



Sherritt International Corporation
Corporate Social Responsibility Report

2008

sherritt

Profile

Sherritt International Corporation is a diversified natural resource company that produces nickel, cobalt, thermal coal, oil and gas, and electricity. It also licenses its proprietary technologies to other metals companies. A low-cost operator across all segments, Sherritt's success is built on utilizing its proven technologies, financial acumen and operational expertise. Sherritt's common shares trade on the Toronto Stock exchange under the symbol "S".

Sherritt is a world leader in the production of nickel and cobalt from lateritic ore with operations in Cuba and Canada and a significant project under development in Madagascar. Sherritt is the largest thermal coal producer in Canada. The Corporation also produces oil and gas from assets in Cuba, Spain and Pakistan, and is the largest independent power producer in Cuba.

Sherritt is committed to upholding high standards of environment, health and safety practices at all of its operations and making valuable contributions to local communities.



2008 Highlights

ENVIRONMENT



- ▶ Sherritt Coal has made great progress in reclaiming the Gregg River mine in western Alberta. Final removal of structures is nearing completion
- ▶ In the fall of 2008, the United Nations issued more than 160,000 carbon credits to Sherritt Power's joint venture, Energas S.A. The credits were issued as part of a power project under the Kyoto Protocol
- ▶ The Ambatovy Project in Madagascar has partnered with major non-governmental organizations (NGOs) in the Business and Biodiversity Offset Program to establish a protected area near the mine

COMMUNITIES



- ▶ The 2008 hurricane season in Cuba included two very strong storms. Hurricane Ike was the worst, passing through the city of Moa – which is rarely affected by such storms. Sherritt helped with clean-up and recovery
- ▶ The Ambatovy Project has established the Ambatovy Local Business Initiative to maximize local sourcing of goods, services and personnel in Madagascar
- ▶ Coal is re-opening the Obed mine in Alberta six years after it last operated. When recruitment began, about one third of employees who had worked there six years earlier decided to return

EMPLOYEES



- ▶ Sherritt and its Ambatovy partners continued investing in advanced technical training for Malagasy employees in Madagascar and Canada to ensure they can assume key operational roles for the Project
- ▶ In 2008, Coal's Genesee mine won the John T. Ryan Award for Safety from the Canadian Institute of Mining, Metallurgy and Petroleum for the ninth time in recent years
- ▶ Sherritt recognizes and rewards its long-service employees. At the end of 2008, employees with 10 years of service or more represented 43% of our employee population, and 26% had 20 years or longer

(Cover: Reclaimed Gregg River Coal mine in Alberta; view from Baseline Ridge.)

All figures in Canadian dollars, unless otherwise noted. All volume measurements represent 100% of operations. No adjustments are made to reflect joint venture ownerships.

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Welcome,

For well over 80 years, companies bearing the Sherritt name have **consistently supported the communities** in which they operate, while managing mines and facilities with the systems, procedures and technologies to ensure employee safety and minimize environmental impacts.

This first corporate social responsibility (CSR) report highlights the **long-standing approach** and is designed to provide greater transparency on environmental performance, as well as community and employee relations. The section on environment contains supplementary information on climate change, given its importance in today's business world.

Being the inaugural report, it is a compilation of information that exists primarily for other processes. We expect that the report will evolve and improve as this base of available data is **built on in the future.**

We recognize that many different stakeholders are interested in our environmental and social policies and practices. **Sherritt is committed to engaging with its stakeholders** and encourages you to send your feedback and/or suggestions to responsibility@sherritt.com for consideration in future CSR reporting.

Message to Stakeholders



IAN W. DELANEY
Chairman and Chief Executive Officer

Sherritt has demonstrated responsible operations over many decades in the natural resources and energy sectors. As Canada's largest thermal coal mining company and the largest Canadian-owned nickel company, corporate social responsibility ("CSR") has long been a key component of Sherritt's long-term strategy as well as an important fact of daily life throughout the company. We operate in Canada and internationally under multiple regulatory frameworks with a number of business partners and a diverse group of stakeholders. We work diligently to maintain the social license that is a fundamental component of the value we deliver to our shareholders. Our company has operated according to socially responsible principles well before CSR was formally articulated as a concept.

As our first formal Corporate Social Responsibility Report, this document is an important step in highlighting Sherritt's long-standing commitment to social responsibility. We have focused our CSR Report on those topics which are most relevant to the interests of our stakeholders, and expect that it will become a regular feature of our annual reporting.

A significant portion of our business is undertaken with joint venture partners. Sherritt provides experience and professional skills to develop and maintain the goodwill of our host communities by operating responsibly on behalf of or as part of our joint ventures.

Economic activity is highly dependent upon natural resources and energy. Our business by its very nature profoundly affects both the natural and social environments of the communities and countries where we operate. The development, extraction, processing and refining of natural resources require substantial capital investment over many years of operation. Sherritt works to maintain its social license by cooperating closely with governments and local communities.

Stewardship of the regulatory and environmental standards of our operating jurisdictions is a critical priority at Sherritt. To ensure that we meet this priority we have developed policies and implemented procedures to ensure high standards of operating performance and regulatory compliance. We continuously monitor the results of our efforts and proactively manage changing conditions and issues by incorporating systemic advances and implementing procedural improvements. Our success depends on diligence, openness, sensitivity and skill. These efforts have gained recognition for Sherritt for environmental work both in Canada and overseas.

1994–2008 CSR Milestones

Since the early 1990s, Sherritt has made notable CSR achievements. Some of these follow.



1994

Sherritt began working to improve the operation, including the environmental impact of the nickel mining operation at Moa Bay, Cuba



1997

Sherritt formed the Energas joint venture in Cuba which has reduced chronic pollution from waste gas around Varadero and along the coast to Havana



2003

The first megawatt of electricity was produced from waste-exhaust heat in the Energas combined-cycle unit in Cuba

In addition to diligently observing local environmental regulations, Sherritt works to improve the environmental status of its operations. In Cuba, we have been steadily improving the environment around the Moa site from the baseline when we first assumed operation of the facilities. Sherritt also created a new power business with our Cuban partners to generate electricity from natural gas associated with oil production. Before Sherritt's involvement, the raw gas was flared, releasing impurities into the environment. We developed the infrastructure to collect and process the gas to utilize it as a clean source of energy. The power plants we built and now operate provide significant amounts of electricity to the national grid and are both an economic and environmental benefit to the Cuban people.

In Canada, the land reclamation efforts of our coal mining business have won recognition. In Madagascar, the Ambatovy Project has been developed in accordance with internationally recognized corporate social responsibility guidelines, which include the International Finance Corporation environmental standards and the Equator Principles. In addition to our extensive internal monitoring, the Ambatovy Project's environmental program is monitored independently for compliance by regulators from the Government of Madagascar and by the syndicate of international project lenders.

Sherritt implements and maintains extensive safety awareness and training programs. Our operations have won prestigious awards over the years that testify to their success. Everyone at Sherritt takes safety very seriously, and our people continually seek new ways to enhance and improve our safety performance. Our recognized commitment to safety and the environment also helps us to attract highly-motivated, professional employees.

In today's environment, it is not enough simply to maintain high operational standards. Companies are increasingly called upon to report on the extent and status of their commitments to corporate social responsibility. This inaugural CSR Report is a reflection of our commitment to deliver this information to our stakeholders. Our CSR reporting is a work in progress. It is an exciting development and we expect our CSR reports to continue to evolve over time to fully reflect the depth and breadth of our environmental and social commitment.



Ian W. Delaney
Chairman and Chief Executive Officer



2005
Coal Valley received the Alberta Chamber of Resources Major Reclamation Award for creating Silkstone and Lovett Lakes for deep-water fish habitat



2006
Sherritt donated \$1 million for the construction of the Northern Alberta Institute of Technology's Centre for Millwright Technology



2008
The United Nations awarded Sherritt's Energas joint venture its first clean-development mechanism credits under the Kyoto Protocol for the combined-cycle project

Our CSR Approach

Our Commitments

EMPLOYEES: To consider the health, safety, well-being and professional development of our workforce in decision making

COMMUNITIES: To ensure local communities near our operations and offices benefit socially and economically from our business

GOVERNMENTS: To build and maintain meaningful relationships with local, regional and national governments in jurisdictions where we operate

ENVIRONMENT: To practice responsible and forward-looking environmental stewardship at all operations

SHAREHOLDERS: To be a low-cost operator across all segments of our business and to grow through increased productivity and profitability

PARTNERS: To maintain an open relationship with all our partners and to share with them our success, expertise and experience

CUSTOMERS: To provide the highest quality of products and the best services possible

Sherritt works to enhance the value created for our stakeholders by integrating environmental, safety and community considerations into decision-making and by building lasting relationships with our workforce, communities and governments. We take a pragmatic and local approach to sharing the benefits of our business, while minimizing the potential adverse impacts of development.

The sidebar on this page summarizes specific commitments to our various stakeholders and to the environment.

The Corporation is also committed to achieving greater consistency in the execution and reporting of CSR activities. For Sherritt – as with most natural resource companies – CSR covers many activities that are integral to other corporate processes, several of which must meet the rigorous standards of professional and government regulators. It is important that we take a structured approach to CSR matters and the generation of this report is an important step in that process.

CSR Management

Sherritt's CSR program has evolved from the fundamental belief that looking after employees, their families and the environment makes good business sense.

Each of Sherritt's four divisions – Metals, Coal, Oil and Gas, and Power – assume direct responsibility over all aspects of CSR, including community involvement and stakeholder engagement. Their responsibilities for the environment, health and safety (EH&S) are clearly identified in Sherritt's organizational structure, policies and procedures.

Within each division, CSR is generally carried out through the Human Resources, EH&S and operations management groups. This approach enables each of the businesses to effectively meet the needs of employees and local communities.

In the Corporate Office, CSR support is provided by the CSR Manager, a position created in 2008 to co-ordinate cross-divisional activities, programs and co-operation; plan and carry out corporate CSR initiatives; facilitate the dissemination of CSR information; work towards setting a corporate reporting standard or baseline; and collect consistent data for reporting. In the country offices in Madagascar and Cuba, there is also a local CSR Manager who works closely with the relevant divisions to co-ordinate CSR initiatives and liaises with in-country stakeholders.

Sherritt's corporate structure includes oversight on EH&S matters by the EH&S Committee of the Board of Directors. The division leaders report the results of their EH&S programs directly to this Committee at each Board meeting. The CSR report itself is reviewed at the Board level by the EH&S Committee.

The Corporation's CSR-related management practices have been recognized by the Canadian business magazine *Corporate Knights*, which named Sherritt one of the "Best 50 Corporate Citizens" in Canada in 2008. The same award was given to Sherritt in 2007 as well.

Governance

Sherritt and its Board believe that sound corporate governance is essential to our integrity as a company as well as the promotion and protection of our shareholders' interests. Governance at Sherritt begins with a comprehensive set of policies that include, among other things, a strict code of conduct and business ethics policy.

The Board is responsible for the Corporation's governance system and promotes fair reporting as well as ethical and legal corporate conduct through a system of governance and internal disclosure controls.

Convinced that the Corporation would be best served by a board that is independent, informed and engaged, Sherritt's Board has appointed an independent Lead Director responsible for ensuring that the Board operates independently of management and that directors have an independent leadership contact. The Board committees include:

- ▶ Nominating and Corporate Governance Committee
- ▶ Audit Committee
- ▶ Compensation and Pension Committee
- ▶ Reserve Committee
- ▶ Environment, Health and Safety Committee
- ▶ Capital Projects Committee

All committees are comprised entirely of independent directors, except for the Capital Projects Committee. The Nominating and Corporate Governance Committee reviews the Board and Committee mandates annually and recommends changes, as necessary.

Additional information on the Board's corporate governance practices can be found on www.sherritt.com and in the Corporation's annual management information circulars (available on www.sedar.com and www.sherritt.com).

Risk Management

Sherritt manages a number of risks in each of its divisions in order to achieve an acceptable level of risk without hindering the ability to maximize returns. Management at various levels has procedures to identify and address significant operational and financial risks. An extensive list of business risks can be found in the Corporation's Annual Information Form on www.sedar.com or www.sherritt.com.

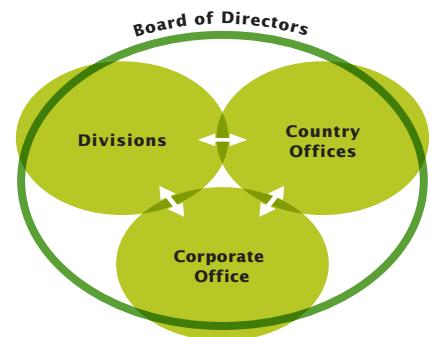
Operations Integrity Management System (OIMS)

The core of Sherritt's management process for environment, health and safety is the Operations Integrity Management System (OIMS). The OIMS consists of ten key elements:

1. Management and leadership
2. Incident investigation
3. Hazard identification and control
4. Environmental control
5. Management control
6. Contractor management
7. Control to prevent the bypass of safeguards in equipment operation
8. Work permits
9. Operations and maintenance procedures
10. Monitoring and assessment

OIMS promotes the establishment of a framework for EH&S-related management systems that are comprehensive, credible and consistent from management through to the shop floor. Divisional management is held responsible for compliance by the EH&S Committee of Sherritt's Board.

Sherritt's CSR Structure



Sherritt's approach to CSR management allows for independence, co-operation and flexibility, as well as oversight over key areas. While the Divisions are accountable to the EH&S Committee of the Board of Directors for environment, health and safety concerns, community investment and stakeholder engagement are not under that umbrella. These are more in the nature of operational activities, subject to the normal decision making and materiality criteria for divisional operations. See the section on CSR Management for more details.



Our Environment

“ In Madagascar, we are determined to develop the mineral resource, develop the economy, and transfer technology in a way that satisfies the highest environmental standards. Not an easy task. ”

IAN W. DELANEY
Chairman and
Chief Executive Officer

Our Priorities

In keeping with Sherritt's commitment to the environment and to ensure we manage responsibly as we produce commodities needed in today's economies, Sherritt has established the following six priorities:

- ▶ Identification, assessment and management of environmental risks associated with our operations
- ▶ Compliance with legal requirements through the installation of appropriate control equipment and the enforcement of stringent corporate standards
- ▶ Remediation of impacted areas from the release of specified substances
- ▶ Communication with our stakeholders in a timely fashion to ensure that our actions and relevant environmental risks are properly understood
- ▶ Ensure the safe storage, transportation and disposal of hazardous wastes

Our Approach

The Corporation's approach to environmental management – known as the Operational Integrity Management System (OIMS) – aligns closely with above-listed priorities. Refer to an overview of OIMS in the sidebar on the previous page.



www.sherritt.com
Visit our website for more information on our environmental policies.

(Above: Forest around reclaimed wetlands at the Obed coal mine.)

Measuring Performance

As a diversified natural resource company, Sherritt works in several industries using different measures of environmental performance – many of which are not universal. Some of the key performance indicators (KPI) are listed below.

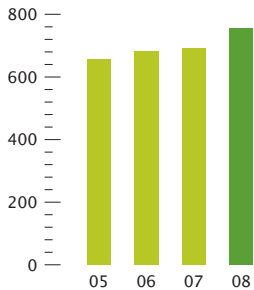
Key Indicator	2008 Performance	Going Forward
Greenhouse Gas (GHG) emissions (tonnes of CO ₂) Canadian sources only	759,467 (see table on page 10)	<ul style="list-style-type: none"> ▶ Keep emissions intensity static or lower while increasing production capacities ▶ Continue compliance with local regulations
Emission reduction credits (tonnes of CO ₂) From Energas in Cuba	166,744 Clean Development Mechanism (CDM) Issued 349,437 CDM Reported (not issued) 1,586,580 Voluntary reported (not issued) 87,759 Non-recoverable	<ul style="list-style-type: none"> ▶ Secure issuance of CDM and voluntary reported credits referenced under 2008 Performance ▶ Produce Certified Emission Reduction (CER) credits each year for the CDM Project ▶ Expect that voluntary credits are a one-time award
Land reclaimed (hectares)	688 Canada 82 Cuba 0 Madagascar 770 Total	<ul style="list-style-type: none"> ▶ Expect annual reclamation rates in Canada and Cuba to remain stable. About 700 hectares (ha) should be reclaimed in Madagascar on completion of construction
Biodiversity conservation (hectares)	11,400 Madagascar	<ul style="list-style-type: none"> ▶ 11,600 ha for offsite reserve ▶ Manage another 4,900 ha of forest around the mine
Environment reports (number of reports filed) Canadian operations	Fort Saskatchewan: (Reported*) 1 Air 1 Land 0 Water Coal: (Reported*) 0 Air 0 Land 5 Water	<ul style="list-style-type: none"> ▶ Continue to report as required, while endeavoring to maintain a high level of performance
Metal recycled (tonnes) Canadian sources only	744	<ul style="list-style-type: none"> ▶ Expect a decrease in 2009, as figure for 2008 was about 1/3rd higher due to recycling of scrap from Gregg River reclamation
Oil recycled (litres) Canadian sources only	1,133,076	<ul style="list-style-type: none"> ▶ Depends on the number of vehicles in use in any particular year
Sulphur reclaimed (tonnes) From Fort Saskatchewan operations only	Fort Saskatchewan >40,000	<ul style="list-style-type: none"> ▶ Sulphur contained in the mixed sulphide feed is recovered in our hydrometallurgical process and converted to a fertilizer product

* "Reported" shows the number of reports required for exceedance of operating approval or releases.

Climate Change

Since the first World Climate Change Conference in 1979, climate change as an urgent international problem has steadily gained prominence along with recognition of issues related to the impact of greenhouse gas (GHG) on global warming.

GHG EMISSIONS
(thousands of tonnes)



Sherritt's Canadian GHG emissions from 2005 through 2008.

In 1988, the United Nations General Assembly formally recognized climate change as a common concern requiring action within a global framework and created the Intergovernmental Panel of Climate Change.

In 1994, the United Nations Framework Convention on Climate Change (UNFCCC) was created, which led to the adoption of the Kyoto Protocol (Kyoto) in 1997. Kyoto came into force in 2005, driving an expansion in the efforts to address climate change in many countries.

GHG Legislation

Kyoto requires that most of the world's developed nations reduce GHG emissions between January 1, 2008, and December 31, 2012. The required reduction varies by country. Many industrialized nations are implementing policies and regulations designed to materially reduce GHG emissions. Canada ratified Kyoto in 2002, pledging to reduce our national annual GHG emissions to 94% of 1990 levels, as measured in tonnes of carbon dioxide equivalent (CO₂e) during the 2008 to 2012 commitment period. The United States has not ratified Kyoto, but is also seeking ways to address climate change.

In April 2007, the Canadian government released a regulatory framework that suggested an 18% reduction in emissions intensity, measured as emissions produced per unit of output, from 2006 levels by 2010 and a further 2% annual intensity reduction until 2020. In the November 2008 Speech from the Throne, the government committed to an absolute (hard cap) reduction of 20% from 2006 levels by 2020. These commitments apply to only certain sectors of the economy. These sectors may include some of Sherritt's Metals and Coal facilities, most electric generation facilities in Canada, and some of the industrial sectors to which Sherritt supplies products. Until this framework is clarified, its potential impact on the Corporation cannot be determined with certainty.

In the absence of definitive federal regulation, some Canadian provinces have moved ahead with initiatives of their own to mitigate climate change. In early 2007, Alberta implemented its Specified Gas Emitter Regulation that requires large existing industrial facilities – those releasing 100,000 tonnes or more of CO₂e GHG emissions per year – to reduce their emissions intensity by 12% beginning on July 1, 2007, and to continue to operate at that reduced level in the future. Reductions were to be based on average emissions for each facility from 2003 to 2005.

Industry in Alberta may comply with the 12% intensity reduction in a variety of ways:

- ▶ Improving the energy efficiency of their operations
- ▶ Buying carbon credits in the Alberta-based offset system
- ▶ Paying \$15 per tonne into the Climate Change and Emissions Management Fund (the Fund) for every tonne of CO₂e over their target

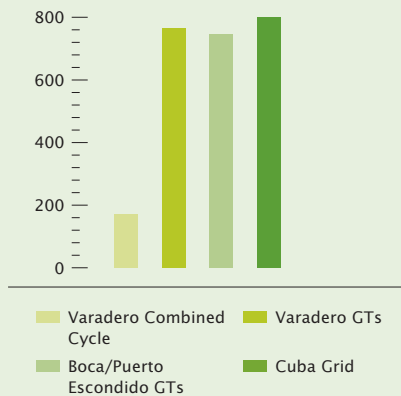
Payments made to the Fund are to be invested in projects and technology to reduce GHG emissions in Alberta.

SPOTLIGHT ON:

CLEAN DEVELOPMENT MECHANISM

The enactment of the Kyoto Protocol in 1997 and the creation of the Clean Development Mechanism (CDM) in 2002 were meaningful to Sherritt because of the Power assets and gas processing facilities in Cuba. Canada and Cuba ratified Kyoto in 2002, creating an opportunity to work within the CDM framework to realize tradable carbon credits.

EMISSION INTENSITIES (Kg/MWh)



The above chart is a comparison of GHG emissions per MWh of electrical production at the Varadero, Boca de Jaruco and Puerto Escondido sites and averages on the Cuban grid.



The certificate above was presented to Energias to recognize outstanding efforts to improve and protect the environment.

Under the CDM, a developed country that invests in sustainable technology to reduce emissions in a country with an emerging economy can earn Certified Emission Reduction (CER) credits. The project managers must follow strictly defined methodologies and validate the project with the UNFCCC, which will register it as a CDM project. In each year after the facility is registered or begins operating, CER credits are calculated and verified, and credits are issued.

In many parts of the world, the gas that is produced in association with oil production is burned in flares to avoid direct release to the atmosphere. Such was the case in Cuba until 1997 when Sherritt formed Energias, a joint venture with Cuba's national oil and electric companies, to create a market for some of the gas being produced on Cuba's north coast. Energias currently has power-generation facilities in Varadero, Boca de Jaruco and Puerto Escondido.

ENERGIAS JOINT VENTURE

Energias's facilities process raw gas and use the "clean" gas to generate electricity that produces lower GHG emissions than other fossil fuels. Cleaning the gas involves removing sulphur from the raw gas, resulting in improvements to the air quality in surrounding areas. The Cuban government presented Energias with a certificate of appreciation in 2001 in recognition of its contribution to the environment in the province of Matanzas.

Energias' facilities in Varadero were originally designed to use more than one technology to produce electricity.

Most generation was to come from a series of gas-turbine generating units similar to jet engines. Additional capacity was installed to use the hot exhaust from the turbines to produce steam for production of additional electricity in a steam turbine. This is called a combined-cycle unit, which uses less natural gas for each megawatt hour (MWh) of electricity generated, thus producing fewer emissions per MWh than most other Cuban electricity production. Energias' initial capacity at Varadero was installed before the CDM process was established and thus does not qualify under the CDM program, despite its low emission production.

CDM RECOGNITION

The installation of combined-cycle capacity occurred in 2003, after the CDM process had been established, allowing it to qualify under the CDM program. The UNFCCC registered the combined cycle as a CDM project in June of 2007. Upon verification of regular calculations, this project can be issued credits for annual reductions of CO₂e. Credits of 166,744 for the first six months after registration were awarded in 2008 and an additional 349,437 credits have been verified.

OTHER ENERGIAS REDUCTIONS

In the period after the combined cycle began operating, but before CDM registration, the project was responsible for emission reductions outside of the CDM. Credits associated with this period are being pursued as voluntary credits.

In 2008, Energias gas turbine operations alone produced 1,961,211 MWh of electricity. The amount of CO₂e emitted as a result of this output remains significant, but it is 6%, or approximately 88,000 tonnes, less than what it would be using alternate fossil fuels. This difference cannot be claimed under the credit system but is a real reduction in carbon emissions. The adjacent graph illustrates how the CO₂e intensities of Energias' gas- and steam-turbine generators compare to each other and to the Cuban grid.

Climate Change (cont.)



The Fort Saskatchewan refinery site has been operated by Sherritt companies since 1954.

In May 2009, Saskatchewan introduced GHG legislation (Bill 95). This proposed legislation does not define a baseline year or stipulate reductions but the Saskatchewan government has stated that its intent is to adopt the federal target.

Other Canadian jurisdictions where Sherritt operates have not announced legislation or regulations for the reduction of GHGs from industrial operations. All of the countries where Sherritt operates have ratified Kyoto.

Sherritt's GHG Emissions in Canada

In Canada, Sherritt refines nickel and cobalt with associated by-products and mines coal. It is inevitable that GHGs will be produced at some stage during these activities. The locations of many of Sherritt's Canadian operations require fuel to provide a heated environment for our employees, creating additional GHG emissions.

Sherritt calculates the direct GHG emissions from the Metals and Coal operations in Canada as part of its reporting requirements to the provincial and federal governments. These total emissions for 2008 are included in the KPI table at the beginning of this section and emissions by operation are in the table below.

Under government reporting regulations, direct emissions associated with industrial processes are exempt, resulting in total reportable emissions from the Metals operations of 213,634 tonnes in 2008. These industrial process emissions have been included in calculations for the following table to produce total emission data.

SHERRITT'S CANADIAN GHG EMISSIONS BY OPERATION (IN TONNES OF CO₂e)

Operation	2005	2006	2007	2008
Fort Saskatchewan				
industrial process emissions*	76,823	67,715	51,976	78,641
Fort Saskatchewan site**	208,462	211,531	210,874	213,634
Coal Valley mine	82,931	148,340	153,086	174,439
Boundary Dam mine	44,348	42,342	42,419	46,175
Bienfait mine and char plant	138,648	111,352	116,631	119,437
Poplar River mine	16,747	14,197	17,470	20,289
Sheerness mine	24,987	24,834	31,135	30,314
Paintearth mine	24,497	23,897	24,431	24,982
Genesee mine	31,988	39,385	42,197	51,556
Total	649,431	683,593	690,219	759,467

* Industrial process emissions are those associated with such things as chemical reactions, which cannot be changed.

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

Recalculations of earlier years are consistent with current methodologies for comparability. They may be different from previously reported data.

Three of the operations produce more than 100,000 tonnes of GHG per year. These are the Metals site in Fort Saskatchewan, Alberta, the Coal Valley coal mine in Alberta and the Bienfait coal mine and char plant in Saskatchewan. Although they all qualify as large final emitters, only the operations in Alberta are currently affected by regulations that require emission reductions and payments. The 100,000 tonne cut-off for large final emitters has not been set in Saskatchewan, which has not yet defined a framework for emission reductions or offsets.

The Metals site was built in the 1950s. Over the years, there have been many upgrades, efficiency programs and initiatives to improve energy efficiency and reduce emissions. Because of the age of the plant, most minor retrofits and adjustments have been done and there are now limitations on meaningful additional GHG emission reductions without incurring significant capital expenditures.

At this time, Sherritt has invested in the Fund rather than incur facility retrofit costs. Consequently, for the 2008 compliance period the Fort Saskatchewan site purchased 20,202 tonnes of Fund credits at \$15 per tonne each for a total cost of \$303,030. For the next several years, the site expects to fulfill its requirements under the Specified Gas Emitters program by purchasing validated and verified offset credits or investing in the Fund.

The Corporation's other large emitter that is subject to Alberta legislation is the Coal Valley mine. In the first two reporting periods of 2008, this mine reported emissions below the required target level. Furthermore, as the first reporting period covered the last six months of 2007, Coal Valley was able to carry almost 3,500 tonnes of carbon credits into 2008, after external verification and acceptance by Alberta Environment. For all of 2008, emissions remained below the target. Although this has been verified, Alberta Environment has not yet issued the results of its review. If this review agrees with our submission, Coal Valley will receive another 4,797 credits for a credit balance of more than 8,200 tonnes of CO₂.

Sherritt's Carbon Footprint Outside of Canada

Sherritt's total corporate carbon footprint has not been calculated. It is difficult to determine a date when these data will be publically available due to the number of jurisdictions involved and the fact that many of Sherritt's activities are carried on through joint ventures that Sherritt does not control. Sherritt will continue to work with its joint venture partners to expand GHG reporting in the future where possible. There is no doubt that GHGs are produced in varying amounts at each of the operations outside Canada. At Moa Nickel S.A. most processes result in the release of GHG.

Emissions from the Oil and Gas operations fluctuate depending on the number of drill rigs that are operating, the general logistics of the operation and the amount of flaring and fugitive emissions that occur.

At the Power joint venture, emissions result from the combustion of natural gas to generate electricity, as well as from the operation of the gas processing facilities and compressors and from any fugitive emissions or flaring of excess natural gas. This is partially offset by the carbon credits that result from the operation of the combined cycle plant.

At Ambatovy in Madagascar, the construction of the mine, pipeline and plant involves the use of fuel to operate the large equipment involved. Because much of this equipment is owned by contractors and subcontractors, tracking data is difficult.



The Coal Valley mine (shown above) reported GHG emissions below the Alberta target in each of the first reporting periods.

Climate Change (cont.)

SPOTLIGHT ON:

CLEAN COAL TECHNOLOGY

Sherritt's Clean Coal and Hydrocarbon Technologies (CCHT) group in the Technologies Division is working to develop innovative solutions and knowledge that have long-term potential. In the shorter term, it is leveraging available technologies that can support the growth, productivity and profitability of our Coal and Oil and Gas Divisions.



The photo above shows Sherritt Technology employees working in the Coal Liquids Lab.

For more than 50 years, Sherritt has been a technological leader in the development of hydrometallurgical techniques for refining metals, particularly nickel. The same disciplined principles established in the development of these techniques are being extended to hydrocarbon research and development.

Sherritt and the Ontario Teachers' Pension Plan Board each hold a 50% interest in the Carbon Development Partnership (CDP). The CDP is dedicated to the development of approximately 1 billion tonnes of proven and probable coal reserves, 6 billion tonnes of measured and indicated coal resources, and 4 billion tonnes of inferred coal resources. Sherritt is the only entity that carries out extensive research in Canada on these resources for value-added derivatives.

CCHT was initially tasked to evaluate and implement clean-coal technologies with a focus on:

- ▶ Removing pre-combustion contaminants from coal to ensure a more efficient, cleaner combusting coal feed to power generation and gasification facilities, in order to minimize emissions, specifically GHGs, and maximize the efficiency and cost effectiveness of coal-based facilities
- ▶ Adapting new platform technologies such as gasification to enable the value-added production of energy products from coal with significantly reduced emissions compared to the current practices
- ▶ Developing new technologies that can produce high-value coal products with reduced emission profiles

PARTNERSHIPS

The Alberta Energy Research Institute (AERI) has contributed close to \$4 million to Sherritt's clean-coal development activities since 2004. The CCHT group also works closely with government labs, other corporate labs, the University of Alberta and other universities across North America to leverage knowledge and develop target technologies.

Most of our initial clean-coal technology assessments were conducted in third-party certified laboratories and testing facilities across North America, Europe and Asia. Now, to retain more of the knowledge in-house, Sherritt has recently completed the construction of a clean-coal technology facility at the Fort Saskatchewan site in Alberta's industrial heartland, near vast coal and oil sands reserves. Sherritt has contributed the building to house the Clean Coal Technology Centre and the Government of Alberta, through AERI and a strategic technology development partner, have made contributions for the construction of the facility. The Centre will be used to evaluate clean-coal technologies in bench and pilot-scale test processes. It is also the only facility conducting thermal coal research in Canada.

Longer-term product development work is done through strategic collaborations with end users. The result is a structured research program to produce patents through licensing process technology and engineering services to the initial end-user participants and/or others in a global market, including developing countries.

An initiative to create a value-added product that could realize the value from Sherritt's vast coal reserves led to the development of the CDP's Dodds-Roundhill Coal Gasification Project. AERI reviewed the design and technology selection process and agreed to co-fund a feasibility study. This study included the physical gasification of more than 40 tonnes of various coals at the Siemens test facility in Freiberg, Germany, to support plant design and technology screening work being conducted by Sherritt.

The Dodds-Roundhill Coal Gasification Project has several key attributes:

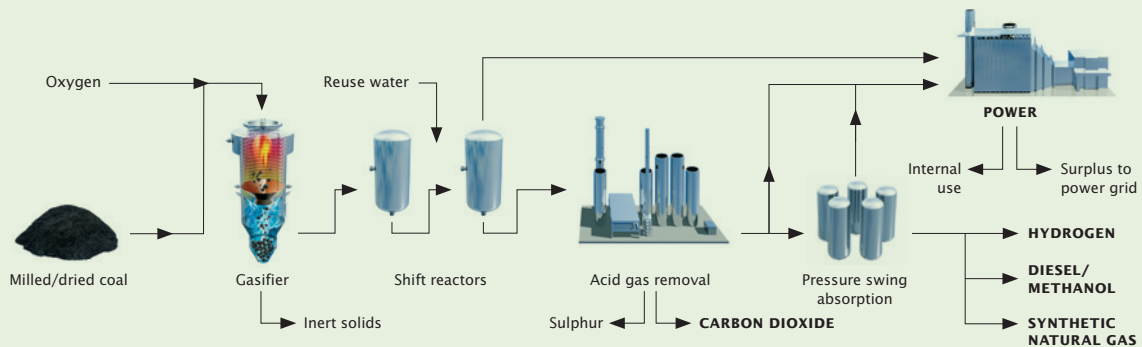
- ▶ The sequestration of up to 90% of the CO₂ produced in a high-purity stream that could be used for enhanced oil recovery (EOR)
- ▶ Significantly lower emissions of nitrogen oxides (NOx), sulphur oxides (SOx) and other air emissions generated by a conventional coal-fired power facility
- ▶ An innovative water-use strategy that uses reuse water from municipal water facilities in the process and reduces water consumption by the use of air-cooling systems

COAL'S CONTINUING VALUE

CCHT is also engaged in beneficiation technologies. Sherritt is working with a strategic partner to develop an innovative, sustainable technology to produce high-value carbon products from Sherritt's coal reserves that have low sulphur and low metal impurity. These could be in the form of coke, pitch, alternate fuels or other products.

Sherritt is also developing a \$50 million activated-carbon plant, the first of up to four, at the Bienfait mine in Saskatchewan. The plant is a joint venture with Norit Canada and will produce activated carbon for use in removing harmful chemicals and heavy metals, such as mercury, from the exhaust of coal-fired generating stations across North America. Coal remains a primary fuel for the production of electricity in many parts of the continent and activated-carbon technology will allow its continued use with less emission of pollutants.

How It Works:
Key Steps to Gasification



The multi-step gasification process begins by feeding cleaned and milled coal into a gasifier, where it reacts with oxygen and steam at high pressure and temperature, forming a mixture of hydrogen and carbon monoxide known as synthesis gas (syngas) and carbon dioxide (CO₂). Cleaned syngas is mixed with additional steam and fed to shift reactors to produce pure hydrogen and CO₂. Syngas can be processed to a range of high-value energy and petrochemical products, including diesel, hydrogen, methanol and synthetic natural gas. The purified CO₂ can be used for enhanced oil recovery in depleted oil fields or sequestered to prevent it from entering the atmosphere.

Climate Change (cont.)



The photo above provides a satellite view of Hurricane Ike as it passed over the central Caribbean area in 2008. Such storms, while not caused by climate change could be affected by it.

Impact on Sherritt's Operations

It is difficult to predict the full impact that global climate change might have on Sherritt operations. There are costs associated with compliance with the government regulations that apply to the operations, and it is anticipated that additional regulations will be enacted in response to public concern over emissions. This will likely increase the cost of operations and could reduce the demand for products derived from fossil fuels. This potential cost variant is considered in long-term planning.

Major climate changes could result in variations in the severity of hurricanes in the Caribbean or typhoons in the Indian Ocean, possibly affecting our operations in Cuba and Madagascar. Climate change could lead to fluctuations in precipitation in western Canada or other areas where we operate. If the water availability for the Metal and Coal sites was consistently reduced, this could restrict operations and create follow-on impacts to the local environment. Increases or decreases in average temperatures may result in increases or decreases in metal consumption for climate control systems. Although such conjecture suggests possible impacts of climate change, it is difficult to incorporate into planning for operations.

Risks and Opportunities

Changes in climate are generally expected to span an extended time period, which will give responsible companies time to plan. This planning could involve mitigating risks and/or seizing opportunities through, burning less fuel, using alternate fuels, reducing driving or other initiatives.

For example, at the Fort Saskatchewan site Sherritt Metals is working with Ferus Inc. to construct a CO₂ liquefaction facility. The facility will process the industrial emission gas stream from our ammonia unit and produce a liquid CO₂ product for the oilfield service industry.

Sherritt meets with regulators at all levels of government to foster mutual understanding and provide input and knowledge related to potential regulatory changes. The Corporation's Canadian facilities collect emissions data as part of their environmental monitoring system. In the future, there may be other opportunities to produce offset credits similar to those now held by Coal's Coal Valley mine in Alberta or associated with Power's electricity-generation facilities in Cuba (see page 9 for more information).

Sherritt realizes the value of reducing emissions from coal and as a result has taken a lead position in developing clean-coal technologies in Canada. This process requires time, persistence and incentives to succeed. (For more information on our clean-coal initiatives, please see page 12.) Further, to ensure new coal-related regulations recognize the environmental, social and economic benefits, Sherritt has encouraged governments to engage our Corporation and the major power utilities in western Canada early in the regulatory review process to collectively establish short- and long-term goals.

Air

Emissions to the air from a mine or refinery can take several forms including those that are visible, such as water vapor, and others that are invisible.

Sherritt ensures that hazardous gas is effectively managed at the operations because the safety of our employees and communities is of paramount importance.

Most of Sherritt's operations have the potential to directly impact local air quality to varying degrees. For instance, a large open-pit mining operation, such as the one in Moa or one of the coal mines, will produce more dust than most other emissions. There may be some emissions and particulate matter associated with vehicle use and maintenance. A large complex, such as the Metals site in Fort Saskatchewan or the gas-processing facilities in Cuba, encompass processes with products under high pressures and high temperatures, with the potential for accidental release to the air.

A CLOSER LOOK AT METALS

The Metals site in Alberta is a member of the Northeast Capital Industrial Association (NCIA), a not-for-profit co-operative representing industry in Alberta's Industrial Heartland. The NCIA provides a focused, coherent voice for industry in the community and in discussions with government. The current NCIA chairman is a senior manager at Sherritt. Through the NCIA, Sherritt is part of the Fort Air Partnership that has developed a network of over 40 air-monitoring stations in the region's air shed.

In Moa, Cuba, there have been improvements in the level of emissions from our Metals joint venture, particularly SO_x since Sherritt began working there in 1994. Improvements began with the repair of two sulphuric acid plants and the decommissioning and dismantling of another and have continued through to the latest adjustments to the acid plant catalyst.

At the Ambatovy Project in Madagascar, there is no operating facility to monitor at present. However, in order to provide a baseline measure, the air shed around the mine site is being monitored. Air monitors are installed at the mine site allowing the air to be monitored daily. The NO_x, SO_x and particulate matter data will be compared with data to be collected continuously after operations begin.

50%

reduction in sulphur dioxide (SO₂) emissions at Moa acid plant. Cuba's Centre for Inspection and Environmental Control recognized our operating site in Moa for reducing SO₂ emissions from one acid plant train by 50% in 2008 and by 37% on another train in 2007.

Water Usage at Sherritt

Sherritt uses varying amounts of water in many areas of our operations – from controlling dust on mine roads at Coal sites to producing power in a combined-cycle generator. As a leader in hydrometallurgy, water is a key component in our Metals operations.

0%

of water that enters the Fort Saskatchewan site is returned directly to the North Saskatchewan River. Since 2000, all water from the site has been treated in the Alberta Capital Region Wastewater Treatment Plant, resulting in zero direct discharge.

SUCCESSFUL WATER MANAGEMENT AT FORT SASKATCHEWAN

The Fort Saskatchewan site is participating in Alberta Environment's Cumulative Effects Management (CEM) initiative, which includes a water management framework. This initiative for water management is currently being developed.

Sherritt and the City of Fort Saskatchewan entered into the Wastewater Services Agreement (WSA) in 1999. Under this agreement, the City agreed to receive up to about 3,285,000 m³ of liquid effluent from the Fort Saskatchewan site per year. Sherritt is well below the maximum volume allowed under this agreement, resulting in zero-liquid direct discharge to the North Saskatchewan River since 2000.

All water leaving the site is analyzed for specific parameters. The effluent monitoring system onsite includes water samplers, flow meters, pH probes, ammonia analyzers and nickel analyzers strategically located in the process and storm sewers that report to the utilities' unit control room, enabling rapid detection of elevated substance levels and identification of the potential source. That in turn facilitates effective release response. The system is designed to ensure the effluent is within the parameters specified in the WSA prior to release to the City of Fort Saskatchewan's municipal wastewater system.

WATER USE AT SHERRITT OPERATIONS

This table indicates how water is most commonly used at Sherritt’s operations, in addition to normal sanitary uses in kitchens, washrooms and change facilities.

DIVISION	WATER USE
Metals*	Moa mine and processing site Ore slurry production Transportation of calcium carbonate Acid production Counter-current decantation Plant and site cleaning Steam production
	Fort Saskatchewan site Conversion of mixed-sulphide feed to liquid for leaching Production of ammonia, steam, cooling water and acid Plant and site cleaning
Coal	Coal cleaning Dust control Equipment cleaning
Oil and Gas	Drilling mud and down-hole injection Equipment cleaning
Power	Condensation of steam Equipment cleaning
Technology	Test processes Cleaning

* Excluding the Ambatovy Project, which is still under construction.

Detailed water-volume monitoring is carried out at the Fort Saskatchewan site only.

In Cuba, the Oil and Gas operations have installed an extensive groundwater monitoring network to ensure that there is no hydrocarbon contamination due to Sherritt activities. Drilling mud is analyzed for content and properly disposed.

At other operations, water is taken as needed from ground sources, a river or a larger water body in accordance with operating approvals and permits. Where there are other local or downstream water users, testing is done to avoid excess removal that might endanger the availability for other users or, equally importantly, the natural flora and fauna that depend on the water.

In 2008, testing in Western Canada identified several instances where water leaving our coal mines contained a higher level of particulates than specified under the operating approvals. This was generally caused by unexpected weather variations such as wind or excess winter run-off. There were no toxic or bioavailability issues associated with this and Sherritt took swift action to remediate and avoid undue sedimentation.



The counter current decantation (CCD) process at the Moa plant is a major user of water as the concentration of metal is increased in solution.

Reclaiming the Land

Sherritt moves approximately 500 million tonnes of soil and overburden at our Coal operations each year.

“ We move land cleanly,
 We do that efficiently,
 We restore where
 we’ve operated. The
 landforms look terrific
 when we’re finished,
 they look as good or
 better than when
 we started.”

IAN W. DELANEY
 Chairman and
 Chief Executive Officer

Sherritt recognizes that mining has an inevitable impact on the land, but believes that with planning and responsible reclamation, this impact can be dramatically reduced or turned into a positive, such as the case with Coal Valley’s new mountain lakes, highlighted at the bottom of page 3.

Sherritt’s principle existing mining operations are its coal mines in Canada and the Moa Joint Venture site in Cuba. The other major mining operation, the Ambatovy nickel/cobalt mine, is still under construction in Madagascar. The Coal and Metals sites undertake significant reclamation activities. The Oil and Gas and Power Divisions, however, do not engage in reclamation due to the nature of their operations. Oil and Gas’ activities involve directional drilling under the sea floor from near-shore platforms and our Power facilities are relatively small and generally located in areas that have already been developed.

Coal Reclamation Activities

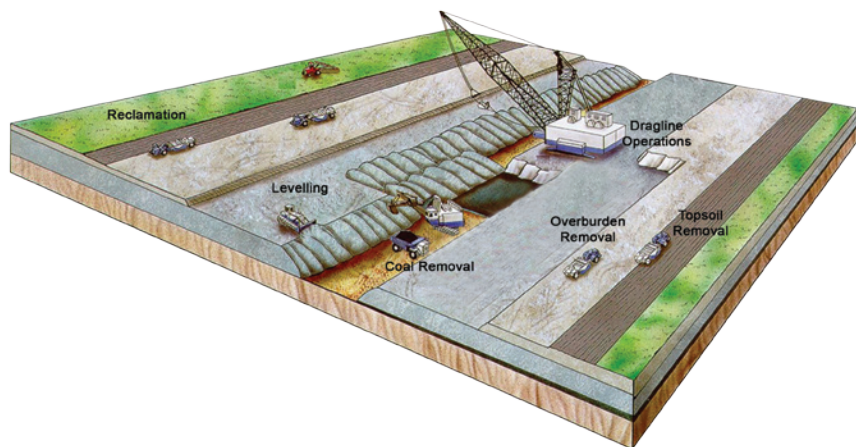
In addition to contouring the reclaimed land, the Coal operations have planted over 200 ha with trees in Canada since 2006. Most of our mines, however, are on the Canadian prairie where dense forest is not the natural vegetation. In those areas, the focus is to reclaim to a state that is appropriate to endemic species. For over 15 years, Coal operations in Saskatchewan have been working with Saskatchewan Power’s Shand Greenhouse to find the most appropriate native trees, shrubs and grasses for use in reclamation. By continuously reclaiming land, the coal mines maintain a minimal footprint of disturbed land.

LAND RECLAMATION AT SHERRITT COAL'S MINES

(ha)	2006	2007	2008
Total Sherritt Coal			
Leveled*	981	1,064	928
Completed**	563	682	688

* Leveled: the return to contour specified in the mines’ operating approvals.

** Completed: the establishment of vegetation.



This graphic illustrates the sequential process of soil and overburden removal and subsequent replacement after coal removal.

As of the end of December 2008, we have reclaimed 80% of all the land disturbed over the life of the Coal operations. The amount reclaimed at each site reflects a number of factors, including the years the mine has been in operation. In the early days of a mine's life, a larger percentage of the area remains disturbed for roads, storage areas and the actual mine area. For example, Genesee has been operating for fewer years than other coal mines, so it is not unexpected that a lower percentage of utilized land has been reclaimed. (See following table.)

SHERRITT COAL'S TOTAL RECLAMATION ACHIEVEMENT

Mine	Surface disturbed to Dec. 31, 2008 ha	Approximate total reclaimed ha	%
Paintearth	3,779	3,152	83%
Sheerness	3,942	3,097	79%
Boundary Dam	8,100	7,152	88%
Poplar River	5,293	4,518	85%
Bienfait	2,450	1,975	81%
Genesee	2,123	617	29%
Total	25,687	20,511	80%



The above photo is of the Paintearth mine in Alberta. It illustrates the quality of land that is left after mine reclamation in the prairies.

Metals

MOA NICKEL

Current reclamation efforts at the Moa Joint Venture in Cuba attempt to mitigate the impacts of mining that began in the 1950s, prior to Sherritt involvement. As land is reclaimed it is returned to the Government of Cuba.

The nickel ore in the Moa area is a classic laterite, with an upper layer of nickel- and cobalt-bearing limonite (oxide) ore over a layer of saprolite (silicate). The saprolite also contains significant amounts of nickel but less cobalt. The Moa operation utilizes the limonite horizon. At the request of the Cuban government, the saprolite horizon is left exposed for potential future operations.

Since 2004, Sherritt has reclaimed more land than it has disturbed, working in areas unreclaimed during the many years of earlier operation prior to Sherritt's involvement. The Corporation is proud of its ability to work with the Cuban government to ensure that a valuable resource remains available to future operations, while enabling the reclamation of a significant proportion of the disturbed land.

MOA RECLAMATION

(ha)	2004	2005	2006	2007	2008	Total
Affected	43	62	51	37	42	235
Rehabilitated	62	39	27	68	82	278

AMBATOVY PROJECT

The early part of Ambatovy's mine life – like that of any newer mine – is expected to be a period during which there is more disturbance of land than reclamation. Sequential reclamation of the mine site is planned for the future as mining advances. After construction is completed about 100 ha of land disturbed in construction and 600 ha disturbed to bury the pipeline will be reclaimed. Most roads created to build the pipeline will be left to serve the local population.

The planned mine footprint of 1,336 ha will be reclaimed when mining concludes. Including the 600 ha to bury the pipeline, the project will have disturbed under 2,000 ha of forest land, all of which is expected to be reclaimed. In addition, 4,900 ha of forests around the mine which are being preserved and managed by the project for the benefit of the local population.

Biodiversity

Sherritt is concerned with the preservation of biodiversity in areas where it operates. While the Corporation takes this approach at all operations, some present more immediate opportunities than others.



Sherritt invested in preservation of the Zapata Wetlands, which provides a diverse natural habitat in Cuba.

MADAGASCAR

The Ambatovy Project offers one such opportunity where despite being partially burned-over at some previous time, the prime area has been relatively uninfluenced by humans. The project is working with experts to protect this biodiversity as much as practically possible.

Ambatovy's biodiversity policy recognizes the responsibility for sustaining biological diversity at Project sites— which include the mine, plant, tailings facility and pipeline. The policy's goal is to cause no net harm to biological diversity near operations, to mitigate unavoidable impacts and to practice responsible closure procedures, while maintaining strong local community support for these actions.

Ambatovy has a comprehensive biodiversity action plan that includes the implementation of a mitigation hierarchy at all sites. The project sees its protective initiatives as a binding requirement for conservation of unique local habitats.

The biodiversity offset program on and around the mine site includes protection of 4,900 ha of representative stands of forest, buffer zone forest protection and the creation of spatial linkages to existing forest corridors. Over 200 ha of forest habitat on the ore body are being set aside for conservation, removing about 20% of the ore body from mine plans. Sequential rehabilitation planned for the mine site will replace the affected forest with a type similar to the surrounding forest. The spotlight on the following page provides more information on our efforts to offset biodiversity impacts in Madagascar.

INVENTORY OF SPECIES PROTECTED

Species	2007	2008
Lemurs		
Number of species inventoried to date	–	16
Number of lemurs tagged with microchip for identification	249	216
Number of lemurs fitted with radio collar	98	66
Birds		
Number of species inventoried to date	–	86
Number of eggs recovered from clearing operations to date	–	36
Number of eggs recovered that hatched	–	35
Number of birds relocated from clearing operations to date	–	61
Amphibians & Reptiles		
Number of mantella frog sites discovered to date	–	5
Number of reptiles recovered from clearing operations	6,674	874
Number of amphibians recovered from clearing operations	2,585	142
Fish		
Number recovered for captive breeding program	–	901
Flora		
Number of orchid species protected in orchid park	–	40
Number of orchid plants transplanted to orchid park	–	730

CANADA AND CUBA

Sherritt's Canadian and Cuban assets are in areas that have sustained human activity and industry for many years. Our greatest impact on biodiversity in Canada and Cuba is primarily related to areas affected by coal and nickel mining operations respectively. These areas remain sensitive, but their biodiversity has inevitably changed as a result of human access. For instance, much of the Canadian land that is impacted was used for agricultural purposes such as grazing before mining activities began there. Sherritt takes pride in being able to conduct the Canadian and Cuban operations in ways that take full consideration for the biological diversity in the areas.

SPOTLIGHT ON:

BUSINESS AND BIODIVERSITY PROJECT

The Ambatovy Project recognizes that Madagascar has one of the world's most unique and diverse ecologies and that biodiversity management and mitigation is critical both onsite and offsite.



The Ankerana BBOP reserve area is expected to help preserve the biological diversity that is characteristic of Madagascar forest areas such as that shown above.

As part of this recognition, Ambatovy is the focus of a pilot project of the Business and Biodiversity Offset Program (BBOP), an international partnership between companies, governments and non-governmental conservation experts to encourage biodiversity offsets. Biodiversity offsets are measurable conservation results from actions designed to compensate for significant and persistent adverse impacts to biodiversity from capital project development.

Ambatovy's offset goal is to achieve at least no net loss, with a possibility for a net gain in species composition, habitat structure and ecosystem structure. Substantial progress has been made in the calculation of potential impacts by the Ambatovy Project and the identification of potential offsets. Sherritt will continue to work with stakeholders on the offsets' long-term security.

SCOPE OF BBOP

This BBOP pilot project involves an area called Ankerana, 71 kilometres northeast of the mine. This area has been identified as a biodiversity offset site. The pilot project will involve conservation of 11,600 ha of endangered forest, including a core conservation area of 4,600 ha with a large tract of forest and a 7,000 ha multiple use area. Parts of the forest area are endangered by local slash-and-burn agricultural methods. In essence, the Ambatovy Project will work to protect this area as a compensatory balance to the area disturbed by mining activity. This is in addition to the 4,900 ha of managed forest around the mine discussed earlier and the 2,000 ha of land reclaimed after construction and during the mine life.

BBOP activities include:

- ▶ Forest management and conservation
- ▶ Species conservation protection and research
- ▶ Reforestation of targeted areas affected by slash-and-burn agriculture and where forest connectivity can be enhanced with native species
- ▶ Community environmental education and awareness programs
- ▶ Agricultural improvements

The Ambatovy team is working with the Malagasy government to legally secure the status of the Ankerana offset as part of the Malagasy protected areas network.

The pilot project is committed to the integration of Ambatovy's offset program into national, regional and local plans and has made significant progress engaging stakeholder participation, including local communities. A number of stakeholders have been involved in the BBOP offset design, including Ambatovy's joint venture partners and lenders, the Malagasy government, local communities and NGOs.

BBOP GUIDING PRINCIPLES

The implementation of the Ambatovy BBOP project is based on respect for and realization of 10 guiding principles, including no net loss of biodiversity, additionality of conservation outcomes, adherence to a mitigation hierarchy, recognition that some impacts cannot be offset and the use of a landscape context in the design of the offset. Appropriate stakeholders will participate in decision making with rights and responsibilities shared in a transparent manner. The offset will be designed and implemented with a long-term time horizon and will be based on sound science as well as traditional knowledge.



www.forest-trends.org/biodiversityoffsetprogram

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

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



Our Communities

“ ... if the general population of these countries doesn't think well of you as a citizen, as an operator you are not going to survive the length of your project. ”

IAN W. DELANEY
Chairman and
Chief Executive Officer

Our Priorities

Sherritt is committed:

- ▶ To ensure local communities benefit socially and economically from our business
- ▶ To build and nurture meaningful relationships with local, regional and national governments in jurisdictions where we operate

Sherritt believes that its operations have the capacity to improve the quality of life through the transfer of wealth as well as social and physical benefits to local communities. These benefits must be real and meaningful to the country, to provide what is needed by our communities.

Our Approach

Sherritt works with individuals, local community groups and major international organizations to complete the transfer of wealth and benefits. This can involve charitable donations, sponsorships, working with local health initiatives, supporting local businesses or simply providing a source of tax revenue. It also includes assisting with emergencies and providing facilities for community use.

Sherritt strives to be a good neighbour by ensuring there is clarity and transparency in discussions of activities that could impact those who live near our operations.

(Above: Girls school in Vohitrabato, Madagascar.)

Measuring Performance

KPIs for community work in this inaugural report are limited because Sherritt has not historically collected data on these efforts. As long as Sherritt has been operating, it has been committed to community involvement and development. To date there are no formal KPIs for our community work.

In the future, Sherritt plans to track its various activities for reporting and to demonstrate and measure the impact that operations have on local communities.

AFFILIATIONS AND MEMBERSHIPS

Sherritt has a history of working co-operatively with governments and other stakeholders. The Corporation also participates in several industry groups that provide a leadership role and offer a consistent point of contact for governments and non-industry personnel wishing to interact with the industry.

Sherritt and/or its employees work with many different organizations, including:

- ▶ The Nickel Institute, a non-profit organization that, with its subsidiary the Nickel Producers' Environmental Research Association, works to promote the use and re-use (through recycling) of nickel in a socially and environmental responsible manner
- ▶ The Cobalt Development Institute, a non-profit group working to promote the responsible use of cobalt in all forms
- ▶ The Coal Association of Canada, which promotes the use of coal in a socially and environmentally responsible manner as an affordable, abundant and reliable energy source and a valuable input for the steel industry
- ▶ Canadian Business for Social Responsibility, a member-led non-profit organization that believes corporate responsibility and business success go hand-in-hand
- ▶ Business Council on Sustainability, a Conference Board of Canada initiative to investigate issues of corporate sustainability in Canada
- ▶ A wide range of national, provincial and local organizations working on safety and environmental issues in mining including the Alberta Mine Safety Association, the Construction Safety Association, the Saskatchewan Mining Association and Ducks Unlimited, among others
- ▶ Extractive Industry Transparency Initiative (EITI), a worldwide initiative supported by a coalition of governments, companies, international groups, civil society and investors to improve the transparency and accountability of payments made by extractive industries to governments. The Ambatovy Project participates in the EITI initiative through Madagascar EITI with a local partner
- ▶ The Canadian Fertilizer Institute, which promotes the responsible, sustainable and safe production, distribution and use of fertilizers
- ▶ The Canadian Institute of Mining, Metallurgy and Petroleum, a technical society of professionals associated with the Canadian mining and minerals industry
- ▶ Canadian Council on Africa, a non-profit organization of both private and public sector organizations with business and investment interests in Africa
- ▶ The Northeast Capital Industrial Association (NCIA), a not-for-profit co-operative representing industry located in the Fort Saskatchewan area northeast of Edmonton, Alberta
- ▶ The Fort Air Partnership (FAP), a registered non-profit society established in 1997 to operate an air monitoring network in a 4,500 square kilometre area that includes Fort Saskatchewan. FAP's mission is to generate and provide comprehensive and credible air quality information to the public, industries and government
- ▶ The Northeast Region Community Awareness and Emergency Response (NRCAER), a cooperative effort between local industries, service organizations and municipalities to provide access to and assistance from the combined emergency response resources of the region

Stakeholder Engagement

Sherritt's primary stakeholders are its employees, the neighbouring public, the regulatory authorities that monitor performance, its partners, its lenders, its bondholders and its shareholders.



A graphical indication of our approach to stakeholder communications.

Sherritt routinely consults relevant stakeholders before major projects are undertaken, during development, and throughout the life of our facilities. Formal consultations are conducted through interviews, working groups and other participatory dialogue as well as ongoing and informal communications. We believe that many forms of engagement are important to maintaining healthy stakeholder relationships and ultimately to providing us with our social license to operate.

Of critical importance to all Sherritt's operations is our proven ability to work within the legislative and regulatory frameworks of each jurisdiction where we operate. Sherritt works to ensure that all regulatory requirements are met or exceeded. Sherritt routinely consults with government to further refine requirements and to participate in the development of new regulations.

The 2008 expansion project at Fort Saskatchewan represented a significant change to Sherritt's operations and extensive public consultations were conducted during the approval process. Although the focus of consultations was on the project, they included a general overview of Sherritt, its operations and environmental performance. Overall feedback during the process was favourable, with no statements of concern submitted regarding the project or Sherritt's operations in general.

DODDS-ROUNDHILL COAL GASIFICATION PROJECT

During planning for the Dodds-Roundhill Coal Gasification Project east of Edmonton, Sherritt met frequently on behalf of CDP with local stakeholders, industry groups and government representatives, as required under regulations for the environmental impact assessment. Sherritt also issued periodic newsletters and made extensive documentation available for consultations on our website to ensure that the proposal and related developments were clearly communicated and properly understood.

AMBATOVY PROJECT

At the Ambatovy Project, stakeholder engagement began well in advance of construction. Our communication efforts continue today, including extensive dialogue with local communities and community groups, local leaders, government representatives, NGOs, donors, UN agencies and local businesses. Stakeholders are engaged in a variety of ways including presentations, question-and-answer sessions, public meetings and focus interviews. Key social and environmental issues continue to be identified and feedback is subsequently incorporated into Project planning. A complaint mechanism has been formally established to ensure that anyone who has a problem with some aspect of the Project will be heard if they wish to be.

Madagascar has been the focus of significant attention by the international NGO community. Our partnerships with some of these organizations and local groups have contributed greatly to our success there. We have initiated engagement with civil society organizations to the full extent of international financing standards. At the end of 2008, we were working regularly with 10 environmental NGOs on our extensive environmental initiatives. We are also working with 11 NGOs on the Project's resettlement programs and another five partnerships have been formed for social and economic initiatives.

SPOTLIGHT ON:

CANADIAN COMMUNITIES

In 1954 when the Metals site in Fort Saskatchewan, Alberta was built, Sherritt became the town's largest employer. The influx of workers demanded additional facilities, and the Corporation contributed significantly to building that infrastructure. Sherritt also has a history of supporting communities near the Coal operations – from providing emergency response support to civic participation.

FORT SASKATCHEWAN

Today, Fort Saskatchewan is a thriving city with an enviable industry base that includes Sherritt, and many major national and international oil and chemical companies. These major industries provide a foundation that allows the City of Fort Saskatchewan to be financially independent of individual companies (in 2008 Sherritt paid over \$2.0 million in taxes to the city). Still, along with its industrial neighbours, Sherritt provides significant assistance through donations to the City of Fort Saskatchewan. Recent donations included \$250,000 for the Sherritt Cultural Pavilion. Another \$100,000 was donated jointly with the Communications, Energy and Paperworkers Local 530A for an ice arena.

The Corporation also offers financial support for the local hockey and junior hockey clubs, the local Boys and Girls Clubs and Habitat for Humanity. Our employees are involved in their community through initiatives such as Toys for Tots, which collects toys and goods for Christmas hampers for the less fortunate. In addition to these efforts, we offer other assistance in Fort Saskatchewan when needed, such as keeping the local public golf course watered.

As an active member of NRCAER (see page 23) Sherritt can provide emergency assistance to other members of the cooperative and has the capability to notify the public in the event of a major incident.

COAL COMMUNITIES

Our Coal operations are just as active in their communities. While Fort Saskatchewan is now a city with its own infrastructure and services, many of the towns near our coal mines remain small communities. Often it is our mines that provide support by helping the nearby towns install seasonal decorations, plough snow, organize community events or provide adequate firefighting capacity.

In many cases, our mines' first aid and rescue personnel are the closest available to accidents or emergencies offsite. They are occasionally called on to rescue mountain bikers, snowmobilers and traffic accident victims. In the prairies, grass fires and brush fires are common, often caused by lightning strikes. At times, we are requested to create a firebreak with our large mine earthmoving equipment or to deploy mine emergency response crews to help control the fires.

It is our people who participate in local town counsels, some as counsellors or even mayor of the community. They coach the baseball and hockey teams and provide the backbone of community groups such as the 4H Clubs, service organizations or children's organizations like Scouts and Guides.



▶ CASE STUDY

PROUD TO CONTRIBUTE TO THE COMMUNITY

Sherritt and its employees are proud to contribute to the community in many ways. At Fort Saskatchewan, staff at all levels of the Corporation participate in Christmas parades and Canada Day celebrations, as well as charity BBQs such as for the United Way. (The photo above shows Sherritt's fire truck and staff participating in the 2007 Santa Claus Parade, handing out candy.)

Community Investment and Support

In 2008, when the decision was made to re-open the Obed mine near Hinton, Alberta, Sherritt placed local advertisements for employment on its behalf. We were pleased to find that many workers who had left when the mine had closed six years earlier were returning.



The photo above is an example of new street lighting provided by Sherritt in Cuba. This photo is taken in Boca de Jaruco, between Havana and Matanzas.

Sherritt received more than 3,000 applications for the 135 positions planned for the operation, due in part to the Corporation's reputation as an excellent employer. In the final count, returning employees made up about one third of the total workforce at the Obed start-up.

We know that our operations are much appreciated in the local community. The Obed mine operated from 1984 to early 2003 and has been part of the Sherritt group of companies since 2001. Many of the employees at our Coal Valley mine also live in and around Hinton, Alberta so the increased economic activity that re-opening the mine creates in that area has generated strong support.

Sherritt and its predecessor companies have always contributed to the well-being of local communities. We have an active program, rooted in corporate policy, for giving back to the community. Even today, many years after the operations of our predecessor companies have ceased, many former employees hold annual reunions.

SHERRITT'S LOCAL COMMUNITIES

There are many communities, large and small, that benefit from nearby Sherritt operations and offices. Some benefit directly, while others are impacted indirectly by acting as communities for Sherritt workers. The table below shows the communities in Canada, Cuba and Madagascar that are most directly affected by Sherritt.

DIVISION	COMMUNITY	
Metals	Fort Saskatchewan, Alberta Moa, Cuba	The Districts of Moramanga, Brickaville and Toamasina, Madagascar
Coal	Edmonton, Alberta Bienfait, Saskatchewan Edson, Alberta Forestburg, Alberta Hinton, Alberta Stettler, Alberta Spruce Grove, Alberta	Willowbunch, Saskatchewan Coronach, Saskatchewan Estevan, Saskatchewan Hanna, Alberta Madoc, Ontario Stony Plain, Alberta Warburg, Alberta
Oil and Gas	Calgary, Alberta Varadero, Cuba Matanzas, Cuba	Havana, Cuba Cardenas, Cuba Canasi, Cuba
Power	Calgary, Alberta Varadero, Cuba	Boca de Jaruco, Cuba Puerto Escondido, Cuba
Corporate and Other	Toronto, Ontario Fort Saskatchewan, Alberta	Havana, Cuba Antananarivo, Madagascar

SPOTLIGHT ON:

CUBAN COMMUNITIES

Since Sherritt began operating in Cuba, we have invested in the communities near our sites and offices in several ways. These initiatives were formalized as the CSR-Cuba Program, in which Cuban authorities work with Sherritt to develop an annual action plan to focus assistance where it is most needed or desired by the Cubans. Sherritt supplies any required materials and the Cubans arrange for installation by local workers.

STREET LIGHTING

For several years, Sherritt has provided light standards, fixtures and other materials to refurbish or install public street lighting in Moa, Cardenas and parts of Matanzas and Santa Cruz. In 2008, 27 kilometres of public streets were lit in Moa and 18 kilometres in Cardenas. Materials were delivered for another 675 lights in Moa, almost 250 lights outside of Varadero and 250 lights in Santa Cruz and the surrounding area.

REHABILITATING A SENIOR'S RESIDENCE

In Cardenas, Sherritt is helping with the rehabilitation of a seniors' residence. Built in 1910, this large facility houses 180 seniors and provides drop-in activities for elder citizens living in the area. During 2007 and 2008, Sherritt provided materials for a new roof, electrical wiring, piping and fixtures for new plumbing, tile for new flooring and new windows.

HURRICANE CLEAN-UP

The tropical storm season runs from early June to the end of November. In 2008, the season was particularly severe, with Hurricanes Gustav and Ike as well as some smaller storms causing major

damage. Sherritt traditionally provides assistance with hurricane clean-up when needed. In Canada, Sherritt's employees collected a container full of emergency supplies, building materials and even beds to help the communities recover from Hurricane Ike. Sherritt coordinated the shipment.

OTHER SUPPORT

Sherritt supports Cuban communities in other ways as well. In 2008, Sherritt provided materials to refurbish and upgrade the kitchen at an oil and gas college in Santa Cruz, which trains about 600 students each year. Material donated included tiles, piping and assorted kitchen equipment. In Moa the Corporation continued its support of public transit improvements (see sidebar) and in Havana a contribution was made to provide equipment to support the Caribitos Children and Youth Soccer Program.

COMMUNITIES WE SUPPORT IN CUBA

The table below lists many communities near operations and offices that receive direct assistance from Sherritt or a joint-venture company.

ACTIVITY	COMMUNITY	
Street lights	Moa Varadero Matanzas	Cardenas Santa Cruz
Public transit busses	Moa	
Renovation of seniors residence	Cardenas	
Supplies for Oil and Gas College	Santa Cruz	
Support for local business	Havana Santa Cruz Matanzas Cardenas	Boca de Jaruco Puerto Escondido Varadero Moa



CASE STUDY

HELPING WITH PUBLIC TRANSIT

Sherritt provided two buses for public transportation to the municipal authorities in Moa during 2008, adding to the fleet of seven buses provided in 2007. This project has allowed the re-establishment of five local routes and two intercity ones. Public bus service is now available to eight of the 10 urban districts of Moa. It has also allowed the state-owned bus company to increase revenues and make incentive payments to employees. (Above: Some of the buses provided for transit in Moa.)



In 2008 Cuba presented Sherritt with a certificate of appreciation for hurricane recovery assistance in the Cardenas area.

Community Investment and Support (cont.)



Above is the Sherritt Wing of the NAIT Centre for Millwright Technology in Edmonton.

Sherritt supported about 175 Canadian and international community projects and groups in 2008, ranging from local flower shows and little league sports teams in rural communities to international NGOs. Our major corporate contributions are complemented by the significant personal donations of time and money from our employees.

The Corporation's donations policy specifies that Sherritt support organizations in the communities where we operate. Many types of organizations can qualify to receive support, but there must not be any personal or corporate direct economic benefit as a result of the donation.

In 2008, Sherritt's donations included major investments in education, as well as in social, economic and physical community infrastructure in Canada, Cuba and Madagascar. There are significant investments in Madagascar, such as contributions for setting up local community organizations, which are not categorized as donations and sponsorships. The Ambatovy Project has chosen to make major investments in stakeholder engagement, community infrastructure and a variety of social initiatives. Some of these are part of the cost of developing the Project. Others are incremental to compliance and project costs. We have not separated compliance costs from incremental discretionary costs.

The Ambatovy Project is a joint venture of four partners, and the costs associated with the Project's community investments are shared among the different partners as part of Project costs. Each partner also conducts its own community activities outside of the Project work; only the costs for those projects undertaken exclusively by Sherritt are included in our donations total.

The table below shows Sherritt's donations and financial investment in communities. Not included in the table is the cost of the time and equipment that the Corporation donates for fighting prairie grass and brush fires. Sherritt also provides time and resources for first aid and rescue services and for other services in Fort Saskatchewan which are not in the table. These are routine services that we are proud to offer to our communities. The table does include an estimate of the exceptional costs associated with the clean-up following Hurricanes Gustav and Ike.

DONATIONS AND FINANCIAL SUPPORT

Sector	2008
Infrastructure	\$ 413,275
Social	500,775
Economic	438,600
Arts	100,000
Education	1,073,950
Health	253,700
Total	\$2,780,300

Sherritt makes substantial financial investments in its communities. We are particularly committed to supporting education by providing scholarships that allow the children of our employees to pursue higher education. We also contribute to social and economic development, and infrastructure. Some of these have been mentioned in our spotlights and case studies throughout this report.

SPOTLIGHT ON:

MALAGASY COMMUNITIES

The scale and location of the Ambatovy Project pose complex challenges for community relations. The mine site is in an area of rich biodiversity and the country is one of the poorest in the world. The population touched by the Project and its people includes urban residents of one of the country's main port cities, as well as isolated villages and hamlets along the pipeline route.

To encourage economic growth, the Project created the Ambatovy Local Business Initiative (ALBI), which aims to improve the skills of the local labour pool; to support and strengthen local businesses; to procure products locally; and to reduce reliance on imported goods, services and labour.

ALBI PROJECTS

During 2008, several projects were initiated or continued to help the local populations develop economically. Under these programs, a database of local job seekers was established to facilitate recruitment; 3,627 people successfully completed basic construction training and 88% of those were hired by the Project. ALBI awarded 65 small, micro and medium enterprise (SMME) packages to local companies for such projects as the manufacture of bamboo mats for

soil stabilization, the manufacture of protective equipment, basic construction of market facilities and construction of perimeter fences, among others.

PROVIDING INFRASTRUCTURE

To access, maintain and repair the 220 kilometre-long pipeline, the Ambatovy Project has built 94 kilometres of roads and related infrastructure. Fifteen abandoned roads were rehabilitated and five new ones constructed. Some villages that only had river access for the past 20 years now have bus service. This has had a considerable positive social and economic impact by opening a poor, isolated area of the country and providing easier access to markets and social services. These roads will remain a beneficial asset for these communities for many years to come.



CASE STUDY

HELPING WITH FRESH PRODUCE

The ALBI provided advice and support to local farmers to improve the quality control of their products, and assistance to create a 100% Malagasy-owned central purchasing agency, the *Central d'achat de Madagascar (CAM)*. The CAM provides the Project's catering service with over 15,000 eggs and 95 tonnes of fruits and vegetables each week from about 1,000 local producers. Rural farmers benefit from increased sales and revenues, and the creation of a viable new medium-sized enterprise that is locally run. (Above: Preparation under way for a plantation in Vohitrambato, Madagascar.)

The following table provides an indication of some of the social initiatives associated with work in the Malagasy communities.

TARGET/ACTION	RESULT
Creation of job seekers database	24,955 local job seekers registered
Certify 1,000 project trainees	3,627 people successfully completed training and 88% of those were hired by the Project
Achieve local labour employment of 55%	Local labour employment was 95% for construction-related jobs
Provide assistance to SMMEs. Award 30 SMME packages	65 SMME packages were awarded to local companies for a variety of Project-related work
Secure local procurement with value of at least \$100 million	Local procurement was valued at \$500 million. Of particular note is the establishment of the locally owned central purchasing bureau described in the case study on this page



Our Employees

“ ... we deliver by way of broadly understood benefits to the general population of countries ... we use indigenous labour, we train indigenous managers and they become key in the operation of our businesses.”

IAN W. DELANEY
Chairman and
Chief Executive Officer

Our Priorities

Sherritt is committed:

- ▶ To consider the health, safety, well-being and professional development of our workforce

Employees are a key to our success. Sherritt hires locally whenever possible. We make sure our employees are trained and that they have the opportunity to upgrade their skills throughout their career with the Corporation. We provide safe, stimulating workplaces where employees are treated with respect.

Our Approach

Sherritt is an equal-opportunity employer providing challenging and rewarding opportunities in a positive work environment. The Corporation has implemented policies to ensure that our workforce has a healthy, safe and harassment-free workplace, allowing them to perform to the best of their ability. Policies offer a method for reporting legitimate concerns without fear of reprisal and provide a code of conduct to ensure a high level of business ethics. Our code of ethics, employment practices and policies are applied at all levels and locations.

(Above: Sherritt Technology employees at the hydrometallurgical pilot plant facilities.)

Measuring Performance

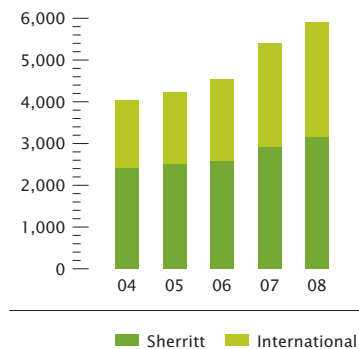
Sherritt has experienced growth in its workforce in the recent past, driven by the progress of certain capital projects. Of particular note in 2008 is the large number of contractors associated with construction at the Ambatovy Project. Our key employee metrics are below.

Key Indicator	2008 Performance	Going Forward												
Workforce composition	<table border="0"> <tr> <td>Canada</td> <td>2,994</td> </tr> <tr> <td>Cuba</td> <td>2,336</td> </tr> <tr> <td>Madagascar</td> <td>565</td> </tr> <tr> <td>Sherritt Total</td> <td>5,912</td> </tr> <tr> <td>Contractors</td> <td>5,093</td> </tr> <tr> <td>Total</td> <td>11,005</td> </tr> </table>	Canada	2,994	Cuba	2,336	Madagascar	565	Sherritt Total	5,912	Contractors	5,093	Total	11,005	<ul style="list-style-type: none"> ▶ Workforce levels are representative of the composition during a peak construction period ▶ The contractor component of our workforce will decline as we reach full operational status at Ambatovy
Canada	2,994													
Cuba	2,336													
Madagascar	565													
Sherritt Total	5,912													
Contractors	5,093													
Total	11,005													
Average number of years of service	9.8 years	<ul style="list-style-type: none"> ▶ Sherritt is able to attract and maintain a diverse, experienced workforce ▶ We will continue to encourage a stable workforce while hiring the best candidates for all jobs 												
Lost Time Injuries (LTI) and Total Reportable Injuries (TRI) (average)	<table border="0"> <tr> <td>LTI</td> <td>0.04</td> </tr> <tr> <td>TRI</td> <td>0.21</td> </tr> </table>	LTI	0.04	TRI	0.21	<ul style="list-style-type: none"> ▶ Continue to focus on achieving a target of zero for each 								
LTI	0.04													
TRI	0.21													
Fatalities	1	<ul style="list-style-type: none"> ▶ The target for fatalities will always be zero 												
Union Relations (Canadian operations)	<table border="0"> <tr> <td>Number of unions</td> <td>7</td> </tr> <tr> <td>Number of unionized employees in Canada</td> <td>1,962</td> </tr> </table>	Number of unions	7	Number of unionized employees in Canada	1,962	<ul style="list-style-type: none"> ▶ Sherritt and companies that have borne the Sherritt name have had a long and positive relationship with the unions representing their employees ▶ At the Fort Saskatchewan site, there has not been a work stoppage since it began operating in 1954 ▶ We maintain the objective of positive relations with employees and their unions 								
Number of unions	7													
Number of unionized employees in Canada	1,962													

Working for Sherritt

At Sherritt, our dedicated and highly professional employees are the heart of our businesses and represent a significant competitive resource.

SHERRITT STAFFING DATA
(number of employees)



The above graph illustrates the growth in Sherritt staffing numbers. The increases reflect the development and construction of projects and acquisition of assets over the past few years.



A Cuban worker is shown above, installing new equipment for Sherritt Power's Energas joint venture.

Sherritt provides employees with challenging and rewarding careers in a dynamic and diverse work environment that offers growth opportunities, international exposure, attractive compensation and a safe work environment.

Sherritt also provides employees at all levels in the organization with opportunities for professional development. This practice recognizes that in order to maintain our competitive position in the industry we must ensure our employees continue to improve their capabilities. Sherritt encourages all employees to be ongoing learners, supports job-specific training and provides a range of educational assistance (refer to the Spotlight on page 33 for additional details).

Each year, Sherritt offers scholarships to the dependents of eligible employees who pursue a post-secondary education at a university, college or technical school. Students are eligible for an annual \$2,000 – \$3,000 scholarship (depending on academic performance) for five years. In 2008 Sherritt invested over \$560,000 in future leaders and skilled workforce.

At the end of 2007, Sherritt employed a third party to conduct an employee engagement survey. 2,012 employees across all levels and divisions participated in our inaugural survey, a 75% response rate compared to an industry benchmark of 81%. The results of this survey were presented to all divisional employees in order to establish internal benchmarks and highlight areas of concern. Action plans to address certain results were rolled out in 2008. The next employee engagement survey is planned for 2010 and will help us to gauge our progress and identify areas requiring specific focus.

SPOTLIGHT ON:

THE INDUSTRY PROFESSIONALS OF THE FUTURE

Sherritt's policy on professional development encourages full- and part-time employees to continually upgrade their skills. Registration fees, books and other costs for courses that relate to current or future job responsibilities are covered by the Corporation. For other personal-development courses and diploma or degree programs, costs are borne by the employee, but a portion may be refunded on course completion. If an employee wants to pursue full-time studies, it is possible to arrange for a leave of absence.



Malagasy employees being trained at NAIT in Edmonton.

CANADIAN CERTIFICATION FOR CUBAN EMPLOYEES

In Cuba, Sherritt Power has developed an extensive training program for its Cuban employees. Working through correspondence and onsite classes, Cuban workers can earn Canadian certification in several different trades. Training is conducted through the Northern Alberta Institute of Technology (NAIT). Many workers at Sherritt Power's Energas joint-venture operation have earned Canadian certification as instrumentation, electrical and mechanical technicians.

PROFESSIONAL TRAINING FOR MALAGASY EMPLOYEES

The Ambatovy Project is also investing in the caliber and technical skills of local manpower to help ensure the country can meet the highly technical and professional requirements of the Project. In 2008, Sherritt invested in long-term professional training for 37 Malagasies as millwrights and instrument technicians at NAIT and the Abitibi Temiscamingue CEGEP in Quebec.

Such practical, rigorous training programs are currently not available in Madagascar. The graduates will transfer the knowledge and expertise they have gained to their co-workers upon their return to Madagascar to work for the Project.

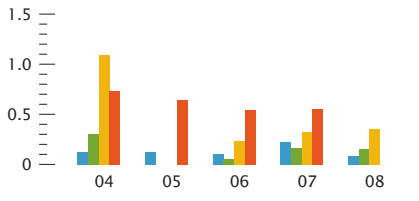
VOCATIONAL TRAINING FOR MALAGASY EMPLOYEES

In late 2008, three vocational training centres were started in Madagascar, one in the capital Antananarivo and two within the Ambatovy Project facilities in the industrial centre of Toamasina. In 2009, training professionals from New Brunswick, supported by national assistant teachers provided by Madagascar's Ministry of Education, will provide courses on subjects such as instrumentation, welding, pipefitting, electronics and drafting.

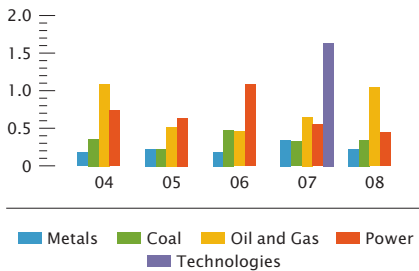
Health and Safety

The health and safety of our employees is a high priority at all levels of management and labour. The Sherritt Board of Directors' Environment Health and Safety (EH&S) Committee requires regular reporting from all operating divisions in the Corporation.

LOST-TIME INJURY INDEX⁽¹⁾
(12-month rolling average as at December 31, 2008)



TOTAL RECORDABLE INJURY INDEX⁽¹⁾
(12-month rolling average as at December 31, 2008)



(1) Metals figures do not include the Ambatovy Project.

The lost-time injury index is calculated by multiplying the number of total lost-time injuries by 200,000 and then dividing by total exposure hours. The total recordable injury index is calculated by multiplying the number of total recordable injuries by 200,000 and then dividing by total exposure hours. These provide a measure that is comparable across industries and businesses of varying size.



Sherritt Coal mine rescue staff (shown above) frequently participate in local and provincial competitions to demonstrate and improve their skills.

These reports present issues and solutions relating to health and safety, highlighting any notable achievements as well as areas where improvement is needed. Reporting includes performance regarding lost-time injuries (LTIs) and total-recordable injuries (TRIs), and updates on the status of in-process EH&S initiatives.

WORKPLACE-INCIDENT PREVENTION

Sherritt is committed to workplace-incident prevention and ensuring that the necessary resources and systems are readily available to comply with health and safety policies. Any injuries that occur are investigated to determine root cause and to establish and install necessary controls, with the goal of preventing recurrence. Such was the case for the unfortunate fatality that occurred at our subsidiary talc mine in Ontario in 2008. Following the incident, an investigation was conducted and the Corporation has taken steps to ensure that the mine meets or exceeds all applicable health and safety standards.

In 2008, Sherritt's TRI index for employees was 0.35 and its LTI index was 0.12. These figures include the impact of all events in 2008 and provide a measure that is comparable across industries and business sizes.

AWARD-WINNING SAFETY PERFORMANCE

In addition to those solid results, Sherritt's Sheerness Coal Mine was awarded the John T. Ryan Trophy for coal mines by the Canadian Institute of Mining, Metallurgy and Petroleum in recognition of significant safety achievements in 2008. This award was shared by our Genesee and Paintearth coal mines the previous year. Many Sherritt mines have won this award in the past. Refer to page 35 to see the full list.

At all Sherritt operations we work with our employees to instill a culture of profound safety awareness that ensures a safe and healthy work environment. Safe work procedures are in place, safety equipment and training is provided and safety inspections and hazard assessments are performed regularly. Most important, the safety message is communicated regularly in tool-box talks, crew meetings, electronic messages and bulletin-board postings to underscore the importance of safety in our daily operations. We are proud of our record and many of our mines have gone for years without a reportable LTI.

At the Ambatovy Project, a health education program was started in 2008 to raise awareness about the dangers of HIV/AIDS and sexually transmitted diseases. This is an on-going program that became more formalized in 2009. This education is provided to all workers on the project, including employees of contractors.

SPOTLIGHT ON:

OUR LONG-TERM SAFETY RECORD

All of Sherritt's operations and projects work hard to maintain a high level of health and safety performance. This involves establishing and implementing corporate-wide policies and procedures, as well as developing and investing in the necessary systems and training at each site to ensure compliance. The target is always to reach a zero LTI rate and to minimize the TRI index each month.



The John T. Ryan national trophy is presented annually by the CIM to recognize notable achievement in safe mining. The example above was presented to the Sheerness mine for its performance in 2008.

METALS

In the Metals operations, the Fort Saskatchewan site achieved a 12-month average TRI Index of 0.29 at the end of 2008, and continued its impressive record of health and safety performance in its industrial sector in Alberta and internationally. The Fort Saskatchewan site received four awards from the Alberta Petrochemical Society for no LTIs in 2008. At the Ambatovy Project in Madagascar, strict safety procedures have been put in place to make the construction phase safe and to provide a solid foundation for production. Although as much as 89% of the workers at construction sites have been contractors – making it more difficult to control safety performance – the Project did not report a single LTI in 2008.

Also in 2008, a Canadian study was completed to investigate mortality rates and possible health effects associated with working in a hydrometallurgical nickel refinery for extended time periods. The study compared the mortality rate from respiratory cancer of 718 employees who worked at the Fort Saskatchewan site between 1954 and 1978 to the average mortality of Canadian male populations. The conclusion confirmed previous studies, that the non-electrolytic,

hydrometallurgical nickel refining process used in Fort Saskatchewan is not associated with the development of respiratory cancer.

COAL

Safety at our nine Coal operations in two provinces is a subject of particular pride. Sherritt's coal operations continue to win safety awards and to pass milestones. The Paintearth mine has not experienced an LTI for seven years, while Genesee has not had one for 20 years. Noteworthy LTI performance milestones were also reached at other operations: the Sheerness mine (13 years), the Coal Valley Plant (eight years) and the Boundary Dam and Bienfait mines (five years each).

CANADIAN INSTITUTE OF MINING, METALLURGY AND PETROLEUM JOHN T. RYAN TROPHY

Sherritt's coal mines have a history of consistently being safe operations. This is well-illustrated by the many years that our mines have won the John T. Ryan Trophy for safety. Particular note must be made of the record at the Genesee mine, which has won or shared the trophy 10 times since 1996.

SHERRITT'S JOHN T. RYAN TROPHY COAL WINNERS

Mine	Year Awarded
Sheerness mine	2009
Genesee and Paintearth mines	2008
Genesee mine	2007
Genesee and Paintearth mines	2005
Genesee mine	2004
Genesee and Paintearth mines	2003
Poplar River mine	2001
Genesee mine	2000
Genesee and Paintearth mines	1999
Genesee and Paintearth mines	1998
Genesee mine	1997
Genesee and Paintearth mines	1996

Glossary, Acronyms and Conversions

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

ADDITIONALITY: The additionality of an action is an indicator of whether it would have occurred anyway. An action or outcome is additional if it would not happen as part of the normal course of business

AERI: The Alberta Energy Research Institute

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 Forrest Trends and the Wildlife Conservation Society. Additional information can be found at: www.forest-trends.org/biodiversityoffsetprogram

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

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

CDP: The Carbon Development Partnership, being the joint venture of Sherritt International Corporation and the Ontario Teacher's Pension Plan Board

CHAR: The product derived from heating lignite coal at high temperature in the absence of air. It is used to produce barbecue briquettes. Use of char for other products such as feed for activated carbon production is under investigation.

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

EOR: Enhanced oil recovery is a production method intended to increase oil recovery from existing oil fields over and above the recovery that can be achieved from natural reservoir pressures and conventional pumping technologies

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 (HFCs), perfluorocarbons (PFCs) 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 heat potential of the 6 greenhouse gases to contribute to global warming 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, Nitrous Oxide has a GWP of 310. The highest GWP is for Sulphur Hexafluoride with a GWP of 23,900

HA: Hectares (ha); one hectare is equivalent to 10,000 square meters or 2.47 acres

HARD CAP EMISSIONS: The maximum level of absolute emissions allowed to an entity by regulatory authorities

HECTARES: See HA above

LTI: Lost-time injury

MW: Megawatt is the standard unit of measure for electricity equivalent to 1,000 kilowatts

NGO: Non-governmental organization

OIMS: Operations Integrity Management System

TRI: Total recordable injuries

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)

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 2008 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.



- ▶ Sherritt maintains a long-term **commitment to responsible practice** by integrating environmental, safety and community considerations into decision-making and **building lasting relationships** with our workforce, communities and governments. We take a pragmatic and localized approach to **sharing the benefits** of our business, while seeking to minimize the adverse impacts of development.

Our CSR vision

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