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## Sherritt Reports Strong Earnings Growth During Quarter

### Highlights

- Successful initial public offering of Royal Utilities Income Fund
- Record revenues in Coal, Oil and Gas and Power
- Strong nickel, cobalt and oil pricing environment
- Purchased \$107 million of convertible debentures

### Financial Highlights (unaudited)

(millions of dollars, except per share amounts)	Q2 2006	Q1 2006	Q2 2005 (restated) <sup>(3)</sup>	Six months ended June 30	
				2006	2005 (restated) <sup>(3)</sup>
Revenue	\$ 296.9	\$ 259.6	\$ 322.5	\$ 556.5	\$ 579.6
EBITDA <sup>(1)(2)</sup>	124.8	112.2	146.0	237.0	269.1
Net earnings	57.2	35.7	53.7	92.9	89.1
Basic earnings per share	0.38	0.24	0.35	0.61	0.60
Diluted earnings per share	0.36	0.20	0.29	0.58	0.50
Weighted average number of shares (millions)					
Basic	151.3	151.1	154.2	151.2	146.8
Diluted	179.4	194.3	198.7	179.3	198.7
Total cash, cash equivalents and short-term investments	367.5	437.0	491.8	367.5	491.8

<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> The Corporation discloses EBITDA, which is a non-GAAP measure, in order to provide an indication of revenue less cash operating expenses. EBITDA does not have any standardized meaning prescribed by Canadian generally accepted accounting principles and is, therefore, unlikely to be comparable with similar measures presented by other issuers.

<sup>(3)</sup> Comparable periods have been restated to reflect a change in the methodology of accounting for income taxes in the Cuban oil and gas business to provide a clearer presentation of income taxes in that business and a reclassification of certain selling expenses in the Metals business, which were previously netted against revenue, to operating, selling, general and administrative costs.

*All amounts in this press release represent Sherritt's 100% interest unless otherwise indicated. Amounts relating to Metals and Coal reflect the Corporation's 50% interest in these operations. Amounts relating to Coal also reflect the Corporation's 50% proportionate interest in Royal Utilities up to June 27, 2006. Subsequent to June 27, 2006, the Corporation changed its accounting for Royal Utilities to equity method. Sherritt's interest is one-third in the Power business and 49% in the soybean-based food processing business. The non-controlling interests are disclosed separately in the consolidated financial statements.*

**TORONTO, August 2, 2006.** Sherritt International Corporation ("Sherritt" or the "Corporation") today announced second quarter results. Higher revenues in all four major business units led to a 14% increase in consolidated revenues from the first quarter of 2006. Net earnings of \$57.2 million (\$0.38 basic earnings per share) in the second quarter represented a 60% increase over the \$35.7 million

recorded in the previous quarter. Compared to the second quarter of 2005, Coal, Oil and Gas and Power all recorded higher revenue. Metals revenues in the second quarter 2006 were lower than the same period last year due to lower sales volumes of both nickel and cobalt. Earnings before interest, taxes, depreciation and amortization (“EBITDA”) were \$124.8 million, an increase of \$12.6 million over the first quarter, but lower than the same period last year, primarily due to higher sales volumes in Metals during in the second quarter of 2005.

Basic earnings per share of \$0.38 included a \$0.07 per share one-time benefit of a tax rate change as a result of the decrease in Alberta and Federal tax rates, including elimination of the Federal large corporations tax. Earnings also included a one-time after tax gain of \$0.03 per share from the disposition of units in Royal Utilities Income Fund (“Royal Utilities”), together with expenses related to restructuring of the Coal business and a loss on purchase of debentures totaling \$0.03 per share. Excluding these one-time items, the basic earnings per share was \$0.31 for the quarter.

Sherritt, together with its partner Ontario Teachers’ Pension Plan, completed the initial public offering (“IPO”) of Royal Utilities during the quarter. Royal Utilities operates mine-mouth thermal coal assets and royalty streams in western Canada and began trading on the Toronto Stock Exchange on June 27, 2006. Sherritt’s share of the proceeds from the IPO and restructuring of the Coal operations totalled \$117.2 million. Following the IPO and over-allotment option, Sherritt holds 41.2% of the outstanding units in Royal Utilities.

During the quarter, Sherritt purchased \$107 million principal amount of its outstanding 7% convertible unsecured subordinated debentures due December 15, 2013 by way of two issuer bids. The \$193 million of convertible debentures that remain outstanding are redeemable in whole or in part at the option of the Corporation, starting December 16, 2006. The purchase of convertible debentures reduces the share dilution that will arise upon conversion of the debentures to equity.

Capital expenditures for the quarter totalled \$58.8 million and included \$33.0 million for Oil and Gas drilling activity and facilities construction, \$12.9 million for Metals expansion and maintenance and \$6.6 million in sustaining and expansion capital for Power.

Cash and cash equivalents, restricted cash and short-term investments totalled \$367.5 million at June 30, 2006, a decrease of \$117.7 million since year end. The cash decrease is mainly due to the purchase of convertible debentures at a cost of \$181.6 million (including transaction costs), capital expenditures of \$109.4 million, dividend payments, debt repayments and other advances and payments related to the expansion projects in Power and Metals. This was partly offset by distributions received as a result of the restructuring and IPO of Royal Utilities combined with cash generated from operations.

### **Outlook for 2006 (see “Forward-looking Statements”)**

Sherritt anticipates that prices for nickel and oil will continue to be above historical averages and that cobalt prices may increase due to higher demand. Overall high energy, raw materials, and other input costs are also expected to continue in 2006, impacting operations and construction projects underway.

Total capital expenditures for the year are expected to be approximately \$360 million, of which \$130 million will be spent in the third quarter.

**Coal** – Through completion of the IPO of Royal Utilities, Sherritt should realize the imputed value of its mine-mouth thermal coal assets and royalty streams. Coal assets jointly retained by Sherritt and Ontario Teachers' largely comprise the Coal Valley mine and substantial coal reserves in western Canada. Sherritt's share of cash distributions from Royal Utilities is expected to be \$3.2 million per month.

Sherritt remains committed to a series of long-term initiatives to develop these coal reserves to supply energy, in the form of syngas, hydrogen or steam. The first of these initiatives is the commencement of a pre-feasibility study for a commercial gasification plant at Camrose Riley for the production of syngas, which is expected to be completed by the end of the year.

Production at the Coal Valley mine is expected to be approximately 1.9 million tonnes for the 2006 calendar year. Increased production along with stronger sales prices should result in a positive operating margin in the second half of 2006.

Capital expenditures, excluding Royal Utilities, for the 2006 calendar year are forecast at approximately \$6.4 million, of which \$3.4 million relates to the completion of the wash plant expansion at Coal Valley. In the third quarter, capital expenditures are projected to be approximately \$1.4 million.

**Metals** – Process bottlenecks experienced during the first quarter have been addressed and production is expected to proceed at an annualized rate of 33,000 tonnes per year (100% basis) of mixed sulphides. Finished nickel production for 2006 is expected to be 30,000 tonnes (100% basis) while finished cobalt production is expected to be similar to 2005 levels.

Construction work for expansion at the Moa mine and processing facilities was initiated during the quarter. Given the brownfield nature of the expansion, it is possible for Sherritt and its partner to increase production in phases, thereby minimizing cost uncertainties in today's inflationary environment for capital projects. While the overall timeline to expand operations by the full 16,000 tonnes (100% basis) may be extended, the phasing of the expansion could result in up to 4,000 tonnes (100% basis) new production coming online earlier than the originally planned commissioning date in 2008. Evaluation of this approach is currently underway.

Total capital expenditures for the year are expected to be approximately \$142 million, \$20 million below the initial full year guidance of \$162 million. This difference takes into consideration the timing of activities associated with the Metals' expansion. In the third quarter, capital expenditures are forecast to be approximately \$57 million.

**Oil and Gas** – During the quarter, Sherritt benefited from above average Gulf Coast fuel oil reference prices. Gross working interest oil production in Cuba has stabilized and is expected to remain near current levels, assuming new production from development drilling offsets natural reservoir declines. The recently commercialized Santa Cruz field currently has three development drilling rigs operating in the area. There are four rigs active in other fields, including an exploration well underway at Playa Larga. A multilateral appraisal well on the existing Majaguillar-Corajol deposit (discovered several years ago) is also planned for the second half of 2006. The commercial potential of the San Anton exploration well continues to be evaluated.

The outlook for net oil production for 2006 is dependent on several factors, including gross working interest production volumes, fuel oil reference prices and capital spending. Assuming that these factors remain consistent with expectations, average net oil production for 2006 is expected to be comparable to 2005 levels.

The commercial potential of various enhanced oil recovery technologies continues to be developed. Programs involving CO<sub>2</sub>, steam or gas re-injection are being contemplated. These initiatives will require a significant amount of capital.

Capital expenditures for the quarter totalled \$33.0 million and leave the Corporation on track to spend approximately \$140 million for the year. In the third quarter, capital expenditures are expected to be approximately \$44 million.

**Power** – Production for 2006 is expected to be a record 2 million MWh. Scheduled maintenance outages at the Varadero facilities in the third quarter will impact electricity production by an estimated 40,000 MWh. Additional capacity from the newly commissioned 85MW power production facility is expected to lead to record production and revenue for Power in 2006.

Detailed engineering for the 65 MW expansion at Boca de Jaruco is largely complete. All major components have been ordered and civil work on the site will commence in the third quarter. The expansion is expected to be commissioned in the second quarter of 2007. The total cost of the project is estimated to be \$60 million, with approximately \$52 million being incurred during 2006. This expansion will bring Power's total capacity to 376 MW.

Estimated capital expenditures for the remainder of 2006 include \$39 million for the 65 MW expansion project and \$5 million for other capital projects. Third quarter capital expenditures are expected to be about \$25 million, most of which will relate to the expansion project.

## Coal

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Six months ended June 30	
						2006	2005
Coal Sales (mm of tonnes)							
Royal Utilities <sup>(1)(2)</sup>	4.2	4.9	4.8	4.5	4.3	9.1	9.1
Coal Valley mine	0.4	0.3	0.1	0.2	0.2	0.7	0.4
	4.6	5.2	4.9	4.7	4.5	9.8	9.5
Production (mm of tonnes)							
Royal Utilities <sup>(1)(2)</sup>	4.1	5.0	4.9	4.5	4.4	9.1	9.1
Coal Valley mine	0.4	0.4	0.1	0.1	0.2	0.8	0.5
	4.5	5.4	5.0	4.6	4.6	9.9	9.6
EBITDA (mm of \$)	\$ 13.3	\$ 18.8	\$ 15.8	\$ 14.5	\$ 14.0	\$ 32.1	\$ 35.0
Realized Prices (\$ per tonne)							
Royal Utilities <sup>(1)(2)</sup> (excludes royalty income)	\$ 12.63	\$ 11.31	\$ 11.10	\$ 11.15	\$ 11.14	\$ 11.92	\$ 10.92
Coal Valley mine	47.05	46.45	45.77	50.85	53.08	46.78	51.35
Capital Expenditures (mm of \$)	\$ 5.9	\$ 3.1	\$ 21.5	\$ 17.9	\$ 5.8	\$ 9.0	\$ 7.1

<sup>(1)</sup> Royal Utilities include the two contract operations, five mine-mouth operations, and the Bienfait mine and Char plant.

<sup>(2)</sup> Realized prices, sales volumes and production volumes for Royal Utilities included up to June 27, 2006.

Higher revenues from both Royal Utilities and Coal Valley resulted in a 12% increase in Coal revenue for the second quarter of 2006 compared to the same period in 2005. Royal Utilities revenues increased as a result of higher royalty income and revenues from the contract mines due to higher recoverable costs. Coal Valley's revenues increased to \$16.8 million in the second quarter of 2006 from \$14.7 million in the second quarter of 2005 as a result of increased sales volumes resulting from the expansion completed during the first quarter of 2006.

EBITDA of \$13.3 million was slightly lower than the \$14.0 million in the second quarter of 2005 as a result of one-time charges for Royal Utilities restructuring. EBITDA decreased from the first quarter of 2006 mainly due to higher scheduled maintenance activities in Royal Utilities, combined with the restructuring costs.

Coal Valley has benefited from positive pricing developments in the thermal coal export market. In June, the Newcastle reference price for Asian export coal prices was settled at US\$52.50/MT, approximately \$5.00 higher than anticipated. Realized prices at Coal Valley were lower than prior year quarter primarily due to a stronger Canadian dollar. As a result of the wash plant expansion in 2005, sales and production volumes from Coal Valley doubled compared to the prior year. Project spending on Coal development opportunities was \$0.5 million in the quarter.

Sherritt proportionally consolidated its Coal business prior to the Royal Utilities IPO. Subsequent to the IPO, Sherritt accounted for its interest in Royal Utilities on an equity accounting basis. The coal assets jointly retained by Sherritt and Ontario Teachers' comprising the Coal Valley mine and non-dedicated coal reserves will continue to be proportionally consolidated.

Capital expenditures in the second quarter were comparable to the prior year quarter.

## Metals

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Six months ended June 30	
						2006	2005
Production (tonnes)							
Nickel	3,338	3,681	3,854	3,825	4,349	7,019	8,260
Cobalt	370	409	409	417	453	779	870
Sales (thousands of pounds)							
Nickel	7,213	8,283	9,275	7,619	9,715	15,496	18,670
Cobalt	861	923	963	955	984	1,784	1,813
EBITDA (mm of \$)	\$ 46.3	\$ 30.1	\$ 20.5	\$ 34.3	\$ 62.3	\$ 76.4	\$ 111.6
Realized Prices <sup>(1)</sup>							
Nickel (\$/lb)	\$ 10.42	\$ 7.77	\$ 6.91	\$ 8.02	\$ 9.22	\$ 9.00	\$ 8.95
Cobalt (\$/lb)	16.46	14.56	16.08	17.64	19.65	15.48	20.66
Reference Prices							
Nickel (US\$/lb)	\$ 9.09	\$ 6.72	\$ 5.73	\$ 6.61	\$ 7.44	\$ 7.87	\$ 7.20
Cobalt (US\$/lb) <sup>(2)</sup>	14.43	12.43	12.50	13.41	15.03	13.41	16.15
Capital Expenditures (mm of \$)	\$ 12.9	\$ 15.1	\$ 12.8	\$ 10.8	\$ 5.4	\$ 28.0	\$ 13.6

<sup>(1)</sup> Comparable periods have been restated to reflect the change in accounting for certain selling expenses which were previously netted against revenues and have now been reclassified to operating, selling, general and administrative costs

<sup>(2)</sup> Average Metal Bulletin: 99.3% cobalt published price

Metals EBITDA increased approximately 54% quarter-over-quarter, primarily due to higher realized prices for both nickel and cobalt. Revenue gains were partially offset by lower production volumes and a strong Canadian dollar. Strong base metal pricing has continued subsequent to quarter end with the London Metals Exchange nickel price surpassing the \$13.50 per pound mark in July, 2006.

During the quarter, Moa management addressed process bottlenecks related to settling characteristics of the ore being processed. Upon completion of this modification, the annualized production rate returned to approximately 33,000 tonnes (100% basis) per year of mixed sulfides.

During the quarter, Fort Saskatchewan undertook unplanned maintenance activities on several autoclaves. Production guidance remains unchanged for the remainder of the year and takes into consideration additional planned maintenance activities scheduled for Fort Saskatchewan facility in the second half of 2006.

Capital expenditures for the second quarter totalled \$12.9 million and included the completion of basic engineering activities related to the Metals expansion.

## Oil and Gas

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Six months ended June 30	
						2006	2005
Production (boepd)							
Gross working interest production in Cuba <sup>(1) (2)</sup>	30,330	30,891	29,714	29,600	32,095	30,609	32,099
Net production <sup>(1) (3)</sup>							
Cuba							
Cost recovery	6,074	7,303	6,189	5,765	11,357	6,685	9,833
Profit oil	9,535	9,215	9,255	9,408	8,126	9,376	8,675
Total Cuba	15,609	16,518	15,444	15,173	19,483	16,061	18,508
Spain	457	495	592	569	461	476	461
Pakistan <sup>(4)</sup>	375	-	-	-	-	188	-
Total net production	16,441	17,013	16,036	15,742	19,944	16,725	18,969
EBITDA (mm of \$)	\$ 54.7	\$ 56.2	\$ 49.1	\$ 52.1	\$ 57.4	\$ 110.9	\$ 98.1
Realized Prices							
Cuba (per bbl)	\$ 45.20	\$ 43.14	\$ 38.28	\$ 39.65	\$ 36.52	\$ 44.15	\$ 32.70
Spain (per bbl)	78.09	71.28	65.96	73.49	63.81	74.57	61.37
Reference Prices							
U.S. Gulf Coast Fuel Oil #6 (US\$ per bbl)	\$ 48.88	\$ 45.86	\$ 40.31	\$ 39.88	\$ 35.84	\$ 47.47	\$ 31.70
Capital Expenditures	\$ 33.0	\$ 23.7	\$ 28.9	\$ 27.9	\$ 36.8	\$ 56.7	\$ 65.3

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

<sup>(2)</sup> Gross working interest production in Cuba is allocated to the Corporation and agencies of the Cuban government in accordance with production-sharing arrangements and joint venture agreements.

<sup>(3)</sup> Net oil production (equivalent to net sales volume) represents the Corporation's share of gross working interest production. Net oil production for each production-sharing contract is comprised of cost recovery oil (based upon the Corporation's recoverable costs within each block) and profit oil (based upon a percentage of gross production less cost recovery oil). Recoverable costs, subject to certification by agencies of the Cuban government, are accumulated in cost recovery pools for each production-sharing contract and reduced by the allocation of cost recovery oil to the Corporation. 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. At higher oil prices, the reduction in cost recovery oil volumes is partially offset by an increase in profit oil barrels, after deducting the Cuban government's share, which is analogous to royalty interests in Canadian hydrocarbon fiscal regimes.

<sup>(4)</sup> Natural gas production in Pakistan converted into barrels of oil equivalent per day (boepd) using a 6:1 conversion ratio.

Record revenue of \$69.6 million was achieved in the second quarter as a result of higher oil prices, partially offset by the stronger Canadian dollar. Oil and Gas EBITDA in the quarter was \$54.7 million, compared to \$56.2 million last quarter and \$57.4 million in the same quarter last year. Higher equipment, service and operating costs attributed to market conditions led to an increase in operating and administration costs.

Sherritt currently operates seven drill rigs in Cuba. For the full year, Sherritt expects to drill a total of 3 exploration wells and 17 development wells. This compares to 4 exploration and 12 development wells that were completed in 2005.

For the six months ended June 30, 2006, EBITDA of \$110.9 million was 13% higher than the same period last year. This increase was due to record fuel oil reference prices and the retroactive recognition of Santa Cruz production, which was declared commercial in the first quarter of 2006.

Gross working interest production volumes averaged 30,330 boepd during the second quarter of 2006. Factoring in the retroactive production allocated to Santa Cruz, production volumes increased by 1,024 boepd from the preceding quarter. Net production in Cuba of 15,609 boepd in the second

quarter of 2006 was comparable with the preceding quarter (after adjusting for Santa Cruz production), but 3,874 boepd lower than the same quarter last year, due to lower gross working interest production volume, the impact on cost recovery barrels from higher fuel oil reference prices and lower capital spending in commercial blocks. Production from the Badar gas field in Pakistan came on stream in April 2006.

During the second quarter of 2006, six drilling rigs were active, compared with four active rigs during the same period in 2005, and a seventh rig was contracted for one well starting in the third quarter. During the quarter, three development wells were completed in the Yumuri and Varadero West fields, together with the first development well in the Santa Cruz field. In addition, three Santa Cruz development wells and one Seboruco well were drilling at the end of the quarter, with two more rigs preparing to spud development wells in the Seboruco and Canasi fields.

In April, exploration drilling started on the Playa Larga prospect and is expected to be completed in the third quarter. The San Anton exploration well was completed in January 2006, and is currently under evaluation to determine its commercial potential.

During the second quarter of 2006, the Canasi land-based treatment and ocean disposal system was commissioned and construction of the 17 km gas pipeline from the Yumuri production facility was started. The Canasi water system will enable Sherritt to optimize oil production volumes in the future as produced water rates increase, while the tie-in of gas production from the Yumuri battery will enable the Cuban government to eliminate flaring and conserve natural gas production for electricity generation at Energas and domestic uses.

Capital expenditures in the quarter totalled \$33.0 million. Expenditures included funds allocated to development drilling, exploration drilling, completion of the Canasi land-based treatment and ocean disposal system and the construction of the land-based gas pipeline connected to the Yumuri production facility.

## Power

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Six months ended June 30	
						2006	2005
Electricity Generation (000's of MWh)	549	431	409	377	426	980	845
EBITDA (mm of \$)	\$ 20.7	\$ 15.1	\$ 14.4	\$ 18.7	\$ 15.0	\$ 35.8	\$ 34.6
Realized price per MWh	\$ 44.46	\$ 44.61	\$ 44.57	\$ 50.67	\$ 55.20	\$ 44.52	\$ 55.0
Capital Expenditures (mm of \$)	\$ 6.6	\$ 8.1	\$ 9.2	\$ 19.6	\$ 30.9	\$ 14.7	\$ 49.1

Record second quarter electricity production was almost 30% higher than both the preceding quarter and second quarter of 2005. This increase was attributed to new production from the 85 MW expansion completed in the first quarter of this year.

The tariff for production from the new facility is U.S. \$45 per MWh while capital costs are repaid, and the tariff for production from the existing facilities is U.S. \$38 per MWh. Realized prices also reflect variations in the exchange rate.

Capital expenditures during the quarter totalled \$6.6 million. The majority of capital expenditures were associated with the 65 MW expansion project which is expected to be completed in the second quarter of 2007. Power capital expenditures to date in 2006 relate mainly to the 85MW and 65MW expansion projects.

## Other Businesses

Sherritt's soybean-based food processing business generated revenue of \$15.1 million and EBITDA of \$1.2 million in the second quarter of 2006, compared to revenue of \$19.6 million and EBITDA of \$1.8 million for the comparative quarter in 2005. The decrease in revenue and EBITDA were mostly due to lower realized prices. Capital expenditures for the quarter were \$0.4 million and are estimated at \$1 million for 2006.

## Summary Financial Results by Segment (unaudited)

The tables below present EBITDA and operating earnings from continuing operations 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.

### Three months ended June 30, 2006

(millions of Canadian dollars)	Coal <sup>(2)</sup>	Metals	Oil and Gas	Power	Other <sup>(1)</sup>	Corporate	Consolidated
Revenue	\$ 73.2	\$ 110.6	\$ 69.6	\$ 28.4	\$ 15.1	\$ -	\$ 296.9
Operating, selling, general and administrative	59.9	64.3	14.9	7.7	13.9	11.4	172.1
EBITDA	13.3	46.3	54.7	20.7	1.2	(11.4)	124.8
Depletion, amortization and accretion	13.6	5.0	21.3	6.7	0.6	1.2	48.4
Operating earnings (loss)	(0.3)	41.3	33.4	14.0	0.6	(12.6)	76.4
Share of earnings of equity accounted investments							0.3
Net financing expense							(11.5)
Income taxes							(8.0)
Non-controlling interests							(5.0)
Gain on disposition of investments							5.0
<b>Net earnings</b>							<b>57.2</b>
Capital expenditures	\$ 5.9	\$ 12.9	\$ 33.0	\$ 6.6	\$ 0.4	-	58.8

<sup>(1)</sup> Other represents the results of the soybean-based food processing business.

<sup>(2)</sup> Coal results include Royal Utilities on the proportionate consolidation basis up to June 27, 2006.

### Three months ended June 30, 2005 (restated) <sup>(2)</sup>

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other <sup>(1)</sup>	Corporate	Consolidated
Revenue	\$ 65.3	\$ 143.3	\$ 67.7	\$ 26.6	\$ 19.6	\$ -	\$ 322.5
Operating, selling, general and administrative	51.3	81.0	10.3	11.6	17.8	4.5	176.5
EBITDA	14.0	62.3	57.4	15.0	1.8	(4.5)	146.0
Depletion, amortization and accretion	14.3	5.2	20.1	5.4	0.7	1.0	46.7
Operating earnings (loss)	(0.3)	57.1	37.3	9.6	1.1	(5.5)	99.3
Share of earnings of equity accounted investments							-
Net financing expense							(13.8)
Income taxes							(25.8)
Non-controlling interests							(6.0)
<b>Net earnings</b>							<b>53.7</b>
Capital expenditures	\$ 5.8	\$ 5.4	\$ 36.8	\$ 30.9	\$ 0.1	\$ 0.1	\$ 79.1

<sup>(1)</sup> Other represents the results of the soybean-based food processing business.

<sup>(2)</sup> Comparable periods have been restated to reflect a change in the methodology of accounting for income taxes in the Oil and Gas to provide a clearer presentation of income taxes in that business. Certain selling expenses in Metals which were previously netted against revenue were reclassified to operating, selling and administrative costs.

## Six months ended June 30, 2006

(millions of Canadian dollars)	Coal <sup>(3)</sup>	Metals	Oil and Gas	Power	Other <sup>(1)</sup>	Corporate	Consolidated
Revenue	\$ 147.0	\$ 191.7	\$ 138.3	\$ 50.6	\$ 28.9	\$ -	\$ 556.5
Operating, selling, general and administrative	114.9	115.3	27.4	14.8	26.5	20.6	319.5
EBITDA	32.1	76.4	110.9	35.8	2.4	(20.6)	237.0
Depletion, amortization and accretion	27.6	9.6	41.9	13.0	1.4	2.4	95.9
Operating earnings (loss)	4.5	66.8	69.0	22.8	1.0	(23.0)	141.1
Share of earnings of equity accounted investments							0.9
Net financing expense							(19.8)
Income taxes							(26.0)
Non-controlling interests							(8.3)
Gain on disposition of investments							5.0
<b>Net earnings</b>							<b>92.9</b>
Capital expenditures	\$ 9.0	\$ 28.0	\$ 56.7	\$ 14.7	\$ 0.9	\$ 0.1	\$ 109.4

## Six months ended June 30, 2005 (restated) <sup>(2)</sup>

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other <sup>(1)</sup>	Corporate	Consolidated
Revenue	\$ 128.2	\$ 244.2	\$ 118.1	\$ 52.3	\$ 36.8	\$ -	\$ 579.6
Operating, selling, general and administrative	93.2	132.6	20.0	17.7	32.3	14.7	310.5
EBITDA	35.0	111.6	98.1	34.6	4.5	(14.7)	269.1
Depletion, amortization and accretion	28.1	10.2	39.0	10.6	1.4	2.1	91.4
Operating earnings (loss)	6.9	101.4	59.1	24.0	3.1	(16.8)	177.7
Share of earnings of equity accounted investments							0.5
Net financing expense							(28.9)
Income taxes							(45.4)
Non-controlling interests							(14.8)
<b>Net earnings</b>							<b>89.1</b>
Capital expenditures	\$ 7.1	\$ 13.6	\$ 65.3	\$ 49.1	\$ 0.2	\$ 1.5	\$ 136.8

<sup>(1)</sup> Other represents the results of the soybean-based food processing business.

<sup>(2)</sup> Comparable periods have been restated to reflect a change in the methodology of accounting for income taxes in the Oil and Gas to provide a clearer presentation of income taxes in that business. Certain selling expenses in Metals which were previously netted against revenue were reclassified to operating, selling and administrative costs.

<sup>(3)</sup> Coal results include Royal Utilities on the proportionate consolidation basis up to June 27, 2006

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 \$2.4 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 151 million common shares and \$193 million 7% convertible debentures trade on the Toronto Stock Exchange under the symbols S and S.DB.A respectively. Sherritt's \$274 million of 7.875% senior unsecured debentures trade on the over-the-counter bond market.

The Corporation's second quarter management's discussion and analysis and interim consolidated financial statements can be found on SEDAR at [www.sedar.com](http://www.sedar.com), and on the Corporation's web site at [www.sherritt.com](http://www.sherritt.com)

### **Forward-looking Statements**

*This news release contains 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", "likely", "will" or other similar words or phrases. Similarly, statements contained in each of the "Outlook" sections of this news release including those with respect to expectations concerning assets, prices, foreign exchange rates, earnings, production, market conditions, capital expenditures, commodity demand, risks, availability of regulatory approvals, 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. 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.*

*The Corporation does not intend, and does not assume any obligations, to update these forward-looking statements.*

For further information, please contact:  
Investor Relations  
Sherritt International Corporation  
416-924-4551

## Supplementary Information

The tables below present EBITDA and operating earnings from continuing operations 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.

### Three months ended March 31, 2006

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other <sup>(1)</sup>	Corporate	Consolidated
Revenue	\$ 73.8	\$ 81.1	\$ 68.7	\$ 22.2	\$ 13.8	\$ -	\$ 259.6
Operating, selling, general and administrative	55.0	51.0	12.5	7.1	12.6	9.2	147.4
EBITDA	18.8	30.1	56.2	15.1	1.2	(9.2)	112.2
Depletion, amortization and accretion	14.0	4.6	20.6	6.3	0.8	1.2	47.5
Operating earnings (loss)	4.8	25.5	35.6	8.8	0.4	(10.4)	64.7
Share of earnings of equity accounted investments							0.6
Net financing expense							(8.3)
Income taxes							(18.0)
Non-controlling interests							(3.3)
Net earnings							35.7
Capital expenditures	\$ 3.1	\$ 15.1	\$ 23.7	\$ 8.1	\$ 0.5	\$ 0.1	\$ 50.6

### Three months ended December 31, 2005

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other <sup>(1)</sup>	Corporate	Consolidated
Revenue	\$ 62.7	\$ 98.0	\$ 58.6	\$ 22.0	\$ 17.4	\$ -	\$ 258.7
Operating, selling, general and administrative	46.9	77.5	9.5	7.6	17.2	6.8	165.5
EBITDA	15.8	20.5	49.1	14.4	0.2	(6.8)	93.2
Depletion, amortization and accretion	14.8	5.1	22.5	5.6	0.7	1.3	50.0
Operating earnings (loss)	1.0	15.4	26.6	8.8	(0.5)	(8.1)	43.2
Share of earnings of equity accounted investments							-
Net financing expense							(30.8)
Income taxes							2.6
Non-controlling interests							(5.9)
Net earnings							9.1
Capital expenditures	\$ 21.5	\$ 12.8	\$ 28.9	\$ 9.2	\$ 0.5	\$ 0.3	\$ 73.2

<sup>(1)</sup> Other represents the results of the soybean-based food processing business.

## Supplementary Information (continued)

### Three months ended September 30, 2005 (restated) <sup>(2)</sup>

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other <sup>(1)</sup>	Corporate	Consolidated
Revenue	\$ 64.8	\$ 86.6	\$ 60.8	\$ 24.2	\$ 20.9	\$ -	\$ 257.3
Operating, selling, general and administrative	50.3	52.3	8.7	5.5	19.4	21.0	157.2
EBITDA	14.5	34.3	52.1	18.7	1.5	(21.0)	100.1
Depletion, amortization and accretion	14.2	4.8	19.8	5.6	0.8	1.0	46.2
Operating earnings (loss)	0.3	29.5	32.3	13.1	0.7	(22.0)	53.9
Share of earnings of equity accounted investments							0.1
Net financing expense							(5.3)
Income taxes							(15.2)
Non-controlling interests							(7.4)
Net earnings							26.1
Capital expenditures	\$ 17.9	\$ 10.8	\$ 27.9	\$ 19.6	\$ -	\$ 0.3	\$ 76.5

<sup>(1)</sup> Other represents the results of the soybean-based food processing business.

<sup>(2)</sup> Comparable periods have been restated to reflect a change in the methodology of accounting for income taxes in the Oil and Gas to provide a clearer presentation of income taxes in that business. Certain selling expenses in Metals which were previously netted against revenue were reclassified to operating, selling and administrative costs.