For immediate release

Sherritt Announces Q2 2016 Results

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Toronto, Ontario – July 25, 2016 – Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S), the world leader in the mining and refining of nickel from lateritic ores, today reported its financial results for the three and six months ended June 30, 2016.

"Our Moa JV operations performed well in the quarter with a Net Direct Cash Cost (NDCC) of US$2.94/lb, making Moa one of the few HPAL operations globally to perform near the lowest quartile of cash cost," said David Pathe, President and CEO, Sherritt International. "We are encouraged by the recent strengthening of the nickel price and continue to believe that having more than 60% of global nickel production underwater on a cash margin basis is not sustainable in the long term."

"We also made significant progress in the quarter in protecting our balance sheet as we reduced recourse debt levels and made progress on extending our bond maturities."

Q2 HIGHLIGHTS[1]

- Nickel prices remained under pressure in the quarter, with reference prices averaging US$4.00/lb. Signs of a rally are emerging with news of Philippine mine shutdowns in process or expected with the new government environmental regulation. LME nickel prices have averaged US$4.60 per pound in July to date, up 30% from the low of US$3.50/lb in the first quarter. Gulf Coast Fuel Oil 6 prices increased by 47% from the average reference price in the first quarter this year.
- Net direct cash costs (NDCC) of US$2.94/lb at the Moa JV and US$5.12/lb at Ambatovy are both improvements on a year over year basis, despite Ambatovy's lower production.
- Cash, cash equivalents and short-term investments at the end of the second quarter were $312.6 million, a drop of $57.3 million from the end of the first quarter. The main drivers were $17.4 million expended to repurchase debentures, $20 million in interest payments on the debentures, and lower than expected receipts from the Cuban energy business.
- Sherritt is in the process of extending the maturities of its debentures by three years to 2021, 2023, and 2025. The noteholder meeting to approve the transaction was held earlier today, and received the support of over 94% of noteholders, being more than 99% of votes cast as announced previously. A final court hearing for approval of the transaction pursuant to the CBCA proceedings is scheduled for July 27, 2016 and the transaction is expected to close on or about July 29, 2016.
- In July, the Moa JV commenced operation of the third acid plant, which is expected to further reduce NDCC by approximately US$0.50/lb starting in the fourth quarter this year, with the full benefit anticipated in 2017.

OUTLOOK AND SIGNIFICANT ITEMS

- With better than expected Cuban oil production in the first half of this year, and the results of a successful workover in the second quarter, Cuba oil production guidance has been increased on both a Gross Working Interest (GWI) and Net Working Interest (NWI) basis, to 15,000 bopd and 9,200 bopd respectively.
- Production guidance for Ambatovy has been reduced to a range of 42,000 – 45,000 tonnes finished nickel and 2,900 – 3,300 tonnes finished cobalt (100% basis), in light of year to date production.
- Capital spending guidance has been reduced by US$7 million, as seismic processing activity in Oil & Gas that was originally expected to be performed on Block 8A has been deferred to 2017, while the focus remains on drilling the first well in Block 10 this year.

All amounts are Canadian dollars unless otherwise indicated.
(1) For additional information see the Non-GAAP measures section of this press release.

Q2 2016 FINANCIAL HIGHLIGHTS

$ millions, except per share amount	For the three months ended 2016 June 30	2015 June 30	Change		For the six months ended 2016 June 30		2015 June 30	Change
Combined Revenue[1]	**204.1**	268.4	(24%)	$	**395.4**	$	546.7	(28%)
Adjusted EBITDA[1]	**0.2**	40.2	(100%)		**(8.9)**		84.4	(111%)
Combined free cash flow [1]	**(55.3)**	(67.0)	17%		**(86.7)**		(55.8)	(55%)
Net loss from continuing operations per share	**(0.35)**	(0.16)	(119%)		**(0.52)**		(0.36)	(44%)
Combined adjusted operating cash flow per share [1]	**(0.12)**	0.09	(233%)		**(0.20)**		0.28	(171%)

(1) For additional information, see the Non-GAAP measures section of this release.

$ millions, except as noted, as at	2016 June 30	2015 December 31	Change
Cash, cash equivalents and short term investments	**312.6**	435.4	(28%)
Non-recourse loans and borrowings	**1,273.3**	1,303.2	(2%)
Other loans and borrowings	**878.8**	959.9	(8%)

Sherritt has expended $62.4 million this year in repurchasing debt and repaying credit facilities. This is the main use of cash year to date. In addition, the cash balance has been reduced for negative working capital changes. Cuban overdue oil receivables have increased from approximately US$50 million at the end of 2015 to US$70 million at the end of June 2016, and discussions are underway regarding payment.

Payments from Energas year-to-date have been allocated to repayment of cost incurred by Sherritt at the end of 2015 and current year pipeline construction. Interest and principal repayments on the outstanding CSA receivable in the Power business unit were a significant source of cash last year, and are expected to resume in the second half of 2016. The payment schedule, as disclosed previously, contemplates $34 million in principal and interest payments in 2016.

Fertilizer cash flows tend to be weighted toward the second half of the year, when prepayments are received in advance of fertilizer deliveries (and revenue recognition) for the following year.

Adjusted earnings (loss) from continuing operations[1]

For the three months ended June 30	2016 $ millions	2016 June 30 $/share	2015 $ millions	2015 June 30 $/share
Net loss from continuing operations	**(103.6)**	**(0.35)**	(47.6)	(0.16)
Adjusting Items, net of tax	**(12.5)**	**(0.04)**	(27.6)	(0.09)
Adjusted net loss from continuing operations	**(116.1)**	**(0.39)**	(75.2)	(0.25)

For the six months ended June 30	2016 $ millions	2016 June 30 $/share	2015 $ millions	2015 June 30 $/share
Net loss from continuing operations	**(151.4)**	**(0.52)**	(104.4)	(0.36)
Adjusting Items, net of tax	**(92.3)**	**(0.31)**	(41.8)	(0.14)
Adjusted net loss from continuing operations	**(243.7)**	**(0.83)**	(146.2)	(0.50)

(1) For additional information, see the Non-GAAP measures section of this release.

During the second quarter, $(12.5) million $(0.04) per share in adjusting items occurred, primarily a $12.6 million gain on the repurchase of $30 million principal value of 2018 debentures. This gain plus adjustments for Ambatovy VAT collected and $2.7 million in deferred consideration received in oil and gas pursuant to last year's North Sea asset sale was offset by a small unrealized foreign exchange loss and tax adjustments of $7.7 million, relating to the writedown of loss carry-forwards that are no longer usable at Moa Nickel.

REVIEW OF OPERATIONS

METALS

$ millions except as otherwise noted, for the three months ended June 30				2016				2015	
	Moa JV & Fort Site[1] (50%)	Ambatovy JV (40%)	Other[2]	Total	Moa JV and Fort Site[1] (50%)	Ambatovy JV (40%)	Other[2]	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	$ 89.5	$ 60.5	$ 10.5	$ 160.5	$ 109.4	$ 80.6	$ 14.2	$ 204.2	(21%)
Adjusted EBITDA[3]	6.7	(14.1)	-	(7.4)	14.2	(1.7)	-	12.5	(159%)
Cash provided (used) by operations	(8.4)	(16.9)	1.0	(24.3)	(11.4)	7.3	(0.7)	(4.8)	(406%)
Spending on capital	11.4	2.9	-	14.3	15.9	9.2	-	25.1	(43%)
Free cash flow[3]	(20.0)	(18.0)	1.0	(37.0)	(26.9)	5.1	(0.7)	(22.5)	(64%)
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	4,432	3,843	-	8,275	4,702	4,533	-	9,235	(10%)
Finished Nickel	4,145	3,620	-	7,765	3,877	4,158	-	8,035	(3%)
Finished Cobalt	477	270	-	747	429	264	-	693	8%
Fertilizer	57,552	10,797	-	68,349	58,977	12,028	-	71,005	(4%)
NICKEL RECOVERY (%)	87%	83%			89%	86%			
SALES VOLUMES (tonnes)									
Finished Nickel	4,068	4,251	-	8,319	3,919	4,271	-	8,190	2%
Finished Cobalt	473	361	-	834	411	279	-	690	21%
Fertilizer	59,947	13,764	-	73,711	57,870	12,260	-	70,130	5%
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				$ 4.00				$ 5.90	(32%)
Cobalt				10.85				13.61	(20%)
AVERAGE-REALIZED PRICES[3]									
Nickel ($ per pound)	$ 5.06	$ 5.08		$ 5.07	$ 7.16	$ 7.10		$ 7.13	(29%)
Cobalt ($ per pound)	13.37	13.46		13.38	16.40	18.08		17.10	(22%)
Fertilizer ($ per tonne)	455	146		396	503	194		449	(12%)
UNIT OPERATING COSTS[3] (US$ per pound)									
Nickel - net direct cash cost	$ 2.94	$ 5.12		4.05	$ 4.12	$ 5.48		4.83	(16%)

(1) Includes results for certain 100% owned assets at Fort Saskatchewan plant.
(2) Includes results for Sherritt's marketing organization for certain Ambatovy sales.
(3) For additional information, see the Non-GAAP measures section of this release.

$ millions, except as otherwise noted, for the six months ended June 30	2016				2015				
	Moa JV and Fort Site[1] (50%)	**Ambatovy JV (40%)**	**Other[2]**	**Total**	Moa JV and Fort Site[1] (50%)	Ambatov JV (40%)	Other[2]	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 166.2**	**$ 125.6**	**$ 21.7**	**$ 313.5**	$ 213.9	$ 181.3	$ 32.7	$ 427.9	(27%)
Adjusted EBITDA[3]	**6.5**	**(26.9)**	**0.3**	**(20.1)**	32.5	2.6	0.1	35.2	(157%)
Cash provided (used) by operations	**(11.4)**	**(22.4)**	**5.2**	**(28.6)**	18.8	19.8	(1.2)	37.4	(176%)
Spending on Capital[4]	**19.2**	**4.6**	**-**	**23.8**	24.0	15.6	-	39.6	(40%)
Free cash flow[3]	**(30.6)**	**(23.5)**	**5.2**	**(48.9)**	(4.6)	15.0	(1.2)	9.2	(632%)
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**8,753**	**8,413**	**-**	**17,166**	9,578	8,932	-	18,510	(7%)
Finished Nickel	**8,387**	**8,062**	**-**	**16,449**	8,234	8,814	-	17,048	(4%)
Finished Cobalt	**976**	**635**	**-**	**1,611**	855	608	-	1,463	10%
Fertilizer	**128,459**	**25,152**	**-**	**153,611**	119,506	23,690	-	143,196	7%
NICKEL RECOVERY (%)	**87%**	**85%**			89%	86%			
SALES VOLUMES (tonnes)									
Finished Nickel	**8,209**	**8,742**	**-**	**16,951**	8,194	9,215	-	17,409	(3%)
Finished Cobalt	**941**	**693**	**-**	**1,634**	820	620	-	1,440	13%
Fertilizer	**91,660**	**27,871**	**-**	**119,531**	88,712	25,387	-	114,099	5%
AVERAGE REFERENCE PRICES (US$ per pound)[3]									
Nickel				**$ 3.93**				$ 6.21	(37%)
Cobalt				**10.78**				13.67	(21%)
AVERAGE-REALIZED PRICES[3]									
Nickel ($ per pound)	**$ 5.11**	**$ 5.12**		**$ 5.12**	$ 7.55	$ 7.56		$ 7.55	(32%)
Cobalt ($ per pound)	**13.60**	**14.38**		**13.93**	16.32	16.06		16.22	(14%)
Fertilizer ($ per tonne)	**433**	**166**		**370**	459	192		399	(7%)
UNIT OPERATING COSTS[3] (US$ per pound)									
Nickel - net direct cash cost	**$ 3.15**	**$ 4.75**		**3.98**	$ 4.24	$ 5.63		4.98	(20%)

(1) Includes results for certain 100% owned assets at Fort Saskatchewan plant.
(2) Includes results for Sherritt's marketing organization for certain Ambatovy sales.
(3) For additional information, see the Non-GAAP measures section of this release.
(4) Spending on capital includes accruals.

METAL MARKETS

Nickel

Recent market activity has been bullish as market analysts have increased their projected deficits and forecast higher prices for 2016 and 2017 due in part to fundamental supply challenges that have emerged with the Philippines beginning environmental audits on all mining operations in the country. Prices have recovered significantly from the lows of US$3.50/lb reached in the first quarter this year, but the price recovery has not been enough to change the fundamental problem of more than 60% of the world's nickel production being underwater on a cash margin basis. There are reports of nickel ore operations in the Philippines being shut down for violations, with potential further shutdowns in the coming quarter. As the Philippines has replaced Indonesia as the largest supplier of ore to the Chinese NPI industry, any reduction in ore shipments would be expected to directly impact NPI production, and the overall nickel supply.

Cobalt

Cobalt is marketed in two distinct forms, being metal (cathode, metal powders or briquettes) or chemical (cobalt hydroxide, cobalt sulphate, or intermediates). Cobalt metal supply has contracted in 2016 with the announced suspension of production from Votorantim (Tocantins) in Brazil. Indications are that the metal market is approaching balance or slight deficit, which has resulted in stabilized prices, with average reference prices in the second quarter this year being US$10.85/lb, a slight improvement over the US$10.70/lb of the first quarter. Overall cobalt demand is supported by the longer term outlook for cobalt in rechargeable batteries, a market that will utilize either metal or chemical forms of cobalt, with purity being an important factor in the decision-making. Superalloy demand also remains strong, along with other applications such as magnets, diamond cutting tools, soaps and paint driers which are growing but at a slower rate. As a result of the positive medium term outlook for cobalt, speculative interest has picked up adding to improved pricing.

Moa Joint Venture (50% interest) and Fort Site (100%)

Adjusted EBITDA of $6.7 million in the quarter is an improvement from the breakeven result in first quarter this year, but cash used by operations was negative $8.4 million in the second quarter, mainly due to seasonality and timing of cash received versus revenue recognized in the fertilizer business. Cash prepayments for fertilizer sales were received in the fourth quarter last year and to a lesser extent, the first quarter this year.

Finished nickel production of 4,145 tonnes (50% basis) in the second quarter of 2016 was up from the comparable quarter a year ago reflecting a shorter planned annual refinery shutdown. The annual refinery shutdown also resulted in marginally lower finished nickel production than in the first quarter of 2016. Lower quality ore at Moa (increased deleterious elements in new mining concessions) coupled with some equipment reliability issues was the main cause of the lower mixed sulphide production in the first half this year. The impact of the lower mixed sulphides production in the first half was offset by processing third party feeds, which have been more cobalt-rich, and explain the 14% increase in cobalt production year over year.

The NDCC of US$2.94 per pound of nickel in the second quarter of 2016 was a significant improvement over last year's comparable quarter, and reflects mainly lower mining, processing and refining costs (driven by lower fuel oil, sulphuric acid and sulphur prices) and a higher fertilizer credit. The fertilizer credit of $0.77/lb is significantly higher than the $0.42/lb credit in the second quarter of 2015, mainly due to the lower planned maintenance costs in fertilizer production as the annual shutdown this year was less extensive than last year's shutdown.

Capital spending of $11.4 million in the quarter is down from its level a year ago consistent with plans to reduce spending. The expansion capital of $4.1 million (US$3 million) refers to the 50% share of the new Moa Nickel acid plant. Construction was completed in June, and commissioning activities have commenced, with first acid produced as announced last week. The acid plant was completed within the budgeted completion amount of US$65 million (100% basis).

Ambatovy Joint Venture (40% interest)

The Ambatovy Joint Venture senior debt financing of US$1.6 billion (100% basis) is non-recourse to the Joint Venture partners as a result of achieving financial completion in September 2015. As announced June 15, 2016, the Ambatovy Joint Venture financing lenders and the Ambatovy Joint Venture have entered into a temporary deferral agreement to defer the June 15, 2016 principal repayment due date to August 5, 2016. An agreement in principle has been reached on future principal payment deferrals. A semi-annual interest payment of US$28.0 million was made to the lenders during the three months ended June 30, 2016.

Total cash funding provided by Sumitomo and KORES was US$21 million and US$72 million for the three and six months ended June 30, 2016, respectively, pursuant to total cash calls of US$35 million and US$120 million for the same periods. Sherritt has not funded any portion of these cash calls, and continues not to fund. By agreement amongst the partners, Sherritt has not been considered to be a defaulting shareholder under the Ambatovy Joint Venture Shareholders Agreement as a consequence of such non-funding to date. However, new cash calls have been received for payment in early August and, while constructive discussions amongst the partners continue, in the event that a waiver is not agreed before the cash call due date, Sherritt would become a defaulting shareholder. Sherritt's unfunded amounts remain payable with accrued interest at LIBOR +3%. These amounts will be subtracted from future Ambatovy Joint Venture distributions, or may be set off against other amounts owed to Sherritt. Sherritt also has the option to pay the amounts in cash at any time, at Sherritt's election. Until the funding deficit is addressed, and subject to continued discussions with the Ambatovy partners, Sherritt will not exercise its Ambatovy voting rights.

Sherritt continues not to fund further cash calls at this time due to the structure of the Ambatovy partner loans, which, at current nickel prices, effectively reduce Sherritt's 40% interest in Ambatovy to a 12% economic interest. Sherritt continues to serve as operator, as constructive discussions are ongoing between partners.

Ambatovy production in the second quarter of 2016 was 9,050 tonnes finished nickel (100% basis), or 60% of design capacity, with PAL throughput in the same quarter of 976,765 tonnes or 67% of design capacity. Production was impacted by a tailings pipe blockage and subsequent decision to bring forward the planned third quarter total plant shutdown, as announced by press release June 24, 2016. This pipeline is a five kilometre span that transports tailings material from the plant to the tailings management facility. The blockage happened when thickened tailings slurry mixed with high concentrations of flocculent and lime and was then allowed to harden when an unplanned maintenance issue required a rapid shutdown of the tailings pumps. The blockage was cleared during the total shutdown, and preventive measures put in place to address any potential future process control events of this nature.

In addition to this event, plant equipment reliability issues that characterized the first quarter 2016 operations also affected second quarter production. Some of these issues were addressed during the total plant shutdown and further capital projects and asset management processes are currently underway to further improve plant reliability.

The total plant shutdown, originally planned for August this year, was brought forward in order to perform the required work on the air separation unit and hydrogen plant, along with inspections of pressure vessels in accordance with statutory engineering codes. These statutory inspections are required every three years, which eliminates the need for another total plant shutdown in the next three years, barring unexpected events. Other activities that were originally scheduled for the August planned shutdown will be postponed to 2017, but are expected to be performed during normal run time.

Nickel production is ramping up since the re-start of operations, with July finished nickel production expected to be approximately 1,500 tonnes (100% basis).

Taking into account year to date production, offset to some degree by no further planned major shutdowns for the balance of the year, production guidance has been reduced to 42,000-45,000 tonnes finished nickel (100% basis) and 2,900-3,300 tonnes finished cobalt (100% basis).

Adjusted EBITDA in the second quarter of 2016 was $(14.1) million compared to Adjusted EBITDA of $(1.7) million in the same quarter last year, due to the production shortfall and lower nickel prices.

Even with the production shortfall in the second quarter, the second quarter 2016 NDCC of US$5.12 was an improvement year over year, largely due to sales out of inventory in the quarter which did not get shipped in the first quarter this year. Finished nickel sales in the second quarter were down only 0.5% from last year, compared to production being down 13%.

OIL AND GAS

$ millions, except as otherwise noted	For the three months ended 2016 June 30	2015 June 30	Change	For the six months ended 2016 June 30	2015 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 28.3**	$ 51.3	(45%)	**$ 50.7**	$ 93.6	(46%)
Adjusted EBITDA[1]	**8.9**	29.9	(70%)	**12.9**	51.4	(75%)
Cash provided by operations	**7.9**	6.4	23%	**10.5**	13.0	(19%)
Spending on Capital[2]	**4.9**	16.5	(70%)	**9.6**	43.5	(78%)
Free cash Flow[1]	**3.0**	(13.9)	122%	**0.6**	(27.9)	102%
PRODUCTION AND SALES (bopd)						
Gross working-interest (GWI) - Cuba	**16,200**	18,607	(13%)	**16,324**	19,160	(15%)
Total net working-interest (NWI)	**10,567**	11,948	(12%)	**10,537**	11,445	(8%)
AVERAGE REFERENCE PRICE (US$ per barrel)						
Gulf Coast Fuel Oil No. 6	**$ 31.02**	$ 50.92	(39%)	**$ 26.19**	$ 47.67	(45%)
Brent	**45.29**	61.17	(26%)	**39.51**	57.47	(31%)
AVERAGE-REALIZED PRICE[1] (NWI)						
Cuba ($ per barrel)	**$ 28.16**	$ 45.71	(38%)	**$ 24.98**	$ 43.69	(43%)
UNIT OPERATING COSTS[1] (GWI)						
Cuba ($ per barrel)	**$ 9.30**	$ 10.13	(8%)	**$ 9.42**	$ 9.17	3%

(1) For additional information, see the Non-GAAP measures section of this release.
(2) Spending on capital includes accruals.
(3) Average unit operating costs are calculated by dividing operating costs incurred by gross working-interest production.

Adjusted EBITDA in the second quarter of $8.9 million and $12.9 million in the first half of the year demonstrates the ability of the oil and gas operations to generate earnings even with Gulf Coast Fuel Oil 6 prices averaging US$26.19/barrel in the six month period.

The quarterly average Gulf Coast Fuel Oil 6 prices improved by 47% from US$21.13 per barrel in the first quarter to US$31.02 per barrel in the second quarter this year, although a stronger Canadian dollar this quarter mitigated the impact to average realized prices reported in Canadian dollars. Both WTI and Gulf Coast Fuel Oil 6 prices remain weak, with second quarter 2016 WTI average prices down 21% from their comparable quarter last year, and Gulf Coast Fuel Oil 6 prices down 39%. The spread between Gulf Coast Fuel Oil 6 and WTI prices has narrowed modestly since the first quarter this year, when Gulf Coast Fuel Oil 6 prices averaged only 63% of WTI. In the second quarter, the spread narrowed, with Gulf Coast Fuel Oil 6 averaging to 68% of WTI, which is still historically low compared to average ranges between 70 – 85%.

Gross working-interest (GWI) production in Cuba was a better than expected 16,200 bopd in the second quarter of 2016, down only marginally from first quarter 2016 production, due to better than expected performance from existing wells, helped by a successful workover in the quarter. GWI production is down 13% compared to the same period last year. With the better than expected production and a revaluation of the balance of the year, the Outlook for Cuba GWI production has been increased to 15,000 bopd from the original guidance of 14,500 bopd. Cuba net working-interest (NWI) production was 9,933 bopd in the second quarter this year, which was consistent with Cuba NWI production in the first quarter. Cuba NWI production guidance has been increased to 9,200 bopd from the original guidance of 8,900 bopd.

Unit operating costs continue to be competitive, at $10.57 on a weighted average basis (boepd, all ops) and $9.30 per barrel on a Cuba GWI basis in the second quarter. On a three and six month basis, the oil business has been free cash flow neutral even in the current oil price environment; however, most of the capital expenditure this year is expected to fall in the second half as Block 10 drilling is expected to commence in the third quarter. The outlook for capital spending in 2016 has been reduced to the current US$27 million from US$34 million at the end of the first quarter, as exploration spending on future development outside of Block 10 has been deferred.

POWER

	For the three months ended			For the six months ended		
	2016	2015		**2016**	2015	
$ millions (33 ⅓% basis), except as otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 14.9**	$ 12.7	17%	**$ 30.5**	$ 24.5	24%
Adjusted EBITDA[1]	**6.8**	7.6	(11%)	**15.5**	14.9	4%
Cash provided by operations	**4.9**	10.6	(54%)	**5.8**	34.7	(83%)
Spending on Capital[2]	**1.9**	0.8	138%	**3.9**	1.2	225%
Free cash flow[1]	**4.8**	9.6	(50%)	**5.6**	33.3	(83%)
PRODUCTION AND SALES						
Electricity (GWh)	**227**	224	1%	**444**	434	2%
AVERAGE-REALIZED PRICE[1]						
Electricity ($/MWh)	**$ 54.51**	$ 52.17	4%	**$ 56.35**	$ 52.39	8%
UNIT OPERATING COSTS[1] ($/MWh)						
Base	**15.64**	15.60	-	**15.26**	15.68	(3%)
Non-base[3]	**8.76**	1.26	595%	**5.45**	0.59	824%
	24.40	16.86	45%	**20.71**	16.27	27%
NET CAPACITY FACTOR (%)	**69**	69	-	**70**	68	3%

(1) For additional information see the Non-GAAP measures section of this release.
(2) Includes service concession arrangements and accruals.
(3) Costs incurred at the Boca de Jaruco and Puerto Escondido facilities that otherwise would have been capitalized if these facilities were not accounted for as service concession arrangements.

Quarterly Adjusted EBITDA of $6.8 million in the second quarter this year is down from its comparable period last year. Unit operating costs increased significantly, due to the major inspection on a gas turbine at Boca de Jaruco that occurred in the second quarter this year. No gas turbine major inspections are planned for the second half of this year, although other scheduled major maintenance expenditures will impact unit operating costs in the second half this year. Quarterly unit operating costs fluctuate significantly between quarters, although the full year average unit operating costs for 2016 are expected to be similar to the full year average in 2015 of $21.00 per MWh.

Production has been consistent on both a quarter over quarter basis, and year over year basis, and average realized prices are also consistent, excluding the impact of a weaker Canadian dollar in the first half of this year compared to last year.

Spending on capital and service concession agreements so far this year relates to the construction of a new pipeline that will conserve gas that is currently being flared, which will be processed at the Puerto Escondido facility. The pipeline is scheduled to be operational in the fourth quarter this year.

Free cash flow generation of $4.8 million in the quarter is low compared to its comparable quarter last year. The main difference in the quarter and in the first half this year is the absence of principal repayments and interest repayments received on the Energas conditional sales agreement. As disclosed previously, 2016 repayments are expected to be lower than 2015 due to higher capital spending while the pipeline is being constructed. Repayment in 2016 is expected to be $34 million based on a payment schedule that Energas provided at the beginning of the year. Discussions continue to address ongoing payments given the current liquidity concerns in Cuba.

STRATEGIC PRIORITIES

The table below lists Sherritt's strategic priorities for 2016. The 2016 Strategic Priorities reflect the continuing depressed commodity outlook and the Corporation's responsibility to preserve liquidity, continue to drive down costs, and execute rational capital allocation plans. Sherritt's purpose, originally communicated in 2014, continues ***to be a low-cost nickel producer that creates sustainable prosperity for our employees, investors and communities***.

Strategic Priorities	2016 Targets	Status
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION **1**	Complete and commission the acid plant at Moa in the second half of 2016	Acid plant construction completed in Q2 and commissioning underway
	Further reduce NDCC costs at Moa and Ambatovy towards the goal of being in the lowest quartile	Q2 NDCC of US$2.94/lb at Moa, and US$5.12/lb at Ambatovy
	Increase Ambatovy production over 2015, despite the major maintenance work scheduled for Q3	Ambatovy production was lower in the first half this year due to planned and unplanned impacts
	Maintain peer leading performance in environmental, health, safety and sustainability	Performance improved over 2015 and on track
EXTEND THE LIFE OF OUR CUBAN ENERGY BUSINESS **2**	Allocate capital to new drilling on Block 10, with future drilling to be contingent on results from 2016 activity	Drilling is expected to take place in the second half, and exploration spending outside Block 10 has been deferred. Results from the first well in Block 10 will dictate next steps
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH **3**	Protect Sherritt's balance sheet and preserve cash	Recourse debt reduced by $81 million since end of 2015, and debenture maturities to be extended by 3 years in each series pending approval
	Establish clarity on long-term funding of Ambatovy	Ceased funding Ambatovy cash calls due to the "40 for 12" issue
	Run business units to be free cash flow neutral, and continue to optimize administrative costs	

OUTLOOK

2016 PRODUCTION AND CAPITAL SPENDING GUIDANCE

In 2016, Sherritt has made certain modifications to how guidance is presented. For example, capital spending estimates are presented in US dollars. In the quarterly reporting, actual capital spending is presented in Canadian dollars consistent with Sherritt's reporting currency, but estimates and forward looking information continue to be provided in US dollars. This change in presentation is intended to align with Sherritt's capital budgeting practices, and to mitigate the change to capital spending that arises from translation to the Canadian dollar reporting currency. In Sherritt's full year and Q4 2015 reporting, when guidance was first presented, the forecast exchange rate was Cdn$1.36 per US dollar. Capital projects in the Metals business are generally US dollar expenditures, while in Oil & Gas, the expenditures are roughly 50% Canadian dollar denominated and 50% US dollar denominated.

Production volumes and spending on capital	Previous Guidance 2016 March 31	Actual 2016 June 30	Revised Projected 2016
Production volumes			
Nickel, finished (tonnes, 100% basis)			
Moa Joint Venture	33,500-34,500	16,774	No change
Ambatovy Joint Venture	48,000-50,000	20,155	42,000-45,000
Total	81,500-84,500	36,929	75,500-79,500
Cobalt, finished (tonnes, 100% basis)			
Moa Joint Venture	3,300-3,800	1,952	No change
Ambatovy Joint Venture	3,300-3,800	1,588	2,900-3,300
Total	6,600-7,600	3,540	6,200-7,100
Oil – Cuba (gross working-interest, bopd)	14,500	16,324	15,000
Oil and Gas – All operations (net working-interest, boepd)	8,900	10,537	9,200
Electricity (GWh, 100% basis)	860	444	No change
Spending on capital (US$ millions)			
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis)	US$38	US$14	No change
Metals – Ambatovy Joint Venture (40% basis)	US$25	US$4	No change
Oil and Gas	US$34	US$7	US$27
Power (33⅓% basis) Pipeline Construction on Service Concession Agreements	US$4	US$3	No change
Power (33⅓% basis)	US$1	-	No change
Spending on capital (excluding Corporate)	US$102	US$28	US$95

(1) Spending is 50% of US$ expenditures for Moa JV and 100% expenditures for Fort Site fertilizer and utilities.

NON-GAAP MEASURES

The Corporation uses combined results, Adjusted EBITDA, average-realized price, unit operating cost, and adjusted operating cash flow to monitor the performance of the Corporation and its operating divisions and believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and evaluate the results of its underlying business. These measures do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies. See Sherritt's Management's Discussion and Analysis for the period ended June 30, 2016 for further information.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its quarterly conference call and webcast tomorrow at 10:00 a.m. Eastern Time.

Conference Call and Webcast:	July 26, 2016, 10:00 a.m. ET
North American callers, please dial:	1-866-530-1553
International callers, please dial:	416-847-6330
Live webcast:	www.sherritt.com

An archive of the webcast will also be available on the website. The conference call will be available for replay until July 31, 2016 by calling 647-436-0148 or 1-888-203-1112, access code 2274449#.

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's complete interim condensed consolidated financial statements and MD&A for the three and six months ended June 30, 2016 are available at www.sherritt.com and should be read in conjunction with this news release.

ABOUT SHERRITT

Sherritt is the world leader in the mining and refining of nickel from lateritic ores with operations in Canada, Cuba, and Madagascar. The Corporation is the largest independent energy producer in Cuba, with extensive oil and power operations on the island. Sherritt licenses its proprietary technologies and provides metallurgical services to commercial metals operations worldwide. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "S".

Source: Sherritt Investor Relations

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words 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, but are not limited to, statements set out in the “Outlook” sections of this press release and certain expectations about capital costs and expenditures; production volumes; capital project completion and ramp up dates; future price of key commodities; sales volumes; revenue, costs, and earnings; sufficiency of working capital and capital project funding; results of on-going discussions regarding certain Ambatovy Joint Venture loans; completion of development and exploration wells; completion of the extension of the senior unsecured debentures and amounts of certain joint venture commitments.

Forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. 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.

The Corporation cautions readers of this press release not to place undue reliance on any forward-looking statement 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. These risks, uncertainties and other factors include, but are not limited to changes in the global price for nickel, cobalt, oil and gas or certain other commodities, share-price volatility, level of liquidity and access to capital resources, access to financing, risk of future non-compliance with debt restrictions and covenants; risks associated with the Corporation’s joint venture partners; discrepancies between actual and estimated production; variability in production at Sherritt’s operations in Madagascar and Cuba; risks associated with the ramp-up of Moa Joint Venture Acid Plant; potential interruptions in transportation; uncertainty of gas supply for electrical generation; uncertainty of exploration results and Sherritt’s ability to replace depleted mineral and oil and gas reserves; the Corporation’s reliance on key personnel and skilled workers; the possibility of equipment and other failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; uncertainties in environmental rehabilitation provisions estimates; risks related to the Corporation’s corporate structure; political, economic and other risks of foreign operations; risks related to Sherritt’s operations in Madagascar and Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; risks related to the accuracy of capital and operating cost estimates; reliance on significant customers; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding greenhouse gas emissions; maintaining the Corporation’s social license to grow and operate; risks relating to community relations; credit risks; shortage of equipment and supplies; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; legal contingencies; risks related to the Corporation’s accounting policies; risks associated with future acquisitions; uncertainty in the ability of the Corporation to obtain government permits; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the *Corruption of Foreign Public Officials Act* or applicable local anti-corruption law; uncertainties in growth management; and certain corporate objectives, goals and plans for 2016; and the Corporation’s ability to meet other factors listed from time to time in the Corporation’s continuous disclosure documents. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in the MD&A and in the Corporation’s other documents filed with the Canadian securities authorities.

The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this press release and in the Corporation's other documents filed with the Canadian securities authorities should be read for a description of certain factors that could cause the actual results of the Corporation to differ materially from those in the oral forward-looking statements. The forward-looking information and statements contained in this press release are made as of the date hereof and the Corporation undertakes no obligation to update publicly or revise any oral or written forward-looking information or statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement.

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For further investor information contact:
Investor Relations
Flora Wood, Director of Investor Relations
Telephone: 416.935.2451
Toll-free: 1.800.704.6698
E-mail: investor@sherritt.com

Sherritt International Corporation
181 Bay Street, 26th Floor, Brookfield Place
Toronto, Ontario, Canada, M5J 2T3
www.sherritt.com