oil production. Production levels in Spain are expected to return to their historical levels once the workovers are completed in third-quarter 2009.

Lower realized prices in second-quarter 2009 reflected lower oil reference prices relative to the prior-year period. Unit operating costs in Cuba were 43% (\$2.36/bbl) higher than the prior-year period due to fixed operating costs being applied against a smaller production base, following the termination of Block 7, and higher treatment and transportation costs. Unit operating costs in Spain reflected higher workover activity in second-quarter 2009, and are expected to return to historical levels in future quarters with lower ongoing costs resulting from the workovers and improved production.

Second-quarter 2009 capital expenditures were 67% (\$20.5 million) lower than the prior-year period, mainly the result of Oil and Gas' objective to restrict its capital expenditures to its available cash flow, which is largely dependent on the timing of the receipt of payments for receivables. In Cuba, three development wells were initiated and one development well was completed during second-quarter 2009. Exploration expenditures during the quarter were directed at initial activity related to an exploratory gas well in Turkey. During second-quarter 2009, the Corporation sold half of its interest in this well. Upon completion of the well, the Corporation will have a 21% interest in the licenses associated with this well.

## Power

	Six months ended June 30				
	Q2 2009		Q2 2008		
			2009	2008	
Electricity sold (GWh, 100% basis)		515	567	1,056	1,164
Realized price (\$/MWh)	\$	47.93	\$ 40.83	\$ 49.23	\$ 40.72
Unit cash operating cost (\$/MWh)	\$	15.14	\$ 11.80	\$ 16.49	\$ 10.13
Net capacity factor		69%	76%	72%	77%
Revenue (\$ millions)	\$	28.6	\$ 30.3	\$ 59.0	\$ 60.1
EBITDA (\$ millions) <sup>(1)</sup>	\$	19.7	\$ 22.9	\$ 39.4	\$ 46.7
Operating earnings (\$ millions)	\$	12.0	\$ 15.7	\$ 24.1	\$ 32.0
Capital expenditures (\$ millions)					
Cuba	\$	8.7	\$ 7.5	\$ 14.2	\$ 11.3
Madagascar		1.3	-	4.8	-
	\$	10.0	\$ 7.5	\$ 19.0	\$ 11.3

(1) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release.

Electricity production for second-quarter 2009 was 9% (52 GWh) lower than the prior-year period due to scheduled maintenance and unplanned outages. Unit cash operating costs increased 28% over the same period due to higher maintenance costs and the loss of production from the unplanned outages. The net capacity factor during the quarter fell below 70%, reflecting the lower availability resulting from the impact of maintenance activities and unplanned outages.

Sustaining capital expenditures of \$6.8 million for second-quarter 2009 were 131% (\$3.9 million) higher than the prior-year period and related mainly to infrastructure projects in Cuba. Expansion capital expenditures were \$3.2 million and were directed at ongoing construction costs in Madagascar (\$1.3 million) and engineering and site preparation (\$1.9 million) for the Phase 8 expansion in Cuba.

## Cash, Debt and Financing

Cash, cash equivalents and short-term investments were \$1.0 billion at June 30, 2009. Of that amount, 3% (\$29.0 million, 50% basis) was held by the Moa Joint Venture and 32% (\$341.7 million, 100% basis) was held by the Ambatovy Joint Venture. These funds are for the use of each joint venture, respectively.

At June 30, 2009, the amount of credit available under various credit facilities, inclusive of approximately US\$1.0 billion (100% basis) under the Ambatovy senior project financing, was \$1.5 billion.

In June, the Corporation finalized arrangements with its Ambatovy Partners, to fund its pro rata share of shareholder contributions for the Ambatovy Project. These arrangements are described earlier in this release under the heading "Ambatovy Project".

## Outlook

Sherritt's production volumes, royalties and capital expenditures for the first six months of 2009 and projections for the year 2009 are shown below:

	Actual for the six months ended June 30, 2009	Projected for the year ending December 31, 2009
<b>Production</b>		
Mixed sulphides (tonnes, 100% basis)	18,649	37,000
Nickel (tonnes, 100% basis)	16,668	33,500
Cobalt (tonnes, 100% basis)	1,877	3,500
Coal - Prairie Operations (millions of tonnes)	16.9	36
Coal - Mountain Operations (millions of tonnes, 100% basis)	2.0	4.4
Oil - Gross working interest (Cuba) (bpd)	20,923	21,000
Oil - Net production, all operations (boepd) <sup>(1)</sup>	13,544	13,000
Power - Electricity (GWh)	1,056	2,000
<b>Royalties</b>		
Coal (\$ millions)	26	41
Potash (\$ millions)	7	15
<b>Capital Expenditures</b> (\$ millions, unless otherwise noted)		
Metals - Moa Joint Venture (50% basis)	13	39
Coal - Prairie Operations <sup>(2)</sup>	25	35
Coal - Mountain Operations (50% basis)	3	9
Coal - Activated Carbon Project (50% basis)	6	27
Coal - Obed Mountain mine (50% basis) <sup>(3)</sup>	6	8
Oil and Gas - Cuba	18	119
Oil and Gas - Other	5	16
Power - Cuba	14	45
Power - Madagascar	5	19
	95	317
Metals - Ambatovy (100% basis, US\$ millions)	580	1,800

(1) Net oil production is predicated on the WTI/Fuel Oil No.6 price differential remaining consistent with historical levels.

(2) Excludes equipment expected to be financed through new borrowings in the second half of 2009.

(3) Excludes equipment financed through a bank credit facility.

- In Metals, the majority benefit of lower commodity input prices is expected to continue for the balance of 2009, with any change in unit operating costs from the first half of the year largely dependent on cobalt prices. Annual maintenance activities are being completed in three windows in May, June and September/October, subject to finalization of the schedule. This staged approach is proving less disruptive and more cost efficient than a single shut-down. Capital expenditure guidance in Metals has been adjusted to reflect the capitalization of interest on the Moa/Fort Expansion financing, partly offset by lower-than-planned sustaining capital expenditures.
- In the Ambatovy Project, approximately US\$0.6 billion of the estimated US\$1.8 billion in 2009 capital expenditures is expected to be financed through drawdowns on the senior project financing. Sherritt's contribution of partner funding for the remainder of 2009 is expected to be funded through non-recourse partner loans.
- In Coal, annual production levels are expected to be consistent with prior years and all production has been contracted. Price settlement for the majority of Mountain Operations export contracts occurred in late March and early April 2009. Export settlement prices are significantly lower than the record prices of 2008 due to current market conditions. Approximately 50% of Coal Valley mine's contract year production will be linked to the Newcastle FOB settlement price, which settled at approximately US\$ 70.00/tonne, down over 40% from last year. This has resulted in a corresponding reduction in the average realized price per tonne at Mountain Operations for second-quarter 2009 that will continue for the balance of 2009, although the impact will be somewhat offset if the Canadian dollar remains weaker than last year. Additional production from the Obed Mountain mine (scheduled to re-open in the third quarter) is estimated to be approximately 0.4 million tonnes for the year. Sustaining capital expenditures for Prairie Operations are expected to increase as working capital or other credit facilities are used to fund capital purchases that otherwise would have been leased. The commissioning of the first activated carbon plant is on schedule for early 2010.
- In Oil and Gas, the extent of the drilling program in 2009 will be dictated largely by the receipt of payments in Cuba. The reduction in second-quarter guidance for full-year 2009 GWI production in Cuba to 21,000 bpd is due to a decrease in expected production from new wells in 2009. The reduction in the second-quarter guidance for full-year 2009 net production to 13,000 boepd results mainly from the decrease in the gross working-interest production in Cuba. Plans for an enhanced oil recovery pilot project in Cuba have been delayed pending the issuance of required permits. In July, drilling was initiated on an exploratory well in Turkey which is expected to be completed in third-quarter 2009.
- In Power, all issues related to the two turbine failures that occurred in first-quarter 2009 have been corrected, and all turbines are available for operation. A major steam turbine overhaul is scheduled for fourth-quarter 2009 and is not expected to have a significant impact on production. Full-year 2009 production is expected to reach 2,000 GWh. The turbine failures in the first quarter necessitated repairs that increased operating costs during the first two quarters of 2009, and as a result full-year 2009 unit operating costs are expected to be higher than in 2008. The 150 MW Boca de Jaruco Combined Cycle Project in Cuba continues to be reviewed in light of current economic conditions. Sherritt will continue with engineering and progress payments to maintain the Project option value while it is under review. Due to delays in equipment delivery, the 25 MW Madagascar Thermal Power Project is now expected to be operational in August 2009 compared with the previous guidance for end of June 2009.

## Non-GAAP Measures

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The Corporation discloses EBITDA in order to provide an indication of revenue less cash operating expenses. Operating earnings is a measure used by Sherritt to evaluate the operating performance of its businesses as it excludes interest charges, which are a function of the particular financing structure for the business, and certain other charges. EBITDA and operating earnings do not have any standardized meaning prescribed by Canadian generally accepted accounting principles and, therefore, they may or may not be comparable with similar measures presented by other issuers.

## About Sherritt

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Sherritt is a diversified natural resource company that produces nickel, cobalt, thermal coal, oil, gas and electricity. It also licenses its proprietary technologies to other metals companies. Sherritt's common shares are listed on the Toronto Stock Exchange under the symbol "S".

## Forward-looking Statements

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This press release contains certain forward-looking statements. Forward-looking statements generally can be identified by the use of statements that include words such as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "projected", "continue" or other similar words or phrases. Similarly, statements with respect to expectations concerning assets, prices, costs, dividends, foreign-exchange rates, earnings, production, market conditions, capital expenditures, commodity demand, risks, availability of regulatory approvals, the impact of investments in Master Asset Vehicles, corporate objectives and plans or goals, are or may be forward-looking statements. These forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. Sherritt cautions readers of this press release not to place undue reliance on any forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. By their nature, forward-looking statements require Sherritt to make assumptions and are subject to inherent risks and uncertainties. Key factors that may result in material differences between actual results and developments and those contemplated by this press release include global economic conditions, business, economic and political conditions in Canada, Cuba, Madagascar, and the principal markets for Sherritt's products. Other such factors include, but are not limited to, uncertainties in the development and construction of large mining projects; risks related to the availability of capital to undertake capital initiatives; changes in capital cost estimates in respect of the Corporation's capital initiatives; risks associated with Sherritt's joint venture partners; future non-compliance with financial covenants; potential interruptions in transportation; political, economic and other risks of foreign operations; Sherritt's reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainties in oil and gas exploration; risks related to foreign-exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; risks related to the Cuban government's ability to make certain payments to the Corporation; development programs; uncertainties in reserve estimates; uncertainties in asset retirement and reclamation cost estimates; Sherritt's reliance on significant customers; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; Sherritt's ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainties in pension liabilities; the ability of Sherritt to enforce legal rights in foreign jurisdictions; the ability of Sherritt to obtain government permits; risks associated with government regulations and environmental health and safety matters; and other factors listed from time to time in Sherritt's continuous disclosure documents.

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

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