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About this Report

This is Sherritt International's second Corporate Social Responsibility (CSR) Report. It provides an update on the progress made in the Corporation's sustainability performance and achievements during the 2009 calendar year. The Report focuses on key areas of interest for Sherritt's stakeholders – the environment, communities and the workforce.

The Report's main focus is on the primary operations and projects of the Corporation during 2009. On occasion, some historical context has been included. Data has generally been included for either all available years or for the five years 2005 to 2009.

Compared to the first Report, this Report marks the transition to an on-line format and presents more data in tabular form, much of which is located in the appendices for ease of reference and comparison. In addition, certain topics such as background information on climate change have been moved to the appendices to allow the narrative sections of the Report to more directly focus on the Corporation's recent business.

This Report reviews Sherritt's performance as a socially responsible corporation. The Corporation has made, and will continue to make, adjustments to its reporting in response to economic and regulatory changes. As a result of certain methodology changes or corrections, some of the comparative information from prior years has been updated.

Sherritt recognizes the growth of international standards for CSR reporting, particularly the Global Reporting Initiative (GRI) which has been endorsed by the Canadian Government for use by extractive companies operating in

the international sphere. To allow for flexibility in future reporting, this Report was planned so that many sections and measures could be adapted to a GRI format.

The information provided in this Report has been compiled from publicly disclosed information derived from Sherritt's ongoing, established information gathering processes. Sherritt collects such information internally for the purpose of the safe, efficient operation of its business, as well as for regulatory compliance.

All data presented have been internally verified for accuracy and reliability. Some data, such as that produced for regulatory compliance, are both internally verified and reviewed by the appropriate government agency to ensure that our operations are in compliance with the relevant regulations. Data on greenhouse gas emissions in Alberta have been externally verified by an independent third party as required by provincial regulation.

The Corporation determines materiality of information tracked and reported based on its commitment to observe the applicable laws and regulations governing its activities and for the purpose of meeting its internal requirements for clean and safe operations. Information may change from one report to another as a reflection of changes in those requirements.

Certain data presentations and comparisons may not meet the direct needs of all stakeholders. Further reference should be made to the Corporation's 2008 CSR Report for more background material on Sherritt's past operations. Readers are encouraged to contact Sherritt at responsibility@sherritt.com with enquiries about the Corporation's reporting.



Road to Obed Mountain mine, Alberta, Canada

Message to Stakeholders from Ian W. Delaney, Chairman and Chief Executive Officer

In 2009, Sherritt continued to maintain an enviable record in successfully managing the environmental, health and safety aspects of its business. We recognize that as a diversified natural resource company, our business by its very nature impacts both the natural and social environments of the countries and communities in which we operate. The nature of our business also demands that we enter into and honour many long-term commitments in multiple jurisdictions in order to cultivate and maintain the social license we must rely upon to successfully conduct business over the long term. We work closely with governments, communities and many other stakeholders on an ongoing basis to demonstrate our commitment to social responsibility. We also demonstrate this long-term commitment through donations and other forms of community investment as well as active engagement of employees in many local initiatives.

Sherritt has always been a safe place to work. We regard this fact not only as being the ethical way to operate, but also as an integral part of operating efficiency. Operating efficiency means doing things right and that includes doing them safely. Cutting corners in environmental, health and safety matters is bad business. It can lead to human loss, reputational loss and ultimately financial loss. We best serve our investors and other stakeholders by conscientiously managing a safe workplace and maintaining our stewardship of the environment.

As an example of our approach to safety, Sherritt aims for zero lost time injuries. In 2009 we came very close to that goal, having achieved results that are among the best in the industry. In practical terms, fewer than one employee in a thousand lost a day of work last year due to an on-the-job injury. Each year we strive anew for an injury-free result. All our business Divisions treat safety as a high priority, and each applies the high safety standards and practices appropriate to its industry sector. I commend all of them for their successful efforts and would like to highlight several milestones.

The Genesee coal mine received the John T. Ryan Trophy for its outstanding safety record during 2009, marking the tenth time that Genesee has either shared this award or won it individually since 1995. The Obed Mountain, Paintearth, Poplar River, Boundary Dam, Bienfait and Sheerness coal mines also all achieved significant safety milestones in 2009. In our Metals business, the Fort Saskatchewan, Alberta and Moa, Cuba sites both achieved milestones of three million man hours worked without a lost time injury.

Sherritt also has an excellent record in the areas of environmental compliance and sustainability. As Canada's largest thermal coal company we move more earth per year than any other company in this country. When we are finished, we reclaim that land to the state that is as good as or better than we first found it. As at the end of December 2009, we have reclaimed about three quarters of the land disturbed over the life of the coal operations.

At the Ambatovy Project, currently being undertaken by Sherritt and its partners in Madagascar, environmental issues are being managed under stringent internationally-recognized standards, including the International Finance Corporation's Environmental Performance Standards, the Equator Principles, the IUCN Translocation Guidelines and the ICMM Good Practice Guidelines for Mining and Biodiversity. In keeping with these standards, the Ambatovy Project is one of the few mining projects today that is audited for environmental compliance by an independent third party that reports to the Project's lenders. These activities take place in addition to our own extensive internal monitoring for compliance as well as monitoring by the Government of Madagascar for compliance with its environmental laws and regulations.

As our CSR reporting continues to evolve, we will continue to work hard to ensure that Sherritt remains a safe place to work and that it continues to honour its commitments to sustainability and good community relations.



Ian W. Delaney, Chairman and Chief Executive Officer

Approach to CSR and Governance

Sherritt maintains a long-term commitment to responsible practice in all its operations. Environmental, community, workforce and financial considerations are integrated in decision-making so that actions facilitate and build upon positive, lasting relationships with our stakeholders. This commitment to responsibility remains at the core of Sherritt's operating strategies and actions.

The Corporation's strong focus on sustainability is one reason Sherritt has been recognized four years in a row by *Corporate Knights* magazine as one of the Best 50 Corporate Citizens in Canada.

Corporate Governance

Sound corporate governance is recognized at Sherritt as essential to the Corporation's integrity and for the promotion and protection of its shareholders' interests. Governance at Sherritt is embedded in a comprehensive set of Board of Directors (Board) and Board committee mandates, and Corporate and Divisional policies. The policies include a strict business ethics policy. The Corporation's governance system is the responsibility of the Board, which includes responsibility for fair reporting and ethical and legal corporate conduct.

Sherritt's Board has appointed an independent Lead Director who is responsible for ensuring that the Board operates independently of management and that independent directors have adequate opportunities to meet without management present. In this way the Board is properly informed and engaged in oversight of the Corporation's business activities through its committee structure. All committees are composed entirely of independent directors.

Several of the Board's standing committees oversee areas of the Corporation's business that directly impact CSR-related issues. Prominent among these are the Environment, Health and Safety (EH&S) Committee and the Audit Committee.

The Board's EH&S Committee assists the Board in its oversight of EH&S issues. Specific EH&S oversight is provided by the Corporate Director of EH&S. This position reports to the Corporation's Senior Vice-President, General Counsel and Corporate Secretary and has direct line responsibility to the EH&S Committee. The Board is informed of health and safety results, any environmental concerns and other material issues by the Divisions each quarter. EH&S Committee meetings include participation by the Division leaders, allowing the Board direct access to EH&S information at both the operating and corporate levels of the Corporation.

The Board reviews the Corporation's EH&S reports, ensures that appropriate Corporate policies and procedures relating to EH&S activities are in place at all Divisions of the Corporation and that both internal and third-party audits of the EH&S programs are routinely conducted.

The Board's Audit Committee reviews both financial and non-financial information regarding the Corporation and its operations. The Chief Internal Auditor is directly accountable to the Audit Committee. A key tool for Board oversight is the Risk Assessment (RA) Report produced annually for the Audit Committee by the Internal Audit department. This is a comprehensive Report on business, financial, legal, operational, and strategic risks facing the Corporation.

The RA Report provides an assessment of potential risks and indicates a level of concern for each, based on gravity and probability. Where necessary, third party specialists are consulted to provide insights into these risks. The RA Report provides the Board with an independent source of information for use in discussions with senior management. This Report and its assessment by the Board also provide a basis for planning Internal Audit's activities in the following year.



Malagasy workers training in Madagascar.

Risks assessed or accounted for include those associated with commodity markets, project development, transportation, political and economic impacts, financial changes, technologies, access to resources and availability of required workers. A range of risks associated with different stakeholders are included, as are governance, security and operational issues. An extensive list and discussion of possible risks can be found in the Corporation's Annual Information Form on www.sedar.com or www.sherritt.com.

KEY CHALLENGES

Sherritt considers all areas of its business to be important. However, there are a number of key areas to which the Corporation gives increased focus. These are thought to be of significant importance to Sherritt's stakeholders and were identified in the most recent RA Report. These areas include:

- The continued assurance that appropriate and effective environmental management and health and safety management is maintained throughout the Corporation. (See EH&S paragraphs in the Organization section on this page.)
- The need to maintain an effective knowledge base of current and potential environmental legislation and regulations that may affect Sherritt's operations. (See EH&S paragraphs in the Organization section on this page.)
- The need to ensure that Sherritt's workers maintain the skills and knowledge required to do their jobs properly and safely. (See Training section on page 17 of this Report.)
- The need to maintain an effective CSR presence in Madagascar as construction on the Ambatovy Project continues, to facilitate positive community relations and prepare for a smooth transition from the construction phase to the pre-commissioning and commissioning phases of the Project. (See page 14 of this Report.)

PERFORMANCE TARGETS

Sherritt remains committed to its workforce, communities, governments, environment, shareholders, partners and customers; however, it generally has not published targets for performance measurement. For some indicators, the target is simply zero or as low as possible, while for others the basis is compliance with regulations, permits and/or licenses.

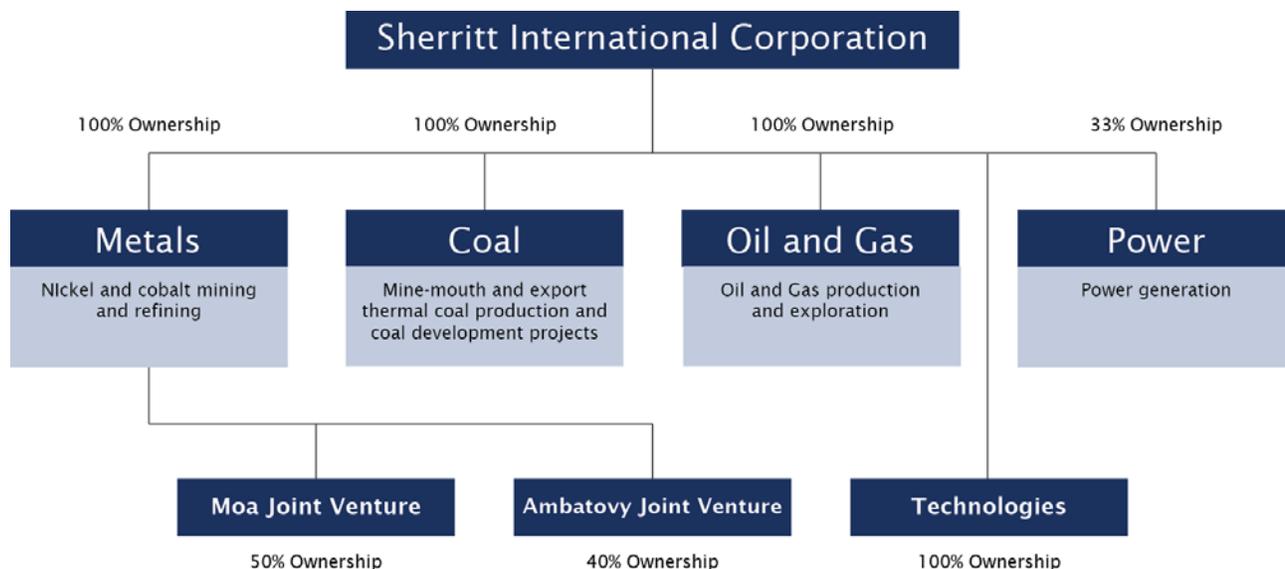
Sherritt's first CSR Report contained a number of targets, planned results or challenges. These were largely environment-related but included some expected improvements in Community and Workforce areas. Sherritt was able to achieve most of these targets. This will be addressed specifically in each of the three major sections of this Report.

ORGANIZATION

Overall CSR policy direction and support are provided by the Corporate Office in order to coordinate the dissemination and reporting of CSR information. In addition, the Corporate Office manages its own CSR budget. Support for CSR initiatives in Cuba and Madagascar is provided by CSR-dedicated staff in the respective countries, who work directly with local stakeholders and with the relevant operating Divisions.

As noted, Sherritt has a Corporate Director of EH&S who reports quarterly to the Board of Directors on all material issues relating to the environment and health and safety within the Corporation. This Corporate Director also provides company-wide coordination of EH&S management, by working with the appropriate Divisional staff. The Corporate Director ensures that Sherritt's policies on the environment and for the health and safety of our workforce and communities are properly reflected in all Divisions. This Corporate Director is also responsible for ensuring that the Corporation is aware of the current and potential regulatory issues that pertain to the environment that may impact on Sherritt's operations.

Sherritt has operating Divisions for Metals, Coal, Oil and Gas, and Power, and has a presence in five countries around the world. The Sherritt Metals Division produces nickel and cobalt for international markets and fertilizer for Canadian agricultural production. Most of Sherritt Coal's production is mined at Canadian mine-mouth prairie operations close to the electric power plants that they supply. Some higher grade coal is also transported by train to Canada's Pacific coast for shipment to international markets. Oil produced in Cuba is sold to the Cuban state. Cuba's national oil company provides gas to Sherritt Power's Energas Joint Venture, which produces electricity that it sells to the Cuban state.



Sherritt’s Technologies Division provides technical assistance to the operating Divisions and licenses its proprietary technologies to other companies. A summary of the Corporation’s operations and locations is as follows:

Metals

- Ambatovy Joint Venture, Madagascar
- Moa Joint Venture, Fort Saskatchewan, Alberta and Moa, Cuba

Coal

- Bienfait, Saskatchewan
- Boundary Dam, Saskatchewan
- Coal Valley, Alberta
- Genesee, Alberta *
- Highvale, Alberta **
- Obed Mountain, Alberta
- Paintearth, Alberta
- Poplar River, Saskatchewan
- Sheerness, Alberta
- Whitewood, Alberta **

* Sherritt owns 50% of the equipment and facilities at Genesee. Sherritt is responsible for all equipment operation and maintenance.

** Highvale and Whitewood mines are operated by Sherritt with Sherritt staff on a contract basis. Whitewood operations ceased in the second quarter of 2010, with reclamation activities continuing.

Oil and Gas

- Various sites, Cuba, Pakistan and Spain

Power

- Ambhohimanabola II (near Antananarivo), Madagascar
- Boca de Jaruco, Cuba
- Puerto Escondido, Cuba
- Varadero, Cuba

Technologies

- Fort Saskatchewan, Alberta

Each of Sherritt’s operations manages a variety of local risks in order to achieve an acceptable overall level of business risk. These risks include those associated with environment, health and safety and with community relations. Sherritt recognizes the inherent risks associated with working in the natural resource industry and works to minimize them according to a defined set of policies and procedures within Sherritt’s Corporate framework. The health and safety of the workforce and those in surrounding communities is of prime importance and appropriate structures are in place to maintain their safety. Sherritt works to ensure that all operations are in compliance with their operating licenses and permits and within the laws and regulations of the jurisdiction where they are located. The Human Resources departments typically look after employee health and safety concerns and the Environment departments focus on environmental issues in and around operating facilities.

Additional information on the Board’s corporate governance practices and organization can be found on the Corporation’s web site (www.sherritt.com) and in the Corporation’s annual Management Information Circulars and the Annual Information Form (available on www.sedar.com and www.sherritt.com).

Environment

Approach to Environment

Sherritt is committed to practicing responsible and principled environmental stewardship at all its operations. Production of natural resource commodities inevitably impacts the environment. The challenge is to ensure that those impacts are minimized and, to the extent possible, remediated where they occur. Sherritt is successfully meeting that challenge. Figure A-1 in Appendix A to this Report provides an overview of some key environmental indicators for 2009.

Sherritt has a large global presence and operates in a number of different jurisdictions with different rules, regulations and reporting requirements. Each of the Corporation's Divisions faces different operating conditions that require specific environmental strategies. The Divisions deal with these differences by working with local experts and blending this expertise with internationally recognized methods to produce a unique approach for each jurisdiction under the overall umbrella of Sherritt's environmental operating integrity management system.

Performance

Sherritt has honoured its commitment to act in a responsible and sound manner at its operations in 2009. The Corporation operates largely within its operating approvals; however, exceedances occurred from time-to-time. Reported incidents are noted in Table A-1 of Appendix A.

Target/Goal	Result
1 Keep greenhouse gas (GHG) emissions intensity static or lower while increasing production capacities.	<p>Metals</p> <p>The actual intensities over the past few years have fluctuated close to the average of the baseline target years of 2003 to 2005.</p> <p>Coal</p> <p>The continuing increase in haul distances at all mines makes this a difficult target to achieve. Only a significant increase in production with no concurrent increase in distance would enable this target to be met. This target may have to be revised to reflect what is attainable in the future.</p>
2 Continue compliance with local regulations for GHG.	Both Metals and Coal have continued to comply with GHG regulations by the purchase of offset credits.
3 Secure issuance of Clean Development Mechanism (CDM) and voluntary credits.	The verification and issuance of these CDM credits was delayed by regulatory and process issues within the United Nations CDM process. The company providing third-party verification resolved the issues in early 2010 and the process has resumed.
4 Produce Certified Emission Reduction credits each year for the CDM Project.	Sherritt continued to monitor and report on the reduced emissions at the Energas Varadero CDM project in 2009. Third-party verification of these reports is under way.
5 Annual reclamation in Canada and Cuba to remain stable.	Although the area leveled by Coal in 2009 was lower than in 2008, the area completed was stable or slightly increased. Sherritt's Moa Nickel Joint Venture continued to work with the Cuban authorities to ensure that reclamation was at appropriate levels.

- 6 Continue to report environmental events as required.
- 7 Future years should see a decrease in metal recycled as scrap from Gregg River reclamation is completed.
- 8 Sherritt will continue to work with its joint venture partners to expand GHG reporting in the future.
- 9 At the Ambatovy Project, NO_x, SO_x and particulate matter data collected in air monitors at the mine site will be compared with data to be collected after operations begin.

All of the Divisions follow the reporting requirements for their operations and remain in compliance with operating permits and licenses.

The amount of reclaimed metal in 2009 was significantly higher than in 2008. This was because scrap metal was withheld from the market in 2008 due to unfavourable market conditions.

All GHG reporting required by regulatory authorities was met in 2009. Sherritt will continue to work with partners to seek to expand GHG reporting.

Operations have yet to begin.

LAND

Sherritt recognizes that the land entrusted to it is a valuable and irreplaceable resource, as demonstrated by its record of reclamation and remediation over the years.

METALS

In Sherritt's Metals Division, land reclamation takes place at the Moa Joint Venture in Cuba. The Moa Joint Venture continues to reclaim mined areas while managing the remaining nickel resource available to the Cuban state for future mining. In 2009, a total area of 85 ha was reclaimed, well in excess of the 48 ha that was disturbed by the mining operations during the same period. Over the past six years the total area disturbed was 281 ha while 304 ha of land (1.1 times the disturbed area) were reclaimed. This is shown in Figure A-2.

The Ambatovy Project in Madagascar provides a new opportunity for Sherritt to demonstrate its commitment to the land. Madagascar is the fourth largest island in the world and the Ambatovy Project is currently the largest of its kind in the country.

Land reclamation at the Project has proceeded on side slopes and along roadways during the construction process even before mining begins. Re-contouring and re-planting have also been under way along the pipeline route as sections are completed. This is a phased process that has continued into 2010. The Project is committed to reclamation and revegetation in keeping with the surrounding context and international practice. Most surface changes made by the Project will be returned to configurations similar to the original configuration. Many of the roads built for access to the pipeline during construction will be left for the use of the local population, as will other elements of infrastructure created by the Project. All land that is not dedicated to future infrastructure will be reclaimed.

To ensure environmental issues are managed appropriately in Madagascar, the Ambatovy Project

follows several significant international guidelines and standards. These include those established by the International Finance Corporation (IFC) of the World Bank, the Equator Principles, the Business and Biodiversity Offset Program (BBOP) and the principles of the International Council of Mining and Metals (ICMM). This is in addition to the comprehensive Malagasy environmental policy and programs under the decree on compatibility of investments with the environment (known as the MECIE decree).

The total expected mine footprint will be about 1,800 ha, some of which will remain undisturbed until at least half way through the life of the mine. This is larger than the 1,336 ha reported earlier to better reflect the full area identified in the Environmental Impact Assessment. Reclamation at the mine site will begin progressively, following extraction of the ore, so that areas that are mined early are expected to be fully reclaimed before the end of the mine's life. The entire mine footprint will be reclaimed following conclusion of operations. The total area to be reclaimed after construction and mining (mine site, pipeline, etc.) is expected to be around 2,000 ha.

In addition to the reclamation of disturbed land, the Project will conserve other forested land in Madagascar. This includes characteristic Ambatovy "azonal" forest in the form of a 4,900 ha forest conservation and management area around the mine footprint. Together with local partners, the Project will help support the conservation of forest in the Analamay-Mantadia Corridor beyond the mine area. These areas will be protected and managed to conserve locally endemic plants, fauna and aquatic resources and to offset residual impacts. Finally, aside from the areas mentioned above, a larger additional offset area is being preserved about 71 km north of the mine; this is the Ankerana biodiversity offset area discussed in the Biodiversity Section of this Report.

The following table illustrates the number of hectares of land used in 2009, as well as the number of hectares of

land expected to be reclaimed and conserved, with the resulting net impact in the forested mountain area.

Forest/Land Areas	Land Used (ha)	Land Reclaimed (ha)	Land Conserved (ha)
Mine Footprint	1,800	1,800	0
Pipeline	600	600	0
Roads/Infrastructure	100	0	0
Mine Conservation Forest	0	0	4,900
On-Site Offsets	0	0	300
Ankerana Offset (BBOP area)	0	0	11,600
Sub-Totals	2,500	2,400	16,800
Net Gain			16,700

Before protection by the Project, much of the forest in the area was at risk of illicit harvesting, either for native timber for export or for the production of charcoal and building materials. The endemic animals, including rare lemurs, were being hunted for food.

Part of the conserved area is habitat to rare species of flora and fauna. The Project has maintained a program for preserving native plants and animals to assist with regeneration of the sections to be reclaimed later. Local species are preserved in similar areas to ensure their protection and long-term survival.

Unlike the areas surrounding the mine footprint and part of the pipeline, the plant site and tailings area are on coastal industrial land or scrub land nearby. The plant is expected to occupy about 321 ha while the tailings area is expected to be 1,200 ha at most. Although there is not the same heightened concern for rare and unique habitat as there is in the mountain forest areas, efforts are being made to ensure that proper care is taken for responsible use and later reclamation of land upon Project closure.

As shown in the above table, the 11,600 ha of BBOP area, plus the buffer zone and other conserved areas provide a total combined area of 16,800 ha of newly protected land. This area is over nine times the mine footprint area and over eight times the approximately 2,000 ha of total forest land that will be reclaimed after operations are complete. The small amount of land that is not reclaimed represents the area occupied by legacy infrastructure such as roads that will be left for the beneficial use of the communities, resulting in a net gain of 16,700 ha of conserved land, most of which will be forested.

COAL

At Sherritt Coal's prairie coal mines in Canada, land from mined areas continues to be reclaimed progressively as

operations move forward along the coal beds. Reclamation is a different challenge at the mountain mines, where the coal seams are in rocky outcrops rather than in flat beds. Mining operations must follow the coal along the seam, moving farther from the load-out point and restricting reclamation opportunities until the entire seam is either exhausted or no longer economic to mine.

Figure A-3 in Appendix A shows Sherritt Coal's total reclamation achievement during the past four years. In 2009, Sherritt Coal leveled 643 ha of formerly mined land and completed (leveled, contoured and topsoiled) 694 ha. This completed reclamation is the equivalent of almost 100 soccer fields. The areas completed have been steadily increasing in recent years.

By the end of 2009, Sherritt Coal's operations had reclaimed an average of 74% of the total area disturbed since operations began. Most operating mines have reclaimed over 80% of the disturbed land and the closed Gregg River mine has only 50 ha remaining to be reclaimed. Figure A-4 provides this information by mine. This year the data includes reclamation of the Mountain Operations. This has resulted in a reduced average reclamation figure from 80% in last year's Report.

OIL AND GAS

In Cuba, Sherritt's Oil and Gas Division routinely mitigates the impacts of oil exploration and recovery activities when operations have ended. Drill sites are cleaned, topsoil replaced and the land returned to conditions similar to what was there before drilling. When this is complete, it is returned to the Cuban state in accordance with operating permits.

BIODIVERSITY

Sherritt operates in different industrial spheres and in different countries, adding to the challenge of care for the distinct ecologies around each facility. Although Sherritt is careful to preserve delicate ecosystems and respect the biodiversity around all its operations, it is perhaps most critical at the Ambatovy Project in Madagascar, a country well known for its sensitive biodiversity. The Project sees its protective initiatives as a key requirement for conservation of unique local habitats.

Each part of the Project – mine, pipeline, plant and tailings area – has a unique ecosystem and different biological characteristics. The Project policy recognizes these differences and sets a goal of causing no net harm from operations in order to facilitate a long-term net gain in biodiversity. Unavoidable impacts will be mitigated and responsible closure procedures will be maintained. Part of this process is the documentation and preservation of a variety of different species found on the sites. Figure A-5 provides an update on this work.

As noted, the Ambatovy Project is protecting a large offset area about 71 km away from the mine. This is the Ankerana Forest offset area that has been designated as part of a pilot project under the BBOP framework, an international partnership between companies, governments and non-governmental conservation experts. The pilot project is part of the voluntary conservation efforts of the Project and will involve conservation of 11,600 ha of endangered forest, composed of a core conservation area of 4,600 ha with a large tract of forest and a 7,000 ha multiple use area.

The BBOP offset area will be managed to rejuvenate the forest corridor in the area that has been damaged by traditional slash-and-burn subsistence agriculture. Local flora and fauna species will be protected and preserved. Communities in the area will become part of the solution,

WATER

Water use at Sherritt operations is controlled to minimize both the amount drawn from the environment and any potential downstream impacts. Following its use, water is treated in accordance with approved operating permits and licenses, where applicable, before it is returned to the environment. For example, there is no liquid discharged directly to the environment at the Fort Saskatchewan refinery. Instead, all liquids are sent to the Alberta Capital Region Wastewater Treatment Plant for processing.

In Madagascar, the substantial storm water runoff during the rainy season in the mine area will be collected in ponds and supplemented by water piped from the nearby

A Golden Mantella frog from Madagascar.



receiving environmental education so that there is an understanding of why such protection is necessary. Agronomists will work with these communities to move farming methods away from slash-and-burn towards more sustainable techniques so that the population does not depend on the surrounding forest to survive.

The Malagasy government has officially protected the Ankerana Forest (currently on a temporary basis) as a sector of the Ankiniheny-Zahamena forest corridor in the Malagasy protected areas network. This will allow the integration of the BBOP project into the official national plans.

Please visit the BBOP website below for access to a detailed case study on Ambatovy’s pilot project and more information on BBOP.

<http://bbop.forest-trends.org/pilot.php>

AND: http://bbop.forest-trends.org/guidelines/low_ambatovy-case-study.pdf

Mangoro River. This water will serve the needs of the mine for converting mined ore to slurry for its transport by pipeline to the refinery on the coast. Detailed hydrological studies during the environmental assessment determined that this method of usage will properly control and maintain seasonal water flows off the mine site while minimizing the amount of water that must be drawn from the river. Maximum annual water requirements for ore processing represent less than 0.3% of the mean annual flow of the Mangoro River. Water runoff collection ponds and flow allowances are designed to meet the World Bank suspended solids concentration threshold of 50 mg/l or less, based on a one-in-ten year storm event.

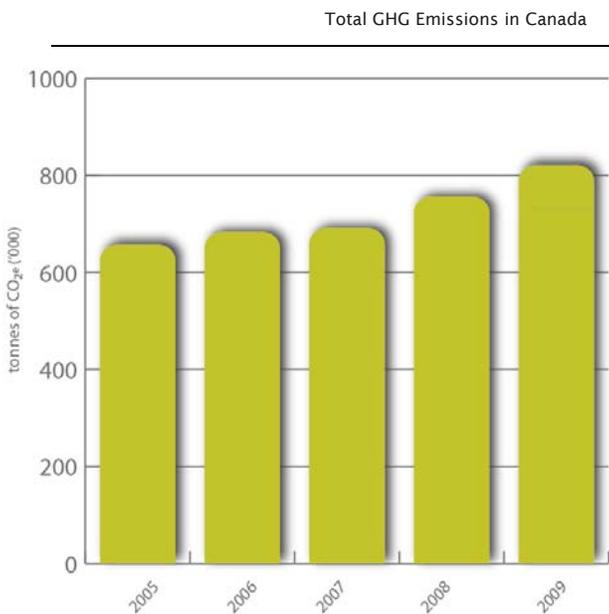
AIR

Sherritt is conscious of the potential impacts that its operations may have on the surrounding atmosphere. The Corporation takes great care to ensure that all applicable regulations with respect to air quality are properly followed.

CLIMATE CHANGE

Climate change has become increasingly high-profile in recent years. Like many large industrial companies, Sherritt is affected by legislation associated with GHG reduction in some jurisdictions. The Province of Alberta has implemented a GHG emission reduction regulation that is applicable to large GHG emitters in the province. A discussion of climate change background and legislation that may affect the Corporation is provided in Appendix B.

Currently one Sherritt Coal mine and the Sherritt Metals refinery operation in Alberta are subject to this regulation. Sherritt's GHG results for Canadian facilities in 2009 are shown graphically below with data provided in Figure A-6 in Appendix A to this Report. The Corporation does not yet provide reporting on facilities outside of Canada.



Metals

In Sherritt Metals, the Fort Saskatchewan site reports GHG emissions under Alberta and Environment Canada reporting regulations. These regulations identify some types of GHG emissions that need not be included for reporting, having identified industrial process emissions as not subject to GHG emissions reduction. The data on

Figure A-6 includes both types of GHG emissions (separately identifying industrial process emissions) in order to provide a figure for total GHG emissions for the site.

For the 2009 compliance period in Alberta, reportable GHG emissions at the Fort Saskatchewan site were 37,915 tonnes of CO₂e over the provincial government's targeted 12% reduction level. The purchase of 37,915 credits from the Climate Change and Emissions Management Fund (the Fund) at \$15/credit was required to meet compliance requirements resulting in a total cost of \$568,725. It is anticipated that the Fort Saskatchewan site will continue to comply with this regulation by contributing to the Fund for the next several years, as it reviews practical and economic alternatives.

Coal

In Sherritt Coal, expanded operations in 2009 resulted in a total GHG emissions increase in absolute terms. Contributing factors include the start-up of the Obed Mountain mine and increasingly long haul distances from coal faces to the power plants or rail loading facilities. A primary source of GHG emissions at coal operations is the use of fuel to operate mining and transport vehicles. In 2009, Sherritt's coal operations expanded, resulting in a total GHG emissions increase of almost 10% from 2008.

In Alberta, for the 2009 compliance period, the Coal Valley mine was the only Sherritt Coal operation to exceed the 100,000 tonne emissions threshold established under the Alberta regulation. In 2009, the mine was 16,052 tonnes above the required target, primarily due to increasingly long haul distances and lower yields in coal production. After applying credits accumulated in previous years, the Coal Valley mine met compliance levels by purchasing 7,782 Fund credits at \$15 each for a total cost of \$116,730.

In Saskatchewan, Sherritt Coal operates the Poplar River, Boundary Dam and Bienfait coal mines, as well as a char plant at Bienfait. In addition, construction of an activated carbon plant began at Bienfait in 2009. Successful passage of proposed Saskatchewan GHG legislation (see Appendix B) would likely impact Sherritt's operations at the Boundary Dam and Bienfait mines. Until there is greater clarity of this legislation it is difficult to identify its potential impact on Sherritt's operations.

Mitigating Actions

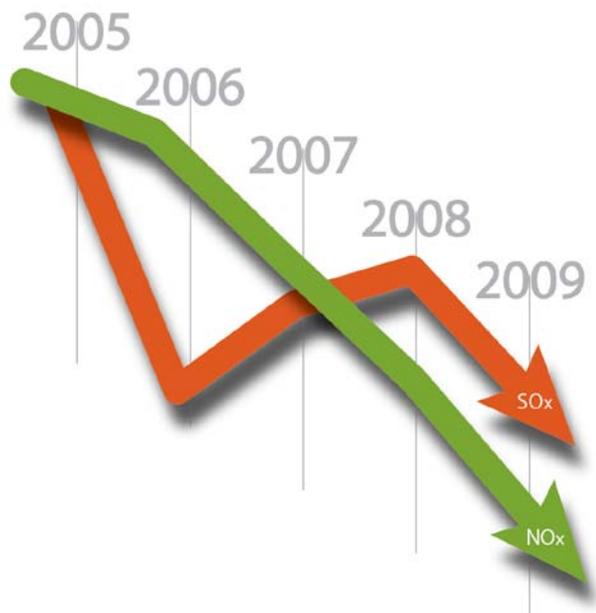
The Technologies Division has initiated projects that may allow for reduction or diversion of GHG. These projects include programs developed by the Corporation's Clean Coal and Hydrocarbon Technology Group that may result in new coal products to make it easier for customers to meet GHG emission targets. The development of clean coal technology could provide an additional revenue

source for the Corporation or enable its customers to continue to use coal as a primary energy source and still meet their regulatory requirements.

Any eventual costs related to emissions targets in the Corporation may be partially offset by credits earned through internal measures and research and development or emissions reduction projects. In addition to research projects at Fort Saskatchewan, Sherritt continues to operate an emission reduction project that uses waste exhaust heat to generate power for Energas facilities in Varadero, Cuba. The environmental benefits achieved through the reduction of GHG emissions at the Energas operations were recognized by the granting of Clean Development Mechanism (CDM) status for the Energas project under the provisions of the Kyoto Protocol. The realization of credits from this project was delayed during 2009 due to regulatory issues within the United Nations verification process. These issues were unrelated to Sherritt and in the latter part of the year the process was reinitiated. The total CDM and voluntary credits issued and estimates for those not issued by the end of 2009 are indicated in the overview table listed as Figure A-1 in Appendix A. Requests for issuance of additional credits are expected in 2011.

OTHER AIR

The Sherritt Metals refinery at Fort Saskatchewan is a hydrometallurgical plant that uses heat, pressure and chemistry to refine metal products. Some emissions, such as the GHG previously reported and steam are a normal result of this process. Other gases that are used or produced on-site are controlled in systems designed to prevent their accidental release. The refinery is subject to certain emission limits, as per operating approval from the province.



Data on oxides of nitrogen and sulphur (NOx & SOx) and on total particulate matter (TPM) at the refinery site are included in Figure A-7. For 2009, the reported NOx level was almost 20% lower than in 2008 and has dropped by close to 40% over the past five years due to the use of updated measurement data and a review of calculations. Levels of SOx in 2009 were low due to cycles in mechanical maintenance and on-stream time. The TPM increased beginning in 2007 primarily due to an increase reported in the annual stack test for particulates from the ammonium sulphate granulation plant.

In 2009, 18,287 tonnes of industrial CO₂ were supplied from the Fort Saskatchewan site into the production of a liquid CO₂ product for use in the oilfield service industry. This gas is part of the “industrial process emissions” shown in Figure A-6, so this change does not reduce reported GHG emissions for federal and provincial regulations. However, the new facility contributes to the overall reduction in total site GHG emissions.

The Sherritt Metals operation at Moa, Cuba produces GHGs and other emissions primarily in two areas. The first is from the operation of mine haul trucks and other mobile mining equipment. The second is primarily from the production of steam, sulphuric acid and hydrogen for plant operations.

Sherritt continues to make progress in efforts to reduce emissions associated with the operation of the Moa Joint Venture. For example, between 2008 and 2009, SOx emissions at Moa were reduced from levels measured in previous years. The improvement to catalysts in both of the acid plants reduced SOx emissions by 50%. The operation is managed within parameters specified and regularly reviewed with Cuban authorities.

In Madagascar, the initial baseline air monitoring program is developing into a full program for initiation in 2010. This has begun with portable measuring equipment and will be enhanced with the permanent installation of an ambient air monitoring system in advance of commercial production. The latest official date announced for Project completion may be found on the Corporation’s web site at www.sherritt.com.

The Sherritt Coal operations do not produce high levels of air emissions from coal processing or use. The large open pit mining operations produce dust rather than other emissions. Data on Sherritt Coal’s air emissions are in Figure A-7 in Appendix A.

Community

Approach to Community

Sherritt works diligently to maintain the social license that is a fundamental component of its long-term business strategy to deliver value to shareholders. The Corporation is actively engaged in furthering the well-being and prosperity of the communities in which it conducts business by building enduring relationships for mutual benefit. Stakeholders in Canada, Cuba and Madagascar are consulted with a focus on developing

cooperative programs. Sherritt works with all levels of government and local communities to understand the issues associated with operations and tailors its plans to appropriately fit the local needs. Sherritt employees dedicate time and resources to many local community programs as well as to leadership participation in various industry initiatives.

Performance

Target/Goal	Result
1 Sherritt will track its various community activities and measure the impact of operations on communities.	Sherritt continues to work on improving reporting in this area. In 2009, there were significant milestones as indicated below. The Corporation continues to monitor external tracking mechanisms and evaluates them for possible future use.

Sherritt's operations are in and near communities of many different sizes. The Corporation recognizes its role in these communities.

For example, local communities near Sherritt's operations and offices benefit economically from its presence. As a case in point, the operations at Fort Saskatchewan purchased over \$17 million in goods and services from local businesses and paid over \$3 million to the city in taxes and fees. The Corporation places an equal priority on building and maintaining meaningful relationships with local, regional and national governments in all the jurisdictions in which it operates.

In 2009, Sherritt's operations for all Divisions in Canada and Cuba contributed over \$315 million to the economies of its local communities in the form of wages paid to its workers and staff.

Sherritt offers financial support for local youth organizations and educational institutions. Employees collect toys and goods for local distribution at Christmas, help nearby towns install seasonal decorations, plough snow, organize community events and supplement local fire crews. Sherritt offers first aid in emergencies and employees participate in local government.

In Cuba, Sherritt funded the purchase of replacement parts for public transit buses in Moa, Cuba as part of its Cuba CSR Program. The buses were given to the city by Sherritt in past years and their continued operation is a benefit to the community at large. Additionally, the Moa

Joint Venture played a significant role in recovery from the massive hurricane damage suffered in 2008. Damage was so great that although the storm hit during 2008, repairs and clean-up were still under way in early 2009. The clean-up was truly a community effort, with a mix of workers from the city, Sherritt's Moa Joint Venture and from other local state-owned enterprises.

The Moa Joint Venture made staff, equipment and materials available to the community recovery effort and many employees donated their personal time to the effort. Hundreds of volunteer man hours were put into the recovery work, as well as over \$75,000 in materials, equipment and paid hours in 2009. Examples of the essential assistance provided would include:

- provision of repairs to the overall electrical distribution system in the area,
- provision of equipment and manpower to remove debris from roads and properties within the city,
- repairs to various municipal infrastructure such as roads, buildings, bridges, drainage, street lights, electrical service, sports fields and signage.

The Moa Joint Venture and its employees have a history of being involved in the Moa community. Other notable contributions in 2009 included:

- repairs to potable water systems, including pumps and pipelines.
- various repairs to local hospital buildings, utilities and equipment.

Elsewhere in Cuba, Sherritt continued its Cuba CSR Program in consultation with Cuba's local authorities to provide focused assistance where it was most needed. This resulted in further investment in public lighting projects for improved public safety. Sherritt also continued to provide building materials for the reconstruction of educational and health facilities and provided fresh vegetables and produce to a seniors residence in Havana.

In Madagascar, Sherritt and the Ambatovy Project have continued their earlier work to raise the capacity of the local economies. The communities in the mountain and coastal areas where the Project facilities are located are economically and socially impacted by the Project. The 220 km slurry pipeline from the mine site to the coastal processing plant has the potential to impact multiple communities along the way. Sherritt and the Project work to avoid possible pitfalls associated with such a development and make every reasonable effort to ensure that the total impact on these communities is positive. This has involved many meetings with local groups to reach agreement with Project plans and to resolve any possible grievances. Stakeholders have been consulted over the entire development area since the Project was initiated.

One example of capacity building by the Project is the Ambatovy Local Business Initiative (ALBI). ALBI is a program developed by the Project to increase the economic capacity of the area and enable local business to provide products or services to the Project. By the end of 2009, there were 114 local companies being actively considered as suppliers for products in 29 different sectors of activity. Local suppliers of goods or services had already been found for such things as clearing land in the tailings area, operating a tree plantation for replacement stock, production of wooden pallets from 7,000 ha of land secured in the Moramanga area, production of steel drums and production of large bags for product shipment. Two companies have been engaged in Toamasina for production of uniforms for the Project work force. ALBI programs contributed to the creation of almost 2,200 new jobs in local businesses working for or supplying goods and services to the Project.

When choosing the best location for Project tailings, a site was found that included some of the least desirable land in the area. Despite the poor land quality, there were subsistence farmers in the area. Under the approved plan, two new villages were developed and located as additions to existing host villages nearby. The residents chose which village was preferable to them and participated in the selection of house designs. The larger of the two villages, called Vohitrambato, attracted about 1,000 people. There was another group of 100 who decided to go to a smaller village called Marovato. Both villages were established in February 2008 and by the end

A Malagasy woman working with local textiles.



of 2009 Vohitrambato had increased in population by about 10%.

Another area where Sherritt and the Ambatovy Project have made a positive difference is with regard to medical attention. Part of the new village structure is a medical consultation facility and doctor's office. The number of medical consultations at the clinic grew to average about 200 per month by the start of 2009. Consultations generally increased during 2009 to reach a level of 348 in December 2009. By late in the year, close to 50% of the consultations were for people who were not village residents, illustrating the benefit to the surrounding communities.

Improvements have also been achieved in agricultural production. At the old location the farming was essentially subsistence at the village level, consisting of rice and some vegetables. Access to better land, teaching and provision of better farming techniques and sound land management resulted in the villages improving their rice harvest from 0.9 tonnes per ha to 2.6 tonnes per ha. Also, by the end of 2009, instead of strictly subsistence farming, there were 17 people from Vohitrambato who were selling produce to a central purchasing agency, the Central d'Achat de Madagascar (CAM).

The CAM is another successful Project initiative. It is a Malagasy-run agency that serves the entire Toamasina area to provide a central point for farmers to sell their produce and to supply the Project's food requirements. The agency has been so successful that a second CAM has been opened in Moramanga to provide a similar outlet for farmers there.

Another example of Ambatovy initiatives outside of the resettlement villages is the work with project CURE (a U.S. non-governmental organization) to provide logistic and shipping assistance for provision of medical equipment to Toamasina, Moramanga and several smaller communities along the pipeline route. Container loads of equipment were donated in an initiative that began at the end of 2009. Figure A-8 in Appendix A provides an indication of some of the social initiatives associated with work in Madagascar. To date there have been 25 agencies and non-governmental organizations involved with various parts of the Project development. Some of these are local, some are national and others are international including UNICEF.

An important aspect of community work in Madagascar is the recognition of a need to provide assistance for construction workers to transition from project work to other employment as the construction phase is completed. Of almost 11,000 Project workers at the end of 2009, almost 8,000 were Malagasy nationals working on construction of the Project, mostly for contractor companies. Provision of transition programs at the end of their contracts will help them to move to other employment opportunities.

During 2009, plans were initiated to provide training and relocation for workers for whom construction contracts had ended or will end in 2010. A part of this plan is the creation of teaching facilities to improve the skills of those who wish to return to farming. Development of an agricultural training centre began in 2009. The centre is

designed to train up to 3,500 students who have been working on the plant construction. This training is also made available to people from communities near the mine, along the pipeline route and others who may have been affected by the Project.

There are a number of different organizations that Sherritt is affiliated with that take a local, national or international focus. A partial listing of these organizations is included as Figure A-9 in Appendix A. Sherritt is proud to support and be affiliated with all of these organizations, each of which plays a role in our success. Affiliation may take many forms, such as Sherritt's presentation of the Sherritt Hydrometallurgy Award, presented at the CIM's Annual Hydrometallurgy Section Meeting. The award is usually presented annually to recognize significant contributions in the field of hydrometallurgy.

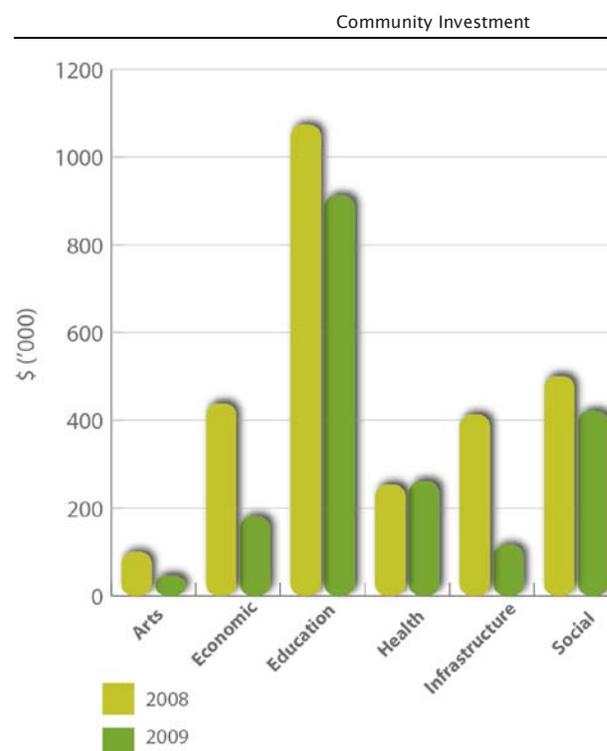
Particular mention should be made of the Extractive Industry Transparency Initiative (EITI). EITI is an initiative supported by a coalition of governments, companies, civil society groups, financial institutions and investors to improve the transparency and accountability of all payments made by companies in the extractive industries to governments. Madagascar was admitted as a candidate to the EITI in 2008 and local and regional EITI committees were established. The Ambatovy Project participates in the EITI through a local partner. The Project will ensure that payments made to governments are well documented and fully transparent.

Community Investment

An integral part of Sherritt's social commitment is its community investment program. This commitment exists at the Corporate level as well as at the Division and Country levels. Every year funds are allocated to uses which are of benefit to the community, and which reflect Sherritt's objectives as a socially responsible corporation.

In 2009, despite low commodity prices impacting Sherritt's revenues, the Corporation continued to invest in communities by supporting the work of the charities and organizations that are so important to maintaining the fabric of society. As always, the primary focus was on education, with about \$900,000 in donations and educational assistance provided. The Corporation also presents an annual Prize in Mining Engineering at Queen's University to encourage excellence. Social causes (including environmental) were the Corporation's second largest area for community investment, receiving just over \$400,000. The balance went to various health, economic, infrastructure and arts organizations. This is shown in the following graphic.

Figure A-10 of Appendix A provides a complete list of amounts provided to the different sectors.



Workforce

Approach to Workforce

Sherritt's workforce (direct employees and contract staff) is as diverse as the different work locations. The Corporation's employee relations programs reflect this. Sherritt is committed to the health, safety and well-being of its workforce and the professional development of its employees. That commitment continued to be honoured in 2009. Figure A-11 in Appendix A contains overall data on Sherritt's workforce and its employment practices.

Malagasy workers at the Ambatovy Project



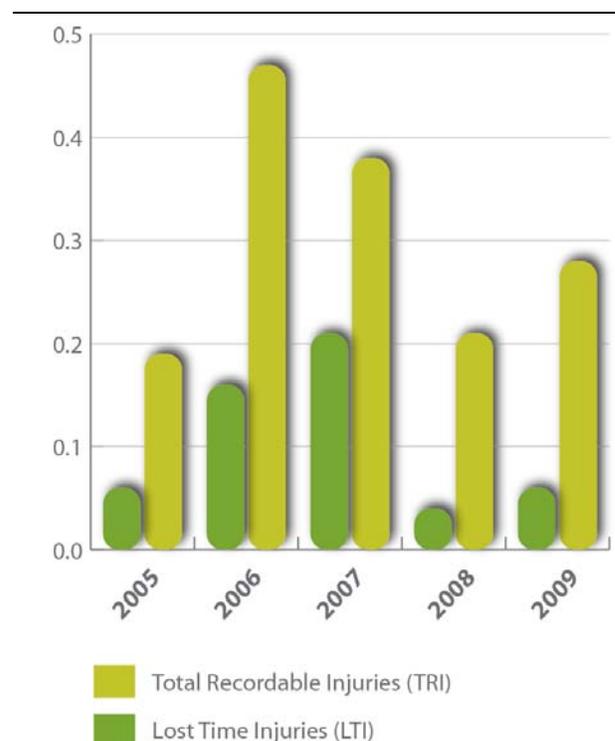
Performance

Target/Goal	Result
1 Continue to focus on a target of zero for Lost Time Injury (LTI) and 0.75 for Total Recordable Injury (TRI) data.	The Corporation came very close to zero for 2009 and was well below the TRI target.
2 Achieve zero fatalities at all operations and projects.	This target was achieved for Sherritt employees in 2009 but regrettably, there were four fatalities among staff of a construction contractor at our Ambatovy Project, who were not under Sherritt supervision.
3 Conduct the next employee engagement survey in 2010.	The survey has been delayed. Sherritt will be conducting a needs-analysis to determine the scope of the survey.

In 2009, increases were reported in both the number of Sherritt employees and the number of contractor employees making up the workforce at the Corporation's facilities. This reflects the continued commitment to growth in operations in Madagascar and at Canadian coal operations. The increase in contractors was particularly evident at the Ambatovy Project in Madagascar where 2009 was a year of high construction activity. The number of contract staff is expected to decrease in future years as the Project's construction phase is completed.

Sherritt's focus on skills development, personal upgrading and staff retention has enabled the Corporation to maintain an experienced, stable workforce. This is demonstrated by the employee years of service data in Figure A-11, which shows that the average length of service at the end of 2009 was 7.2 years. The apparent drop from 9.8 years reported for 2008 is a result of the large increase in staff levels for Ambatovy and for the re-opened Obed Mountain mine. In fact, if Ambatovy data are removed, the average length of service is 8.1 years. Approximately 36% of all employees have been with the Corporation for over 20 years.

TRI and LTI Safety Record



SAFETY

Ensuring that the Corporation keeps its workforce safe continues to be a top priority at Sherritt. In 2009, Sherritt's 12-month rolling average LTI index for its workers was only 0.06. The comparable figure for TRI was 0.28. For context, an LTI index rate of 0.06 would mean that an average of one in every 1,200 employees suffered an injury meeting the definition of an LTI during 2009. Figure A-12 provides the data on LTIs and TRIs that is shown graphically here.

Sherritt's safety results compare well with other companies in its industrial sectors. In Alberta, the Mining and Petroleum Development sector reported a 2008 LTI level of 0.66. Nevertheless, the Corporation continues to strive to reduce the frequency of injuries even further. Sherritt uses an LTI index target of zero and a TRI index target of 0.75 against which to measure safety performance each year.

Naturally, zero is the only acceptable target for fatalities at Sherritt operations. The Corporation had no fatalities among its direct employees in 2009, but regrettably, there were four among construction contractor workers at the Ambatovy Project. Although the workers were not under Sherritt supervision, the Corporation implemented a full analysis of the cause of each incident and reinforced the safety procedures for all workers at the Project (whether operations or construction).

METALS

In the first quarter of 2009, the Fort Saskatchewan site achieved a milestone of 3 million man hours worked without an LTI. The operation in Moa achieved two milestones in 2009. In Q2, the site passed 3 million man hours with no LTI and in Q3 the Maintenance Division at the Moa operation passed the 3 million man hour mark with no LTIs.

COAL

In the spring of 2010, the Canadian Institute of Mining and Metallurgy announced that Sherritt Coal's Genesee mine had won the John T. Ryan Safety Trophy for its outstanding safety record in 2009. This marks the tenth time that Genesee has either shared this award or won it outright since 1995. Figure A-13 provides the historical record of Sherritt Coal's success with this award.

At the end of 2009, four of Sherritt Coal's mines (Highvale, Obed Mountain, Paintearth, and Poplar River) passed the milestone of one year with no LTI. The Boundary Dam, Bienfait and Whitewood mines passed the six-year milestone and the Sheerness mine reached 14 years without an LTI. Leading all of the Sherritt mines was the Genesee mine, which has operated for 21 years with no lost time injuries.

EMPLOYEE RELATIONS

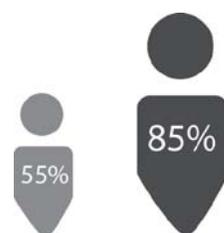
In 2007, the Corporation conducted a survey of concerns, interests and suggestions among its employees. One of the outcomes of that survey was that employees wanted more information on what was happening in their company. Sherritt responded by improving internal communications. This process was continued in 2009 as internal communications increased on several fronts. The Chairman and Chief Executive Officer held a series of formal and informal meetings with employees at each of the Divisions, and the number and frequency of newsletters to employees was increased.

The Corporation continues to develop and enhance its employee engagement programs as it moves beyond the shadow of the recession and completes the rapid growth associated with the Ambatovy Project. One way that such communications will improve is through the roll-out and enhancement of Sherritt's intranet and its increased availability across the Corporation's Divisions and geographic locations. The result will be easier employee access to information about Sherritt, employee benefit plans, policies and procedures and outside news that may impact the Corporation.

TRAINING

Sherritt continues to encourage both new accreditations for its workers as well as regular upgrades to worker skill sets. This highly skilled workforce helps the Corporation maintain its competitive advantage.

In Madagascar, a significant training program was developed to maximize the number of Malagasy workers that could be employed by the Project. The local workforce was insufficient to provide the needed skills to satisfy both the existing local needs and the Project requirements so training had to be arranged. In the early days of development, the Project and the partners trained close to 6,000 people in basic skills and trades, as well as in safe work practices. These people were to provide a basis for construction jobs, primarily with contractors to the Project.



At Ambatovy, an early labour target was 55% of operations staff. That number was far surpassed and was 85% at the end of 2009.

By the end of 2009, over 85% of the 845 Project operations workers in Madagascar were locally trained Malagasy nationals (shown in Figure A-11 in the Appendix). These are separate from over 7,100 Malagasies working for the contractors that are building the Project facilities. Of the longer-term employees, about 115 received specialized training provided by the

Project and were working as maintenance technicians. The other workers were trained for more general work as clerks, bookkeepers, administrative workers and project labourers. Annual percentage targets for local employment will continue to be incremental, reflecting the output of the many training programs in place to fulfill the Project's commitment to maximize local hiring.

During 2009, three Project training facilities were established in Toamasina, as well as a training centre established at both the mine site and at Antananarivo. These centres include a total of 19 classrooms and two workshops supplied with a total of 140 computers. Teaching has been provided by a variety of personnel, including teachers relocated from schools in New Brunswick and Alberta. Students who successfully complete a course are awarded a certificate.

The training facilities teach a wide range of trades and skills, including:

- Pipefitting
- Languages (English, French, Malagasy)
- Instrument Technologies
- Office software (word processing, etc.)
- Electrical
- Information Technology
- Welding
- Management/Supervision skills
- Millwright
- Health & Safety



8,733 hours or 364 full days have been devoted to mentoring the local work force in Madagascar in various trades and fields.

The goal for 2010 is to train the operators needed for the Project by the time production commences. Meeting this goal will require that more than 500 operators be trained, the majority of whom will be Malagasy nationals. A new Ambatovy Training Centre has been built near the plant site to centralize this training effort.

The Oil and Gas and Power Divisions maintain a long-standing program for training Cuban workers. When the Energas Joint Venture was first established, it introduced new technologies to the Cuban power industry. This meant that there was a local shortage of qualified and available workers for the newly created positions. Consequently, the Corporation put programs in place to properly train power workers. In 2003, the program became more formalized and an affiliation was developed with the Northern Alberta Institute of Technology (NAIT) in Edmonton.

Although this training program is managed in Cuba for Cuban trainees, the actual teaching is done in cooperation with NAIT in Edmonton and all examinations are given by the Alberta Apprenticeship Board. All employees are encouraged to continue their training on a regular basis. As a result, at the end of 2009 the Sherritt Oil and Gas and Power Divisions included 17 Cuban employees with accreditation as Instrumentation Technicians, Millwrights or Electricians that would allow them to work anywhere in Canada. In addition, there were 16 Cuban trainees who had completed part of the training for those skills and 76 Cubans who were trained as Gas Plant Operators or Power Engineers.

Sherritt's Oil and Gas and Power Divisions also provide training in hydrogen sulphide safety, first aid, fire fighting, defensive driving, modern safety management, mechanics, WHMIS, fall prevention, food handling, leadership and motivation, decision-making and other areas. In all, Energas employees received a total of 368 days of training in 2009, in addition to any apprenticeship training undertaken. Oil and Gas employees received a total of 970 training days in 2009.

APPENDIX A

FIGURE A-1 - ENVIRONMENT OVERVIEW

Key Indicator		2009	
Carbon Credits (tonnes of CO ₂ e) From Energas in Cuba	Clean Development Mechanism (CDM) Credits		
		Issued	166,744
		Reported (not issued)	435,295
		Voluntary Credits	
	Reported (not issued)	1,586,580	
Land Reclaimed (ha)	Canada		694
		Cuba	85
		Madagascar	0
		Total	779
Environment Reports (number of reports filed in Canada for Canadian operations)	Fort Saskatchewan		Reported*
		Air	0
		Land	0
		Water	0
		Coal	
		Air	0
		Land	6
		Water	9
	Metal Recycled (tonnes) Canadian sources only		1,555
	Oil Recycled (litres) Canadian Sources Only		936,874
Sulphur Reclaimed (tonnes) Canadian Operations Only	Fort Saskatchewan	>40,000	

* "Reported" shows the number of times reports were required due to exceedance of operating approvals for releases. At Sherritt's Coal operations, the high volume of water run-off in the spring led to a higher level of suspended solids in surrounding water courses, leading to nine reports to the Provincial regulators. In six other instances, reports were necessary due to spilled hydrocarbons which were contained on land, and for which remedial action was taken to ensure proper disposal.

FIGURE A-2 - MOA RECLAMATION *

(ha)	2009	2008	2007	2006	2005	2004	Total
Affected	48	42	36	51	61	43	281
Reclaimed	85	82	68	27	01	41	304

* Data for 2004, 2005 and 2007 has been revised from the previous Report.

FIGURE A-3 - LAND RECLAMATION AT SHERRITT COAL'S MINES

(ha)	2009	2008	2007	2006
Leveled *	643	928	1,064	981
Completed **	694	688	682	563

* Leveled: the return to contour specified as the Provincial standard, as outlined in Mining Licenses.

**Completed: the establishment of vegetation.

FIGURE A-4 - SHERRITT COAL'S TOTAL RECLAMATION ACHIEVEMENT

Mine	Surface disturbed to Dec 31, 2009	Approximate total reclaimed	
		Hectares	Percent
Bienfait	2,466	1,975	80%
Boundary Dam	8,277	7,182	87%
Coal Valley	4,949	1,835	37%
Obed Mountain	1,671	418	25%
Paintearth	3,855	3,207	83%
Poplar River	5,422	4,626	85%
Sheerness	4,065	3,233	80%
Gregg River *	1,300	1,250	96%
Total	32,005	23,726	74%

*The Gregg River Mine ceased operation in 2000 and has been in reclamation since then.

FIGURE A-5 - INVENTORY OF SPECIES PROTECTED (MADAGASCAR)

Species	2009	2008	2007
Lemurs			
Number of species inventoried to date	12*	16	0
Number of lemurs tagged with microchip identification	40	216	249
Number of lemurs fitted with radio collars	45	66	98
Birds			
Number of species inventoried to date	109	86	0
Number of eggs recovered from clearing operations to date	49	36	0
Number of eggs recovered that hatched	48	35	0
Number of birds relocated from clearing operations to date	80	61	0
Amphibians and Reptiles			
Number of Mantella frog sites discovered	4	5	0
Number of reptiles recovered from clearing operations	1,873	874	6,674
Number of amphibians recovered from clearing operations	617	142	2,585
Fish			
Number recovered for captive breeding program	812	901	0
Flora			
Number of orchid species protected in orchid park	80	40	0
Number of orchid plants transplanted to orchid park	930	730	0

*Revised to reflect a changed inventory methodology due, in part, to variations in taxonomy.

FIGURE A-6 - SHERRITT'S CANADIAN GHG EMISSIONS BY OPERATION

(tonnes of CO ₂ e)	2009	2008	2007	2006	2005
Fort Saskatchewan Industrial Process Emissions *	70,078	78,641	51,976	67,715	76,823
Fort Saskatchewan Refinery **	239,280	213,634	210,874	211,531	208,462
Bienfait mine and Char Plant	126,647	119,437	116,631	111,352	138,648
Boundary Dam mine	50,314	46,175	42,419	42,342	44,348
Coal Valley mine	195,640	174,439	153,086	148,340	82,931
Genesee mine	48,642	51,556	42,197	39,385	39,947
Obed Mountain mine	18,043	0	0	0	0
Paintearth mine	26,375	24,982	24,431	23,897	24,497
Poplar River mine	20,369	17,470	20,289	14,197	16,747
Sheerness mine	25,880	30,314	31,135	24,834	24,987
Sherritt Total	821,268	758,648	693,038	683,593	657,390

* Industrial process emissions are those associated with such things as chemical reactions, which are not required as part of annual reporting to regulators.

**Emissions reported to regulators (total emissions less industrial process emissions).

FIGURE A-7 - SHERRITT'S CANADIAN AIR EMISSIONS

Metals - Fort Saskatchewan Site Total

(tonnes)	2009	2008	2007	2006	2005
NOx	1,620	2,017	2,288	2,568	2,680
SOx	92	219	184	98	385
TPM	168	135	160	63	56

Note: Data will not match NPRI database because NOx and SOx data are below the applicable NPRI reporting threshold levels.

Coal - All Locations

(tonnes)	2009	2008	2007	2006	2005
NOx	251	260	274	261	258
SOx	559	523	501	462	586
TPM *	22,033	21,011	19,960	263	NA

* Coal Particulate Matter data was not collected in 2005.

Community

FIGURE A-8 - SOCIAL INITIATIVES FOR MALAGASY COMMUNITIES

Target/Action	Result
Create database of registered business	2,802 businesses registered
Certify 1,000 project trainees	By the end of 2009, more than 6,000 people had successfully completed training; most were hired by the Project or its contractors.
Achieve local Malagasy employment of 55% for operating staff	At the end of 2009, nationals were over 85% of operating staff levels.
Provide assistance to SMMEs. Award 30 SMME packages	>65 SMME packages were awarded to local companies for a variety of Project-related work >55 SMME packages awarded and closed >8,733 hours of mentoring had been provided to SMMEs
Secure local procurement with value of at least \$100 million	Local procurement was valued at more than \$600 million, including central purchasing bureau (CAM), uniforms, pallets and steel drums.

FIGURE A-9 - AFFILIATIONS AND MEMBERSHIPS IN 2009

	Organization
Industry Organizations	Alberta Chamber of Resources Canadian Clean Power Coalition Canadian Fertilizer Institute Northeast Capital Industrial Association (NCIA) Saskatchewan Mining Association The Coal Association of Canada The Cobalt Development Institute The Nickel Institute
Trade Associations	Alberta Construction Owners Association Alberta Mine Safety Association Alberta Petro-Chemical Safety Council Canadian Institute of Mining, Metallurgy and Petroleum Construction Safety Association Safe Saskatchewan
Non-Governmental or Community Organizations	Canadian Business for Social Responsibility Canadian Council on Africa Conference Board of Canada, Business Council on Sustainability Ducks Unlimited Extractive Industry Transparency Initiative (EITI) - through Madagascar EITI with a local partner Fort Air Partnership (FAP) Northeast Region Community Awareness and Emergency Response (NRCAER)

FIGURE A-10 - COMMUNITY INVESTMENT

Sector	2009	2008
Arts	\$ 46,140	\$ 100,000
Economic	180,812	438,600
Education	913,052	1,073,950
Health	261,476	253,700
Infrastructure	115,989	413,275
Social	421,558	500,775
Sherritt Total	\$ 1,939,028	\$ 2,780,300

WORKFORCE

FIGURE A-11 EMPLOYEE AND WORKFORCE OVERVIEW

Key Indicator	2009	
Workforce Composition	Canada	3,108
	Cuba	2,110
	Madagascar	845
	Other Locations	14
	Total	6,077
	Contractors	10,176
	Total	16,253
Average years of service	7.2	
Lost Time Injury (LTI) Index	0.06	
Total Recordable Injury (TRI) Index	0.28	
Fatalities	Sherritt	
	Direct Staff	0
	Contractor Staff*	4
Union Relations (Canadian Operations)	Number of Unions	7
	Number of unionized employees	1,923
Awards for employee dependent scholarships	\$ 586,000	

* Ambatovy Project contractor construction staff, operating under the supervision of the construction management company.

FIGURE A-12 - SHERRITT SAFETY STATISTICS

Lost time Injuries (LTI)		2009	2008	2007	2006	2005
Metals*		0.05	0.02	0.09	0.25	0.11
Coal		0.14	0.15	0.16	0.05	0.00
Oil and Gas		0.00	0.35	0.32	0.23	0.00
Power		0.50	0.00	0.55	0.54	0.64
Sherritt Total		0.06	0.04	0.21	0.16	0.06

Total Recordable Injuries (TRI)		2009	2008	2007	2006	2005
Metals*		0.23	0.16	0.36	0.46	0.22
Coal		0.36	0.35	0.33	0.48	0.23
Oil and Gas		0.94	1.04	0.65	0.46	0.52
Power		1.99	0.45	0.55	1.08	0.64
Sherritt Total		0.28	0.21	0.38	0.47	0.19

*Data for Metals includes contractor staff to reflect Ambatovy construction.

FIGURE A-13 - SHERRITT COAL WINNERS OF CIM JOHN T. RYAN TROPHY

Mine	Year Earned	Year Awarded
Genesee mine	2009	2010
Sheerness mine	2008	2009
Genesee and Paintearth mines	2007	2008
Genesee mine	2005	2006
Paintearth mine	2004	2005
Genesee and Sheerness mines	2003	2004
Genesee and Paintearth mines	2002	2003
Poplar River mine	2001	2002
Sheerness mine	2000	2001
Genesee mine	1999	2000
Genesee and Paintearth mines	1998	1999
Genesee and Paintearth mines	1997	1998
Genesee, Sheerness and Paintearth mines	1996	1997
Genesee mine	1995	1996

APPENDIX B

Climate Change – Background

The Kyoto Protocol (Kyoto), which came into force in 2005 under the United Nations' Framework Convention on Climate Change (UNFCCC), bound most of the world's developed nations to specific reductions of greenhouse gas (GHG) emissions. Reductions were to begin on January 1, 2008 and continue until December 31, 2012, resulting in an average reduction over the five-year compliance period. Canada committed to cutting its overall GHG emissions to an average of 94% of 1990 levels from 2008 to 2012.

GHG LEGISLATION

In December 2009, a conference of the parties to the UNFCCC was held in Copenhagen to develop a successor to Kyoto but no legally binding agreement was reached. A number of leading nations, including the United States, China, Brazil, and India entered into a non-binding agreement, referred to as the Copenhagen Accord, which called on countries to voluntarily submit mitigation targets by January 31, 2010.

The current Canadian federal government responded by proposing to reduce emissions by 17% below 2005 levels by 2020. This was consistent with the proposal submitted by the U.S. but was different from the proposed framework the government released in April 2007.

The April 2007 proposal called for GHG emissions to be reduced by 18% per unit of output (intensity reduction) from 2006 levels by 2010 and an annual 2% reduction thereafter until 2020. If implemented, this intensity reduction target would have affected Canada's largest industrial sectors, including some of the Corporation's facilities, most of the facilities in Canada from which the Corporation ultimately obtains power, and some industrial sectors to which the Corporation provides its products. Draft regulations for implementing this framework have been repeatedly delayed and are still not in place.

Since late 2008, Canada's Minister of the Environment has consistently indicated that its regulatory framework will be coordinated with the U.S. regulatory approach for a North American cap-and-trade system. Unfortunately, it remains unclear if and when any U.S. legislation will be final.

At the time of this Report, based on recent Government of Canada statements, it appears reasonable to think that GHG emissions regulation in North America will involve fixed cap-and-trade rather than intensity-based systems. Most major U.S. legislative proposals introduced in 2009

and 2010 have been in favour of this system. It is likely that a fixed cap-and-trade system would result in generally higher compliance costs for regulated entities than would be the case with the 2007 intensity-based system proposed by Canada's federal government.

ALBERTA

In the absence of federal commitments, Alberta implemented its Specified Gas Emitters Regulation in 2007. This was the first regulation in Canada requiring that industries reduce GHG emissions. Under this regulation, beginning in July 2007 any existing facility emitting 100,000 tonnes or more of GHG per year is required to reduce its emissions intensity by 12% from a baseline set for the facility. New facilities are accommodated with progressive reductions during early years of operation, after which they are considered established and become subject to the full reduction. The GHG emissions are measured in tonnes of carbon dioxide equivalent (CO₂e), which is calculated by converting all GHG emissions into an equivalent volume of carbon dioxide.

In 2009, the Government of Alberta introduced a further regulation that lowered the threshold for reporting to 50,000 tonnes of CO₂e. The requirement for reduction under the original emitter's regulation, however, continues to apply only to facilities emitting over 100,000 tonnes per year.

Industry was provided with three options to comply with the reduction in emissions intensity: (i) improve the energy efficiency and emissions of their operations; (ii) buy carbon credits in the Alberta-based offset system; or (iii) pay \$15 into the Climate Change and Emissions Management Fund (the Fund) for every tonne over their reduction target. Facilities can also choose a combination of these options. The Fund is supposed to invest in projects and technology to reduce GHG emissions in Alberta.

SASKATCHEWAN

On May 20, 2010, Saskatchewan's *Management and Reduction of Greenhouse Gases Act* received Royal Assent. Although not yet proclaimed in force, the Act is designed to enable the province to meet its stated target of reducing emissions by 20% from 2006 levels by 2020 and fostering innovation of low-carbon technologies. As currently proposed, regulations under the Act would require regulated emitters (those emitting at least 50,000 tonnes of CO₂e per year) to reduce emissions from a baseline year by 2% per year from 2010 to 2019. Subject

to further consultation and agreement and the Act and regulations being brought into force, several mechanisms would be established for emitters to reach compliance levels.

OTHER PROVINCIAL AND REGIONAL CAP-AND-TRADE INITIATIVES

The Province of Quebec implemented a carbon tax in October 2007 and signed a memorandum of understanding with Ontario to establish a joint GHG emissions cap-and-trade initiative in 2008. British Columbia implemented a carbon tax in July of 2008.

In May 2009, Ontario released a discussion paper in respect of an Ontario cap-and-trade program. Ontario, British Columbia and Quebec have each passed legislation enabling the provincial governments to regulate GHG emissions through cap-and-trade mechanisms and to participate in the Western Climate Initiative.

RISKS AND OPPORTUNITIES OF CLIMATE CHANGE

As it is unclear at this time what shape regulation will ultimately take, it is not yet possible to estimate the extent to which such regulation will impact the Corporation's operations. However, the Corporation's Canadian operations involve large facilities which may be materially affected by the setting of emissions targets. This could have an adverse effect on the Corporation's business, results of operations and financial performance.

Sherritt's operations also require large quantities of power, and future impacts on power producers or on the production of coal, oil and gas or other products may also add to the Corporation's operating costs.

The increased regulation of GHG emissions may also reduce the demand for the Corporation's products. With respect to Sherritt Coal, existing utilities customers produce a significant amount of electricity for the regions they serve, and it is expected that they will continue to operate due to the ongoing and increasing demand for electricity. If, however, the power plants which the Corporation supplies are subjected to requirements to reduce GHG emissions, then the electric utility companies may seek to reduce the amount of coal consumed, or achieve compliance through technical or other processes. Any reduction of the Corporation's customers' use of coal, restrictions on the use of coal, fuel substitution or major capital investment will have an impact on the business of electric utility companies and will negatively impact the Corporation's ability to extend existing contracts or to grow new coal sales with these utility companies.

To better understand and anticipate the potential impacts and opportunities associated with climate change, the Corporation conducts meetings with regulators at both the federal and provincial levels and closely monitors the regulatory activities of these governments.

Glossary and Acronyms

The following are brief explanations of certain terms and abbreviations used in this document.

ACTIVATED CARBON – a form of highly porous carbon that can easily absorb gases, vapours and colloidal particles. It is made by distillation of solid material having high carbon content such as coal, wood and peat, followed by heating the resultant product to high temperatures with steam or CO₂.

ALBI – Ambatovy Local Business Initiative is a program to increase the capacity of the local economy to provide labour and material resources to industry through the encouragement of development improvements and organization.

BBOP – Business and Biodiversity Offset Program is a defined program that provides for measurable conservation outcomes to offset significant or persistent adverse impacts of capital project development. The BBOP program is a partnership of companies, governments and civil society groups. The BBOP secretariat function is provided by Forest Trends and the Wildlife Conservation Society. Additional information can be found at: <http://bbop.forest-trends.org>

BIOAVAILABILITY – An indication of how readily chemicals are absorbed by other organisms in the environment.

BIODIVERSITY – The biological diversity in an environment as indicated by the number of different species of plants and animals.

CAP-AND-TRADE (FOR GHG) – A market-based system for managing and reducing industrial GHG emissions. In such a system, government gives emitters “allowances” which limit or cap the amount of GHG they can emit. Emitters that reduce their emissions below their limit have “surplus” allowances that they can sell, trade or bank as credits for future use.

CARBON CREDITS – A calculated quantity representing either a reduction of carbon dioxide equivalents (measured in tonnes of CO₂e) or an emission level below what is required under law. To be an effective credit it must be verified under a recognized methodology and appropriately registered with a recognized third party.

CDM – Clean Development Mechanism is provided in the Kyoto Protocol for the production of tradable registered carbon credits (called certified emission reductions or CERs) through development of emission-reduction projects in developing countries.

CHAR – the product derived from heating lignite coal at high temperature in the absence of air. It is used to produce barbecue briquettes.

CIM – Canadian Institute of Mining and Metallurgy.

CO₂/CO₂e – CO₂ is the chemical formula for carbon

dioxide. CO₂e signifies the carbon dioxide equivalent of a GHG, using the global warming potential of the gas.

GHG – greenhouse gas can be any of the six commonly used gasses that are known to have the potential to add to global warming. These are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (hfc), perfluorocarbons (pfc) and sulphur hexafluoride (SF₆). Some of these have sub-categories. Each GHG has a global warming potential (GWP) in relation to CO₂.

GLOBAL WARMING POTENTIAL – The global warming potential (GWP) is an index that compares the relative potential of the greenhouse gases to contribute to global warming over 100 years, i.e. the additional heat/energy which is retained in the Earth’s ecosystem through the release of this gas into the atmosphere. The additional heat/energy impact of all other greenhouse gases are compared with the impacts of carbon dioxide (CO₂) and referred to in terms of a CO₂ equivalent (CO₂e), i.e. carbon dioxide has been designated a GWP of 1, Methane has a GWP of 23, and Nitrous Oxide has a GWP of 310. A complete list of GWP multipliers may be found at: http://unfccc.int/ghg_data/items/3825.php.

GW – gigawatt is a standard unit of measure for electricity, equivalent to one million kilowatts.

HA (ha) – hectares; one hectare is equivalent to 10,000 square meters or 2.47 acres.

HECTARES – see HA above.

IFC – International Finance Corporation, a part of the World Bank Group, established in 1956 to promote sustainable private sector investment in developing countries.

LTI – Lost Time Injury.

NGO – Non-governmental organization.

NO_x – Nitrogen Oxide. One of the chemicals associated with smog.

NPRI – National Pollution Release Inventory – Environment Canada’s annual inventory of air, land and water emissions, disposals and transfers as reported under current regulations.

PM – Particulate matter (commonly airborne dust) measured at different levels, often by particle size.

SMME – Small, Medium and Micro Enterprises.

SO_x – Sulfur oxide (SO_x = SO₂ + SO₃) emissions.

TPM – Total Particulate Matter which includes all sizes of particles.

TRI – Total Recordable Injury. The TRI Index is a standardized method to allow comparison of data among companies of different sizes. The total number of TRIs in a period is multiplied by 200,000 (the average number of hours in 100 years) and then divided by the total number of exposure hours in the period.

UNICEF – United Nations Children’s Fund.

UNFCCC – United Nations Framework Convention on Climate Change is technically an international treaty, supported by a United Nations Secretariat that works to consider what can be done to reduce global warming. (See http://unfccc.int/essential_background/items/2877.php)

WESTERN CLIMATE INITIATIVE – A collaboration of independent jurisdictions that are committed to working together to tackle climate change at a regional level.

WHMIS – Workplace Hazardous Materials Information System – Canada’s national hazard communication system. (See <http://www.hc-sc.gc.ca/ewh-semt/occup-travail/whmis-simdut/index-eng.php>)

Cautionary Statement on Forward-Looking Information

This CSR Report contains certain forward-looking statements containing such words as “believe”, “expect”, “plan”, “forecast”, “likely”, “may”, “will”, “could”, “should”, “anticipate”, “projected”, “continue” and similar words or phrases. Similarly, statements with respect to expectations concerning production, capital expenditures, commodity demand, risks, corporate objectives and plans or goals, are or may be forward-looking statements. These forward-looking statements are based on current expectations, assumptions and projections, are subject to inherent risks and may not prove to be accurate. The Corporation cautions readers of this CSR Report not to place undue reliance on any forward-looking statements and disclaims any obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

The Corporation’s 2009 Annual Information Form (AIF) contains a caution regarding forward-looking statements, which is incorporated by reference herein. The reader of this CSR Report is encouraged to review that caution at page ii of the AIF for a complete discussion of forward-looking statements. The AIF also contains risk factors, commencing on page 78, to which the Corporation is subject. The reader is encouraged to review these risk factors.