Q4

Press Release

Sherritt reports 2009 fourth-quarter results

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IN THIS SECTION

TORONTO, February 24, 2010 - Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S) today announced fourth-quarter 2009 results.

- **Net earnings** for fourth-quarter 2009 were $48.3 million ($0.16 per share), compared to a net loss of $592.1 million ($2.03 per share) for fourth-quarter 2008. Net earnings of $85.7 million ($0.29 per share) for full-year 2009 compared to a net loss of $289.7 million ($1.05 per share) for the prior year. After adjusting for the loss on the disposal of certain Oil and Gas assets in first-quarter 2009 of $57.4 million (after-tax), full-year 2009 adjusted net income totaled $143.1 million ($0.49 per share).

- **Consolidated sales** for fourth-quarter 2009 (Sherritt's share) totaled 9.3 million pounds of nickel, 1.0 million pounds of cobalt, 9.4 million tonnes of thermal coal, 1.2 million barrels of oil and 175 GWh of electricity. Consolidated sales (Sherritt's share) for full-year 2009 totaled 37.4 million pounds of nickel, 4.1 million pounds of cobalt, 36.4 million tonnes of thermal coal, 4.8 million barrels of oil and 722 GWh of electricity.

- **Consolidated cash**, cash equivalents and short-term investments were $861.6 million at December 31, 2009. Of the cash balance, $14.2 million (50% basis) was held by the Moa Joint Venture and $272.1 million (100% basis) was held by the Ambatovy Joint Venture. The majority of the $426.5 million decrease in the cash balance from September 30, 2009, was due to the use of cash to satisfy obligations in the Ambatovy Project.

- **Operating cash flow** was $92.8 million for fourth-quarter 2009, after a working capital increase of $16.7 million. This compares to operating cash flow of $279.9 million for fourth-quarter 2008, net of a working capital usage of $171.4 million.

- **Capital expenditures** totaled $365.4 million for fourth-quarter 2009, including $298.7 million for the Ambatovy Project (100% basis). All of the Ambatovy capital expenditures for fourth-quarter 2009, including Sherritt's 40% share of Ambatovy capital expenditures ($119.5 million), were funded through Project cash-on-hand.

- At December 31, 2009, **total debt** approximated $3.0 billion, of which approximately 71% related to the limited-recourse Ambatovy senior project finance ($1.6 billion, 100% basis) and the non-recourse partner loans to Sherritt ($0.5 billion). There was no short-term debt outstanding at December 31, 2009. **Liquidity** available under credit facilities at the end of 2009 approximated $1.0 billion.

Summary Financial and Sales Data (unaudited)

	Q4 2009	Q4 2008	2009	2008
			Year ended December 31	
Financial Data (millions of dollars, except per share amounts and ratios)				
Revenue	**$ 379.8**	$ 379.9	**$ 1,477.5**	$ 1,616.1
EBITDA[1]	**148.4**	(2.0)	**492.8**	577.5
Operating earnings (loss)	**81.5**	(67.9)	**231.1**	337.4
Net earnings (loss)	**48.3**	(592.1)	**85.7**	(289.7)
Basic earnings (loss) per share	**0.16**	(2.03)	**0.29**	(1.05)
Diluted earnings (loss) per share	**0.16**	(2.03)	**0.29**	(1.05)
Net working capital[2]	**1,027.3**	554.3	**1,027.3**	554.3
Capital expenditures	**365.4**	647.6	**1,567.5**	2,208.8
Total assets	**9,899.4**	9,547.2	**9,899.4**	9,547.2
Shareholders' equity	**3,454.4**	3,727.1	**3,454.4**	3,727.1
Long-term debt to capitalization[3]	**35%**	29%	**35%**	29%
Weighted average number of shares (millions)				
Basic	**293.1**	292.1	**293.1**	274.6
Diluted	**296.4**	292.1	**296.2**	274.6
Sales Volumes (units as noted)				
Nickel (thousands of pounds, 50% basis)	**9,268**	9,458	**37,365**	35,782
Cobalt (thousands of pounds, 50% basis)	**1,017**	1,053	**4,095**	3,811
Thermal coal – Prairie Operations (millions of tonnes)[4]	**9.0**	8.8	**34.5**	34.9
Thermal coal – Mountain Operations (millions of tonnes, 50% basis)	**0.4**	0.5	**1.9**	1.8
Oil (boepd, net working-interest production)	**12,904**	14,116	**13,214**	16,826
Electricity (GWh, 100% basis)	**524**	576	**2,167**	2,318
Average Realized Prices (units as noted)				
Nickel ($/lb)	**$ 8.36**	$ 6.18	**$ 7.46**	$ 9.93
Cobalt ($/lb)	**19.18**	23.38	**17.54**	36.67
Thermal coal – Prairie Operations ($/tonne)	**14.83**	14.46	**14.56**	14.55
Thermal coal – Mountain Operations ($/tonne)	**66.28**	104.86	**79.04**	87.51
Oil ($/boe)	**52.45**	34.07	**45.05**	55.99
Electricity ($/MWh)	**43.83**	48.76	**46.79**	43.12

(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) Calculated as long-term debt divided by the sum of total long-term debt, non-controlling interests and shareholders' equity. For purposes of this calculation, total long-term debt does not include other long-term liabilities.
(4) Prairie Operations volumes presented on a 100% basis for each period.

Review of Operations

Metals

	Q4 2009	Q4 2008	Year ended December 31 2009	2008
Production (tonnes, 50% basis)				
Mixed sulphides	**4,693**	4,563	**18,664**	17,560
Nickel	**4,125**	4,340	**16,800**	16,204
Cobalt	**433**	464	**1,861**	1,714
Sales (thousands of pounds, 50% basis)				
Nickel	**9,268**	9,458	**37,365**	35,782
Cobalt	**1,017**	1,053	**4,095**	3,811
Reference prices (US$/lb)				
Nickel	**$ 7.96**	$ 4.91	**$ 6.67**	$ 9.54
Cobalt (1)	**18.35**	19.32	**15.89**	36.58
Realized prices ($/lb)				
Nickel	**$ 8.36**	$ 6.18	**$ 7.46**	$ 9.93
Cobalt	**19.18**	23.38	**17.54**	36.67
Unit operating costs (US$/lb)				
Mining, processing and refining costs	**$ 4.79**	$ 6.90	**$ 4.64**	$ 6.68
Third-party feed costs	**0.24**	0.41	**0.20**	0.80
Cobalt by-product credits	**(1.99)**	(2.15)	**(1.70)**	(3.73)
Other	**0.08**	(0.16)	**0.07**	(0.03)
Net direct cash cost of nickel(2)	**$ 3.12**	$ 5.00	**$ 3.21**	$ 3.72
Revenue ($ millions)				
Nickel	**$ 77.6**	$ 58.4	**$ 278.9**	$ 355.3
Cobalt	**19.5**	24.6	**71.8**	139.7
Fertilizer and other	**13.5**	13.0	**65.0**	78.5
	$ 110.6	$ 96.0	**$ 415.7**	$ 573.5
EBITDA ($ millions)(3)	**$ 41.1**	$ (29.0)	**$ 111.2**	$ 170.6
Operating earnings ($ millions)	**$ 33.5**	$ (37.4)	**$ 82.3**	$ 144.7
Capital expenditures ($ millions)				
Moa Joint Venture (50% basis)	**$ 13.8**	$ 57.3	**$ 33.9**	$ 238.5
Ambatovy Joint Venture (100% basis)	**298.7**	545.6	**1,333.3**	1,796.7
	$ 312.5	$ 602.9	**$ 1,367.2**	$ 2,035.2

(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 $4.4 million and $5.1 million in the three-month periods ended December 31, 2009 and December 31, 2008 and $19.4 million and $16.1 million for the years ended December 31, 2009 and December 31, 2008.

Mixed sulphides production for fourth-quarter 2009 was 9,386 tonnes (100% basis), up 3% (260 tonnes) from fourth-quarter 2008. Full-year production of 37,328 tonnes (100% basis) was a 6% (2,209 tonne) increase over 2008, and a production record at the Moa facility.

Fourth-quarter finished nickel production of 8,250 tonnes (100% basis) was 5% (429 tonnes) lower, and finished cobalt production of 865 tonnes (100% basis) was 7% (63 tonnes) lower than fourth-quarter 2008, primarily reflecting the impact of the maintenance window completed in fourth-quarter 2009. Full-year production levels set records at the refinery, with nickel production of 33,599 tonnes (100% basis) and cobalt production of 3,721 tonnes (100% basis), representing increases of 4% (1,191 tonnes) and 9% (293 tonnes) respectively and reflecting the full-year contribution of the Phase 1 expansion assets.

Fourth-quarter sales volumes were down slightly from the prior-year period reflecting the lower production levels. Nickel sales volumes of 9.3 million pounds (50% basis) were 2% lower and cobalt sales volumes of 1.0 million pounds (50% basis) were 3% lower than fourth-quarter 2008. Full-year 2009 sales volumes of 37.4 million pounds (50% basis) of nickel and 4.1 million pounds (50% basis) of cobalt were 4% and 7% higher than 2008 levels respectively.

An average nickel reference price of US$7.96/lb in fourth-quarter 2009 was 62% (US$3.05/lb) higher than in the prior-year period. An average cobalt reference price of US$18.35/lb was 5% (US$0.97/lb) lower than the prior-year period. The 2009 average nickel reference price of US$6.67/lb and the 2009 average cobalt reference price of US$15.89/lb were down US$2.87/lb (30%) and US$20.69/lb (57%) respectively from 2008, reflecting the impact of weakened global industrial demand on the base metals market during 2009.

The net direct cash cost of nickel for fourth-quarter 2009 was US$3.12/lb, 8% (US$0.23/lb) higher than third-quarter 2009, as the impact of higher refining costs attributable to the October maintenance window were only partly offset by increased cobalt by-product credits related to higher cobalt prices and sales volumes. The net direct cash cost of nickel was 37% (US$1.88/lb) lower than fourth-quarter 2008, largely due to the impact of lower input commodity costs. The 2009 full-year net direct cash cost of US$3.21/lb was 14% (US$0.51/lb) lower than in 2008, reflecting the impact of lower input commodity and third-party feed costs, and increased production, partly offset by lower cobalt by-product credits related to lower cobalt prices.

Capital expenditures in 2009 for the Moa Joint Venture were 76% ($43.5 million, 50% basis) lower for fourth-quarter 2009 and 86% ($204.6 million, 50% basis) lower for full-year 2009, when compared to the prior-year periods, largely due to the suspension of the Phase 2 Expansion and the Moa Acid Plant in fourth-quarter 2008.

The Ambatovy Project

Ambatovy Project capital expenditures for fourth-quarter 2009 were $298.7 million (100% basis), 45% ($246.9 million) lower than in the prior-year period as procurement of all major equipment was completed during that period. Capital spending on the Project for 2009 was $1.3 billion, consistent with estimates provided in third-quarter 2009. The total cumulative project expenditures as at December 31, 2009 were US$3.4 billion, excluding financing charges and capitalized interest. During fourth-quarter 2009, all major earth-work at the plant and mine sites, the tailings management facility and the offshore oil jetty were completed. In addition, some systems were turned over to pre-commissioning teams during the quarter – a process that will continue throughout 2010 as construction is completed. The Project is designed to produce 60,000 tonnes (100% basis) of nickel and 5,600 tonnes (100% basis) of cobalt at capacity and mechanical completion is scheduled for the end of 2010 to early 2011. Operational readiness activities are well advanced in anticipation of commissioning activities that will begin in 2010.

There were no draws on the senior project financing or partner loans during fourth-quarter 2009, as the Project drew on its cash balances to meet requirements.

Coal

	Q4 2009	Q4 2008	Year ended December 31 2009	2008
Production (millions of tonnes)				
Prairie Operations(1)	**9.6**	8.5	**35.4**	34.9
Mountain Operations(2) (50% basis)	**0.5**	0.5	**2.0**	1.8
Sales (millions of tonnes)				
Prairie Operations(1)	**9.0**	8.8	**34.5**	34.9
Mountain Operations(2) (50% basis)	**0.4**	0.5	**1.9**	1.8
Realized prices, excluding royalties ($/tonne)				
Prairie Operations(1)	**$ 14.83**	$ 14.46	**$ 14.56**	$ 14.55
Mountain Operations(2)	**66.28**	104.86	**79.04**	87.51
Unit operating costs ($/tonne)				
Prairie Operations(1)	**$ 11.09**	$ 11.83	**$ 11.29**	$ 11.54
Mountain Operations(2)	**62.38**	68.72	**63.88**	65.16
Revenue ($ millions)				
Prairie Operations(1)				
Mining revenue	**$ 133.0**	$ 127.8	**$ 502.1**	$ 508.2
Coal royalties	**11.5**	14.5	**50.8**	46.5
Potash royalties	**1.8**	7.1	**10.2**	20.2
Mountain Operations and Other Assets(2),(3)(50% basis)	**28.6**	51.3	**147.6**	155.7
	$ 174.9	$ 200.7	**$ 710.7**	$ 730.6
EBITDA ($millions)(4)				
Prairie Operations(1)	**$ 48.0**	$ 41.7	**$ 163.0**	$ 159.5
Mountain Operations and Other Assets(2) (3) (50% basis)	**1.0**	16.7	**24.3**	37.0
	$ 49.0	$ 58.4	**$ 187.3**	$ 196.5
Operating earnings ($ millions)	**$ 19.1**	$ 40.5	**$ 80.9**	$ 91.4
Capital expenditures ($ millions)				
Prairie Operations(1)	**$ 9.1**	$ 4.1	**$ 47.5**	$ 17.3
Mountain Operations(2)(5) (50% basis)	**2.3**	4.3	**10.6**	6.6
Activated Carbon Project (50% basis)	**8.6**	0.2	**21.8**	0.2
Obed Mountain mine(6) (50% basis)	**0.9**	2.6	**11.8**	2.6
	$ 20.9	$ 11.2	**$ 91.7**	$ 26.7

(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 and Obed Mountain mines, which are primarily involved in the export of thermal coal, and are presented on a 50% basis.

(3) Other Assets include certain undeveloped reserves, coal 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 $16.7 million and $19.5 million for the three-month periods ended December 31, 2009 and December 31, 2008, and $50.0 million and $45.5 million for the years ended December 31, 2009 and December 31, 2008.

(5) The year ended December 31, 2009 includes $3.6 million of equipment financed through a bank credit facility that ordinarily would have been acquired under a capital lease.

(6) The year ended December 31, 2009 includes $2.9 million of equipment financed through a bank credit facility that ordinarily would have been acquired under a capital lease.

Fourth-quarter 2009 production volumes at the Prairie Operations were 13% (1.1 million tonnes) higher than the prior-year period due to increased demand at a contract mine, while Mountain Operations production volumes were unchanged over the same comparative periods. Full-year 2009 production volumes were higher in both the Prairie and Mountain Operations, with the 1% (0.5 million tonne) increase in the Prairie Operations due to increased production at the Poplar River mine and the 7% (0.1 million tonne) increase in Mountain Operations due to increased volume attributed to the re-opening of the Obed Mountain mine in July 2009. Production volumes at Mountain Operations were below previous estimates largely due to lower production from the Obed Mountain mine and lower yields at Coal Valley mine. Fourth-quarter 2009 sales volumes were relatively unchanged from the prior-year period in the Prairie Operations. Mountain Operations sales volumes for the same comparative periods were down 11% (0.1 million tonnes, 50% basis), as severe weather and equipment problems at the Westshore Terminal port late in the quarter were compounded by the impact of the CN labour action in December that interrupted rail transportation. In addition, during third-quarter 2009, Coal Valley Resources Inc. (CVRI), a subsidiary of the Coal Valley Partnership (in which the Corporation has a 50% interest and which owns the Obed Mountain mine), issued a Demand to Arbitrate to its counterparty in an off-take contract for the increased Mountain Operations production from re-opening the Obed Mountain mine. The counterparty had refused to take delivery of coal under this contract. In December 2009, the parties resolved the dispute and will maintain essentially all terms and conditions of the three-year contract with the exception of its start date – moving it from August 2009 to January 1, 2010. Sales commenced under this three-year contract, without penalty, in January 2010. Full-year 2009 sales volumes for the Prairie Operations were relatively unchanged from 2008, and Mountain Operations annual sales volume increased by 5% (0.1 million tonnes, 50% basis) largely due to the increased sales from the Obed Mountain mine that were placed in the open market. Sales under the disputed contract were not at expected levels, and when combined with the impact of rail service disruptions and port issues, resulted in sales volumes below expectations.

Realized pricing (excluding royalties) in the Prairie Operations was relatively unchanged from prior-year periods for both the quarter and the year. Realized pricing in the Mountain Operations in fourth-quarter 2009 was 37% ($38.58/tonne) lower than fourth-quarter 2008, and for full-year 2009 was 10% ($8.47/tonne) lower than the prior year. The relative decreases were mainly due to reduced pricing on export coal contracts that came into effect in the last three quarters of the year after record high prices in 2008.

Unit operating costs at both Prairie and Mountain Operations were lower for fourth-quarter and full-year 2009 relative to the prior-year periods. At the Prairie Operations, unit operating costs were 6% ($0.74/tonne) lower for fourth-quarter 2009 and 2% ($0.25/tonne) for the full-year largely due to the impact of lower commodity input costs, particularly fuel. Unit operating costs at Mountain Operations were 9% ($6.34/tonne) lower for fourth-quarter 2009 and 2% ($1.28/tonne) for the full year as the benefit of lower commodity input costs and better equipment availability more than offset plant yield variability at Coal Valley mine and the impact of start-up at the Obed Mountain mine.

Total royalties for fourth-quarter 2009 were 38% ($8.3 million) lower than the prior-year period and total royalties for 2009 were 9% ($5.7 million) lower than the prior year. Potash royalties were impacted in the quarter and the year by both lower production and lower market prices relative to prior periods. The impact of those trends during the year more than offset the beneficial impact of the timing of mining in coal royalty areas and improved coal royalties per tonne.

Capital expenditures in Prairie Operations were higher for the quarter and the year, as the limited availability of lease financing necessitated the use of working capital for expenditures that would have otherwise been leased. As a result, capital expenditures in Prairie Operations were 122% ($5.0 million) higher in fourth-quarter 2009 and 175% ($30.2 million) higher for full-year 2009. Capital expenditures in Mountain Operations were 47% ($2.0 million) lower in fourth-quarter 2009 than in the prior-year period, as most of the 2008 capital expenditures were incurred in the fourth quarter of that year. However, full-year 2009 capital expenditures in Mountain Operations were 61% ($4.0 million) higher than in full-year 2008 due to the preparatory costs that are necessary when entering a new mining area, which were incurred earlier in 2009, prior to the fourth-quarter permitting delay. Capital spending for the Activated Carbon Project mainly occurred in 2009, resulting in the quarter and full-year relative increases. Commissioning is expected to occur in second-quarter 2010, with commercial sales commencing in that period. Capital spending at the Obed Mountain mine was concentrated in late 2008 and the first seven months of 2009, resulting in the decreased spending relative to the prior quarter and increased spending on a year over year basis. The Obed Mountain mine commenced production in July 2009.

At December 31, 2009, CVRI was not in compliance with two financial covenants applicable to the $38.0 million (100% basis) 3-year non-revolving term facility used to finance the re-opening of the Obed Mountain mine. The covenants require CVRI to maintain a current ratio of not less than 1:1 and a debt-to-tangible net worth ratio of not more than 2.5. CVRI's working capital balance and tangible net worth were reduced, as it was unable to record expected levels of revenue related to production from the re-opening of the Obed Mountain mine.

Oil and Gas

					Year ended December 31			
		Q4 2009		Q4 2008		**2009**		2008
Production (boepd)(1)								
Gross working-interest – Cuba(2), (3)		**22,927**		31,189		**21,707**		31,233
Net working-interest(4)								
Cuba – cost recovery(3)		**4,622**		5,711		**6,172**		6,487
Cuba – profit oil(3)		**7,440**		7,690		**6,317**		9,513
Cuba – total		**12,062**		13,401		**12,489**		16,000
Spain(4)		**478**		336		**358**		438
Pakistan(4)		**364**		379		**367**		388
Total net working-interest production		**12,904**		14,116		**13,214**		16,826
Reference prices (US$/bbl)								
US Gulf Coast Fuel Oil No. 6	**$**	**69.15**	$	40.03	**$**	**55.80**	$	72.63
Brent crude		**74.90**		55.06		**61.82**		97.21
Realized prices								
Cuba ($/bbl)	**$**	**52.75**	$	34.14	**$**	**45.38**	$	55.88
Spain ($/bbl)		**79.13**		59.38		**71.32**		102.55
Pakistan ($/boe)		**7.37**		9.17		**8.07**		7.80
Weighted average ($/boe)		**52.45**		34.07		**45.05**		55.99
Unit operating costs								
Cuba ($/bbl)	**$**	**8.04**	$	12.58	**$**	**7.92**	$	7.28
Spain ($/bbl)		**40.96**		20.31		**53.68**		29.60
Pakistan ($/boe)		**1.04**		0.46		**1.00**		0.81
Revenue ($ millions)	**$**	**63.0**	$	44.9	**$**	**219.7**	$	349.8
EBITDA ($ millions)(5)	**$**	**49.9**	$	(44.6)	**$**	**153.5**	$	206.1
Operating earnings ($ millions)	**$**	**30.0**	$	(75.3)	**$**	**63.6**	$	98.3
Capital expenditures ($ millions)	**$**	**17.9**	$	19.9	**$**	**62.5**	$	107.6

(1) 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.

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

(3) Gross working-interest oil production is allocated between Oil and Gas and CUPET in accordance with production-sharing contracts. The Corporation's share, referred to as 'net oil production', includes (i) cost recovery oil (based upon the recoverable capital and operating costs incurred by Oil and Gas under each production-sharing contract) and (ii) a percentage of profit oil (gross working-interest production remaining after cost recovery oil is allocated to Oil and Gas). Cost recovery pools for each production-sharing contract include cumulative recoverable costs, subject to certification by CUPET, less cumulative proceeds from cost recovery oil allocated to Oil and Gas. Cost recovery revenue equals capital and operating costs eligible for recovery under the production-sharing contracts.

(4) Net 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) 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 reflected the loss of Block 7 production in Cuba resulting from the premature termination of the production-sharing contract at the start of the year. Excluding Block 7, fourth-quarter 2009 GWI production in Cuba was 1% (253 bpd) lower, and full-year 2009 production was 5% (1,102 bpd) lower when compared to the prior-year periods. Fourth-quarter 2009 net working-interest production in Cuba was 7% (927 bpd) lower than fourth-quarter 2008, excluding Block 7, due to higher prices and lower GWI production. Full-year 2009 net working-interest production in Cuba was 2% (286 bpd) lower than in 2008, excluding Block 7, due to the decrease in GWI production and costs eligible for recovery.

Average realized prices in fourth-quarter 2009 were 54% ($18.38/bbl) higher than the prior-year period, due to stronger oil reference prices that were partially offset by the strengthening Canadian dollar. For full-year 2009, the average realized oil price was 20% ($10.94/bbl) lower than full-year 2008, as a result of lower oil reference prices that were partially offset by a favorable foreign exchange impact earlier in the year.

Fourth-quarter 2009 unit operating costs in Cuba were 36% ($4.54/bbl) lower compared to the prior-year period, mainly due to the inventory impairment included in 2008 operating costs while operating costs in Spain were 102% ($20.65/bbl) higher, and in Pakistan were 126% ($0.58/boe) higher due to workovers in Spain and a pressure survey conducted in Pakistan. For full-year 2009, operating costs in Cuba were 9% ($0.64/bbl) higher than the prior year, primarily due to the fixed operating costs being applied against a smaller production base (following the termination of the Block 7 contract) and higher treatment and transportation rates. The 2009 unit operating costs in Spain and Pakistan were 81% ($24.08/bbl) and 23% ($0.19/boe) higher respectively, mainly due to the workovers and pressure survey.

Fourth-quarter 2009 capital expenditures were relatively unchanged from the prior-year period. Full-year capital expenditures reflected the suspension of drilling in Cuba in first-quarter 2009, and resulted in a 42% ($45.1 million) decrease year over year. The decline in capital spending in Cuba was partially offset by an exploration well drilled offshore in Turkey. The well did not yield commercial quantities of natural gas and the drilling results are under review to determine if further exploration activity is warranted in this area.

Power

				Year ended December 31	
	Q4 2009	Q4 2008	**2009**	2008
Electricity sold (GWh, 100% basis)(1)	**524**	576	**2,167**	2,318
Realized price ($/MWh)	**$ 43.83**	$ 48.76	**$ 46.79**	$ 43.12
Unit cash operating cost ($/MWh)	**$ 12.85**	$ 24.71	**$ 14.35**	$ 14.20
Net capacity factor	**70%**	75%	**73%**	76%
Revenue ($ millions)	**$ 28.5**	$ 31.8	**$ 118.1**	$ 122.8
EBITDA ($ millions)(2)	**$ 19.5**	$ 16.9	**$ 80.9**	$ 87.3
Operating earnings ($ millions)	**$ 11.4**	$ 9.4	**$ 49.7**	$ 57.8
Capital expenditures ($ millions)				
Cuba	**$ 3.2**	$ 9.0	**$ 21.8**	$ 25.2
Madagascar	**1.5**	-	**6.0**	-
	$ 4.7	$ 9.0	**$ 27.8**	$ 25.2
Progress payments ($ millions)				
Cuba	**$ 4.3**	$ 10.0	**$ 22.9**	$ 26.1
Madagascar	**-**	-	**8.5**	-
	$ 4.3	$ 10.0	**$ 31.4**	$ 26.1

(1) Including non-controlling interests' share.
(2) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release.

Fourth-quarter 2009 electricity production was 9% (52 GWh, 100% basis) lower and the net capacity factor was 5% lower than the prior-year period. Full-year 2009 electricity production was 7% (151 GWh, 100% basis) lower than in full-year 2008. The period to period declines were mainly attributable to intermittent gas supply shortages at Boca de Jaruco and downtime for scheduled maintenance activity.

Fourth-quarter 2009 unit cash operating costs were 48% ($11.86/MWh) lower than the prior-year period due to lower production and an increase in non-recurring costs, including the reduction of an estimated insurance recovery and an increase in the inventory obsolescence provision incurred in fourth-quarter 2008. The production levels for full-year 2009 impacted unit costs, as unit cash operating costs were slightly ($0.15 /MWh) higher than in 2008.

Sustaining capital expenditures were $2.1 million for fourth-quarter 2009, 40% ($0.6 million) higher than the prior-year period, and $12.6 million for full-year 2009, or 85% ($5.8 million) higher than full-year 2008. The increase reflects spending on infrastructure and major inspections in Cuba. Expansion capital expenditures were $2.6 million for fourth-quarter 2009, 65% ($4.9 million) lower than the prior-year period; and $15.2 million for full-year 2009, 17% ($3.2 million) lower than full-year 2008, and mainly represent spending on the 25 MW power project in Madagascar that was completed in the fall of 2009.

Cash, Debt and Financing

Cash, cash equivalents and short-term investments were $861.6 million at December 31, 2009. Of that amount, $14.2 million (50% basis) was held by the Moa Joint Venture and $272.1 million (100% basis) was held by the Ambatovy Joint Venture. These funds are for the use of each joint venture, respectively.

At December 31, 2009, the amount of credit available under various facilities, inclusive of approximately US$500 million (100% basis) under the Ambatovy senior project financing, was $1.0 billion.

Outlook

Sherritt's production volumes, royalties and capital expenditures for full-year 2009 and projections for the year 2010 are shown below:

	Actual for the year ended December 31, 2009	Projected for the year ending December 31, 2010
Production		
Mixed sulphides (tonnes, 100% basis)	**37,328**	37,000
Nickel (tonnes, 100% basis)	**33,599**	33,500
Cobalt (tonnes, 100% basis)	**3,721**	3,700
Coal – Prairie Operations (millions of tonnes)	**35**	36
Coal – Mountain Operations (millions of tonnes, 100% basis)	**4**	5
Oil – Gross working-interest (Cuba) (bpd)	**21,707**	19,700
Oil – Net working-interest production, all operations (boepd)(1)	**13,214**	12,450
Power – Electricity (GWh)	**2,167**	2,040
Royalties		
Coal ($ millions)	**51**	37
Potash ($ millions)	**10**	15
Capital Expenditures ($ millions, unless otherwise noted)		
Metals – Moa Joint Venture (50% basis)(2)(3)	**34**	74
Coal – Prairie Operations(4)	**48**	73
Coal – Mountain Operations (50% basis)(5)	**11**	24
Coal – Obed Mountain mine (50% basis)(6)	**12**	-
Coal – Activated Carbon Project (50% basis)	**22**	14
Oil and Gas – Cuba	**49**	84
Oil and Gas – Other	**14**	39
Power – Cuba(7)	**45**	31
Power – Madagascar(7)	**14**	-
	249	339
Metals – Ambatovy (100% basis, US$ millions)(3)	**1,118**	1,100

(1) Net oil production is predicated on the Fuel Oil No.6 price remaining consistent with 2009 year-end levels.
(2) Includes approximately $22 million for the acid plant in Moa, which is subject to securing financing.
(3) Excludes interest capitalization associated with financing of assets under construction.
(4) Projected 2010 amounts include capital expenditures of $41.2 million that are expected to be lease financed. Actual 2009 amounts do not include capital expenditures that were lease financed.
(5) Projected 2010 amounts include $12.1 million that are expected to be lease financed. Actual 2009 amounts do not include capital expenditures that were lease financed.
(6) Actual 2009 amounts do not include capital expenditures that were lease financed.
(7) Includes amounts recorded as progress payments in other assets of $22.9 million in Cuba and $8.5 million in Madagascar in 2009, and estimates of $5.0 million in Cuba in 2010.

- In Metals, production of mixed sulphides in 2010 is expected to continue at a level similar to 2009. Consequently, finished nickel and cobalt production is also expected to be near 2009 levels. In 2010, scheduled annual maintenance for the Moa Joint Venture will include a planned total shutdown of the metals refinery that generally occurs every five years. This is not expected to materially affect annual production. The resumption of construction activities on the 2,000 tonne per day sulphuric acid plant at Moa (which is subject to securing adequate financing), and the return to more typical levels of sustaining capital spending, together account for the year over year projected increase in capital spending. Construction activities related to the 9,000 tonne Phase 2 Expansion at Moa and Fort Saskatchewan are not currently scheduled for 2010.

- At Ambatovy, mechanical completion is scheduled for the end of 2010 to early 2011. Operational readiness activities, which are well underway, will continue over the course of 2010 in anticipation of commissioning and ramp-up.

- In Coal - Prairie Operations, 2010 production is anticipated to remain at levels comparable to those in 2009. Potash royalties in 2010 are anticipated to increase approximately 50% from the prior year as the major production curtailments seen in the industry in the last half of 2009 ease. Coal royalties are expected to decline approximately 27%, as planned mining in 2010 does not overlap with as many royalty assessable areas as mined in 2009. Sustaining capital expenditures in Prairie Operations are expected to be lower than 2009 mainly as a result of the cyclical timing of equipment purchases. Expansion expenditures for the Activated Carbon Project will continue until second-quarter 2010, when the plant is to commence commercial production.

  In Coal - Mountain Operations, rail and port service has not returned to normal levels following disruptions in December 2009. In addition, permitting delays currently prevent the Coal Valley mine operation from mining the Mercoal West properties. Consequently, areas of poorer quality are being mined, resulting in lower plant yields and higher costs which are expected to continue until all required permits are obtained. The sales target for Mountain Operations remains 5.2 million tonnes for 2010, but could be negatively impacted by the continuation of the logistics and permitting issues. Capital expenditures for Mountain Operations in 2010 are expected to be consistent with sustaining capital expenditures in 2009.

- In Oil and Gas, GWI oil production in Cuba is expected to be approximately 10% lower in 2010 when compared to 2009, due to the scheduled contractual expiry of the Varadero production-sharing contract in March 2010, which currently accounts for approximately 2,500 bpd of GWI production. Forecast GWI production excludes any production that may result from exploration wells, on the basis that if successful, they likely will not be declared commercial during 2010. Capital spending in Cuba for 2010 includes five development wells, two exploration wells and workovers. Capital expenditures outside of Cuba relate to plans to grow reserves and increase production in jurisdictions where Sherritt can leverage its experience and operating expertise. During 2009, regular monthly payments were received for Cuban oil production. Sherritt anticipates continued payment of receivables on a timely basis in 2010; however, the payment pooling arrangements and the pledge of certain third-party payments to Cuban government agencies received in the past are not expected to be available to Sherritt in 2010.

- In Power, 2010 electricity production is projected to be lower than in 2009 as a result of an anticipated decline in natural gas supply from CUPET. Capital expenditures for 2010 are estimated to be $31.0 million, of which approximately 45% will be for sustaining capital including major inspections planned on two gas turbines. Excluding progress payments, expansion capital spending is contingent on the outcome of the review of the 150 MW Boca de Jaruco combined cycle expansion project. At the present there are no plans for construction of additional power facilities in Madagascar.

Non-GAAP Measures

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

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

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. Specifically, forward-looking statements in this document include statements respecting certain future expectations about capital expenditures; capital project commissioning and completion dates; production volumes; realized prices for production; and royalty revenues. 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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