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## Sherritt Earnings Up In Second Quarter

### Highlights

- Revenue, EBITDA, Net Earnings increase over Q1 and prior year
- Coal, Metals, Power expansion projects on track
- Oil: Santa Cruz appraisal well completed, now in testing phase
- Dividend payment, stock buyback initiated
- Increase in cash position to \$492 million

Toronto, Ontario, August 3, 2005. Sherritt International Corporation today announced net earnings of \$56.0 million for the second quarter of 2005, a \$1.7 million increase over second quarter 2004, and an increase of \$20.5 million or 58% over the first quarter 2005 net earnings of \$35.5 million. Earnings per share at \$0.36 for the quarter reflected an increase of 17% in the average number of shares outstanding. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the period were \$145.2 million compared with \$141.5 million in 2004, and increased by 19% from \$122.4 million in the previous quarter. The increase in EBITDA over the previous year can be attributed primarily to higher realized prices for oil.

### Financial Highlights (unaudited)

(millions of dollars, except per share amounts)	Three months ended June 30		Six months ended June 30	
	2005	2004 (restated)	2005	2004 (restated)
Revenue from continuing operations	\$320.1	\$ 306.0	\$ 575.4	\$ 564.5
EBITDA <sup>(1)</sup>	145.2	141.5	267.6	267.1
Operating earnings from continuing operations <sup>(1)</sup>	98.5	94.7	176.2	176.3
Earnings from continuing operations <sup>(2)</sup>	56.0	53.3	91.5	99.4
Net earnings	56.0	54.3	91.5	100.4
Earnings per share – basic				
From continuing operations <sup>(2)</sup>	0.36	0.41	0.62	0.76
Net earnings	0.36	0.41	0.62	0.76
Earnings per share – diluted				
From continuing operations <sup>(2)</sup>	0.30	0.29	0.51	0.55
Net earnings	0.30	0.30	0.51	0.56
Weighted average number of shares (millions)				
Basic	154.2	131.3	146.8	131.3
Diluted	198.7	208.9	198.7	208.9
Total cash	491.8	456.2	491.8	456.2

<sup>(1)</sup>. Reference should be made to the Summary Financial Results by Segment later in this news release for a description of the above financial measures and for a reconciliation of these measures to GAAP measures.

<sup>(2)</sup>. Earnings from discontinued operations in the second quarter of 2004 of \$1.0 million (net of income taxes of \$0.2 million) relate to the settlement of certain outstanding items from the disposal of the metallurgical coal operations in 2003.

*All amounts in this press release represent Sherritt's 100% interest, except for amounts relating to Coal and Metals, which reflect the Corporation's 50% interest in these businesses, unless otherwise indicated. Effective October 1, 2004 Sherritt adopted new accounting requirements, issued by the Canadian Institute of Chartered Accountants, in respect of accounting for convertible debentures and the consolidation of variable interest entities. Both changes have been applied retroactively with restatement of prior periods.*

In line with the Corporation's commitment to increasing shareholder value and in view of its strong balance sheet and cash flow, Sherritt introduced both a quarterly dividend and a share repurchase program during the quarter. The first dividend of 2.5 cents per share was paid on May 24 to shareholders of record on May 10, 2005 and the second payment of 2.5 cents was made on July 15 to shareholders of record on June 30, 2005. On June 29, Sherritt announced a normal course issuer bid which would allow the purchase up to 5% of its outstanding shares. No shares were acquired during the quarter under this share repurchase program.

## **Second Quarter Results**

**Coal** generated EBITDA of \$14.0 million on revenue of \$65.3 million compared to EBITDA of \$19.0 million on revenue of \$61.6 million in the second quarter of 2004. Total production volume at 4.5 million tonnes was similar to last year. The decrease in EBITDA was due to weather conditions at the Coal Valley and Boundary Dam mines which reduced production and sales, and to expansion at the Coal Valley site where production was constrained by construction related to the brownfield expansion of the wash plant. Coal achieved a safety milestone during the quarter, reaching 2 million hours without a lost time incident.

Capital spending totalled \$5.8 million, directed for the most part to the two million tonne (100% basis) expansion at the Coal Valley mine.

**Metals** generated EBITDA of \$62.4 million on revenue of \$141.8 million, closely tracking the EBITDA of \$62.5 million on revenue of \$142.8 million in the second quarter of 2004. Results for the quarter primarily reflected increased realized nickel prices and increased nickel and cobalt sales offset by a 46% decline in realized cobalt prices compared with the prior year period. Capital spending was \$6.4 million.

Completion of the first engineering phase of the 16,000 tonnes per year expansion of the Metals business to 49,000 tonnes per year (100% basis) is on schedule for the end of September 2005. The selection process for construction contractors is scheduled for completion by the end of the third quarter. Orders for equipment with long delivery times are expected to commence during the third quarter with construction anticipated to start in early 2006.

**Oil and Gas** generated EBITDA of \$56.5 million on revenue of \$66.8 million, up from EBITDA of \$44.6 million on revenue of \$53.3 million in the second quarter of 2004. The increases in revenue and EBITDA reflected the increase in crude oil prices offset in part by lower gross production due to natural reservoir declines. Capital spending totalled \$39.0 million.

The Corporation has reached total depth and is currently testing the first of two Santa Cruz appraisal wells that, if successful, will lead to commercialization of the Santa Cruz discovery around the end of the year. In addition, initial production rates from the Seboruco 11 and Varadero West 728 development wells were higher than initially expected.

**Power** generated EBITDA of \$15.0 million on revenue of \$26.6 million, compared with \$22.8 million on revenue of \$27.2 million in the second quarter of 2004. The decrease in EBITDA was the result of reducing the expected insurance recovery on a claim for the 2003 rotor failure which was initially recorded in the second quarter of 2004. This was offset by a decrease in the Corporation's self-insured retention. Just over 426,000 MWh were generated during the period, up slightly from the previous

quarter and last year. Realized power prices were down slightly in the quarter due to a stronger Canadian dollar. Capital spending was \$33.5 million, the majority of which was devoted to the 85 MW expansion which commenced construction in the third quarter of 2004 and is scheduled for completion this year.

In **Other Businesses**, Sherritt's soybean-based food processing business generated revenue of \$19.6 million and EBITDA of \$2.8 million during the quarter.

## **Outlook**

Sherritt's financial results for 2005 will likely continue to be positively affected by relatively robust nickel, cobalt, coal and oil prices and by continuing high levels of global demand for its products. Indications are that prices will remain at the higher end of the cycle throughout 2005. Other drivers which can affect results include exchange rate fluctuations, changes in input costs and weather conditions, all of which are factored into the Corporation's programs for efficiency and cost effectiveness.

Production levels in 2005 are expected to be similar to 2004 levels for Metals and Power, while Coal production will increase at the Genesee and Coal Valley mines. Oil and Gas is expecting a modest increase in gross production for the balance of 2005 as a result of higher drilling activity. Total capital spending in 2005 is expected to be approximately \$300 million.

The outlook for each of Sherritt's business units follows:

### **Coal** (all references are to Sherritt's 50% share)

Coal production is expected to increase by 5% to 20 million tonnes in 2005 as a result of already expanded production at the Genesee mine, and at the Coal Valley mine where expanded production is expected to be on line later this year. Scheduled to be at full capacity by the second quarter of 2006, the expansion at Coal Valley is proceeding with a planned shutdown of the wash plant in the third quarter to install upgrades and expand capacity. Slightly higher than anticipated costs arising out of project scope changes for the Coal Valley expansion project will be mitigated by lower sustaining capital expenditures, resulting in total expected capital additions of approximately \$37 million for 2005.

Work is continuing on an applied research project to develop the process technology required to beneficiate and gasify coal. Alberta Energy Research Institute is providing a portion of the funding for the project.

### **Metals** (all references are to Sherritt's 50% share)

In 2005, finished nickel and finished cobalt production is expected to be near record levels. Nickel prices are anticipated to remain strong in 2005, relative to historical prices, as market fundamentals continue to be positive, and demand for high-grade cobalt is expected to improve cobalt prices by the end of 2005. The benefits of strong nickel and cobalt prices are expected to be partly offset by continued high energy and raw materials prices. Sustaining capital expenditures for Metals are expected to be approximately \$33 million in 2005 and are focused on improving operational efficiency, maintaining process reliability and implementing environmental initiatives. In addition, an estimated \$75 million for basic engineering and commitments for additional expenditures related to the Metals expansion is anticipated for 2005.

### **Oil and Gas**

Sherritt expects that 2005 fuel oil reference prices will, on average, be higher than average prices in 2004. Oil and Gas is on track with an ambitious exploration and development program at an estimated cost of \$128 million, with four drilling rigs in operation and three additional drilling rigs which are being deployed this year. In addition to its development drilling activity in Cuba, Sherritt intends to drill appraisal wells on the recent discovery at Santa Cruz and to drill several other exploration prospects in Block 7 (Guanabo and Tarara), Block 9 (San Anton) and Block 10 (Playa Larga). Mobilization of the San Anton exploration well is currently underway. These prospects were identified from major seismic programs acquired and interpreted over the past two years. Sherritt expects that its development

drilling program will result in modest increases in gross production volumes, offsetting natural production declines, with the potential for further increases in production volumes if additional fields are discovered through the exploration drilling program. Sherritt anticipates that net oil production in 2005 will be lower than 2004, due to higher fuel oil prices and lower gross production from new wells, partly offset by the increase in recoverable capital spending.

### **Power**

Construction of the 85 MW expansion which will bring total capacity to over 310 MW, is expected to be completed on schedule. It is anticipated that the gas plant and turbines will be commissioned in the fourth quarter of 2005. Production from the expansion will be offset by lower production from existing operations due to two scheduled six year mechanical inspections and, as a result, total expected production of 1.6 million megawatt hours will be basically unchanged from 2004. Capital expenditures remaining in 2005 are estimated to be \$31.8 million of which \$22.5 million is related to the expansion. The Corporation is negotiating a further expansion of up to 190 MW, subject to confirmation and dedication of sufficient natural gas reserves from oil fields in Cuba. This would optimize the use of the natural gas reserves in Cuba. The timing and estimated cost of the additional expansion has not been finalized although, as was the case with all previous projects, Sherritt would finance, construct and operate the expanded facilities, with all surplus net cash flow from the expansion being initially directed towards repayment of the financing and interest costs.

### **Other Businesses**

The soybean-based food processing business will pursue opportunities to maximize consumption of its products in Cuba. Production levels are expected to increase by 20% in 2005. Capital expenditures for 2005 are estimated to be \$1 million.

## Summary Financial Results by Segment (unaudited) <sup>(1)</sup>

### Three months ended June 30, 2005

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other <sup>(2)</sup>	Corporate	Consolidated
Revenue	\$ 65.3	\$ 141.8	\$ 66.8	\$ 26.6	\$ 19.6	\$ -	\$ 320.1
Operating, selling, general and administrative	51.3	79.4	10.3	11.6	16.8	5.5	174.9
EBITDA <sup>(1)</sup>	14.0	62.4	56.5	15.0	2.8	(5.5)	145.2
Depletion, amortization and accretion	14.3	5.2	20.1	5.4	0.7	1.0	46.7
Operating earnings (loss) from continuing operations <sup>(1)</sup>	(0.3)	57.2	36.4	9.6	2.1	(6.5)	98.5
Share of earnings of equity investments							-
Net financing expense							(13.3)
Earnings from continuing operations before income taxes and non-controlling interest							85.2
Capital expenditures	\$ 5.8	\$ 6.4	\$ 39.0	\$ 33.5	\$ 0.1	\$ 0.1	\$ 84.9

### Three months ended June 30, 2004 (restated)

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other <sup>(2)</sup>	Corporate	Consolidated
Revenue	\$ 61.6	\$ 142.8	\$ 53.3	\$ 27.2	\$ 21.1	\$ -	\$ 306.0
Operating, selling, general and administrative	42.6	80.3	8.7	4.4	19.3	9.2	164.5
EBITDA <sup>(1)</sup>	19.0	62.5	44.6	22.8	1.8	(9.2)	141.5
Depletion, amortization and accretion	16.4	5.0	19.8	4.3	0.6	0.7	46.8
Operating earnings (loss) from continuing operations <sup>(1)</sup>	2.6	57.5	24.8	18.5	1.2	(9.9)	94.7
Share of earnings of equity investments							-
Net financing expense							(11.1)
Earnings from continuing operations before income taxes and non-controlling interest							83.6
Capital expenditures	\$ 1.5	\$ 2.6	\$ 21.8	\$ 0.1	\$ -	\$ 0.2	\$ 26.2

<sup>(1)</sup> This table presents EBITDA and operating earnings by segment and reconciles these non-GAAP measures to earnings before income taxes. 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 are, therefore, unlikely to be comparable with similar measures presented by other issuers.

<sup>(2)</sup> Other includes the results of the soybean-based food processing business.

## Six months ended June 30, 2005

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other <sup>(2)</sup>	Corporate	Consolidated
Revenue	\$ 128.2	\$241.6	\$116.5	\$ 52.3	\$ 36.8	\$ -	\$ 575.4
Operating, selling, general and administrative	93.2	129.9	20.0	17.7	31.2	15.8	307.8
EBITDA <sup>(1)</sup>	35.0	111.7	96.5	34.6	5.6	(15.8)	267.6
Depletion, amortization and accretion	28.1	10.2	39.0	10.6	1.4	2.1	91.4
Operating earnings (loss) from continuing operations <sup>(1)</sup>	6.9	101.5	57.5	24.0	4.2	(17.9)	176.2
Share of earnings of equity investments							0.5
Net financing expense							(28.1)
Earnings from continuing operations before income taxes and non-controlling interest							148.6
Capital expenditures	\$ 7.1	\$ 10.4	\$ 67.8	\$ 57.3	\$ 0.2	\$ 1.5	\$ 144.3

## Six months ended June 30, 2004 (restated)

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other <sup>(2)</sup>	Corporate	Consolidated
Revenue	\$ 124.8	\$247.8	\$100.9	\$ 53.9	\$ 37.1	\$ -	\$ 564.5
Operating, selling, general and administrative	87.8	128.1	18.4	11.1	34.4	17.6	297.4
EBITDA <sup>(1)</sup>	37.0	119.7	82.5	42.8	2.7	(17.6)	267.1
Depletion, amortization and accretion	29.2	10.0	40.3	8.6	1.0	1.7	90.8
Operating earnings (loss) from continuing operations	7.8	109.7	42.2	34.2	1.7	(19.3)	176.3
Share of earnings of equity investments							0.5
Net financing expense							(25.1)
Earnings from continuing operations before income taxes and non-controlling interest							151.7
Capital expenditures	\$ 2.3	\$ 4.0	\$ 39.6	\$ 0.1	\$ -	\$ 0.2	\$ 46.2

(1) This table presents EBITDA and operating earnings by segment and reconciles these non-GAAP measures to earnings before income taxes. 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 are, therefore, unlikely to be comparable with similar measures presented by other issuers.

(2) Other includes the results of the soybean-based food processing business.

## Key Operating Statistics

	Three months ended		Six months ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
<b>Sales Volumes (Sherritt's share)</b>				
Coal (000's of tonnes) <sup>(1)</sup>	4,547	4,637	9,508	9,693
Nickel (000's of pounds) <sup>(1)</sup>	9,715	9,133	18,670	17,407
Cobalt (000's of pounds) <sup>(1)</sup>	984	928	1,813	1,754
Fertilizers (000's of tonnes)	109	141	122	158
Oil – Cuba (net bbls per day) <sup>(2)</sup>	19,483	19,657	18,508	19,811
Oil – Spain (net bbls per day)	461	687	461	813
Electricity generation (000's of MWh) <sup>(1)</sup>	426	412	845	833
<b>Realized Prices</b>				
Coal (per tonne)	\$14.38	\$13.26	\$13.49	\$12.87
Nickel (per pound)	9.14	7.75	8.87	8.18
Cobalt (per pound)	19.48	35.85	20.48	34.66
Oil – Cuba (per bbl)	36.52	28.15	32.70	26.16
Oil – Spain (per bbl)	63.81	47.44	61.37	43.94
Power (per MWh)	55.20	60.36	55.00	59.46
<b>Average Reference Prices</b>				
Nickel (U.S.\$ per pound)	7.44	5.70	7.20	6.19
Cobalt (U.S.\$ per pound) <sup>(3)</sup>	15.03	24.91	16.15	24.76
U.S. Gulf Coast Fuel Oil No. 6 (U.S.\$ per bbl)	35.84	25.49	31.70	23.93

(1) Represents the Corporation's respective 50% share of Luscar Energy Partnership (Coal), 50% share of the Metals Enterprise (Metals) and 100% of Energas S.A. (Power), which includes the two-thirds non-controlling interest share in Energas S.A.

(2) Gross working interest production in Cuba is allocated to the Corporation and agencies of the Cuban government in accordance with participation and production-sharing arrangements. Net working interest production or net sales volumes represents the Corporation's share of gross working interest production. Net working interest production for each production-sharing arrangement comprises profit oil (which is based upon a negotiated percentage) and cost recovery oil (which is based upon the Corporation's costs within each block). These costs, upon certification by agencies of the Cuban government, are accumulated in cost recovery pools by each production-sharing arrangement and reduced by allocation of produced oil to the Corporation. Production allocated to agencies of the Cuban government is considered to be a royalty interest.

(3) Average Metal Bulletin 99.3% cobalt published price

Sherritt International Corporation is a diversified resource company involved in the production of coal, nickel, cobalt, oil and electricity. Its success is built upon utilizing innovative technologies and the breadth of its financial and operational expertise to increase productivity and profitability. Sherritt continues to explore opportunities to grow its \$2.7 billion asset base through expansion of its existing businesses and strategic acquisitions.

A leader in employee health and safety, Sherritt is also dedicated to ensuring that its operations meet the highest standards in environmental stewardship.

Sherritt's 154 million common shares and \$300 million 7% convertible debentures trade on the Toronto Stock Exchange under the symbols S and S.DB.A respectively. Sherritt's \$105 million of 9.875% senior unsecured debentures trade on the over-the-counter bond market.

The Corporation's second quarter review of consolidated results and interim consolidated financial statements can be found on the Corporation's web site at [www.sherritt.com](http://www.sherritt.com)

*This news release contains forward-looking statements. These forward-looking statements are not based on historic facts, but rather on Sherritt International Corporation's current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that are beyond the Corporation's ability to control or predict. Actual results and developments may differ materially from those contemplated by this news release depending on, among others, such key factors as business and economic conditions in Canada, Cuba and the principal markets for Sherritt's products.*

*Key factors that may result in material differences between actual results and developments and those contemplated by this news release also include the supply, demand and prices for Sherritt's products; dependence on significant customers; deliveries; production levels, production and other anticipated and unanticipated costs and expenses; energy costs; premiums or discounts realized over LME cash and other benchmark prices; interest rates; foreign exchange rates; rates of inflation; changes in tax legislation; the timing, capital costs and financing arrangements associated with development projects; the timing of the receipt of government and other approvals; political unrest or instability in the countries where Sherritt is active; risks related to collecting accounts receivable and repatriating profits and dividends from Cuba; 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 Act; risks associated with mining, processing and exploration activities; potential imprecision of reserve estimates; market competition; developments affecting labour relations; environmental regulation and other risk factors listed from time to time in Sherritt's continuous disclosure documents such as its annual report, annual information form and management information circular.*

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