

## **Sherritt Shareholder Takota Asset Management Issues Statement on Proxy Contest**

TORONTO, April 16, 2014 - In response to inquiries from investors and media, Takota Asset Management Inc. ("Takota") today released the following statement concerning the proxy battle between Sherritt International Corp. and the Concerned Shareholders of Sherritt, led by Clarke Inc.:

Takota is, a significant shareholder of Sherritt, a fully independent Portfolio Manager, and not a party related to Clarke Inc. or any of the Concerned Shareholders.

Takota and its predecessor company, Aquilon Capital Corp., have been long-term investors in Sherritt. We owned its common shares from 1998 to 2007 and have reacquired a substantial interest in 2009. We have done so because we firmly believe that Sherritt has excellent potential which should translate into a much higher share price. Sherritt owns interesting but currently much undervalued assets, some of which operate in a highly favourable competition-constrained environment.

We want Sherritt to succeed. As long-term investors, we are prepared to be patient and, indeed, we have been patient. But we are forced to recognize that the current Board and leadership of Sherritt is lacking the focus, determination and energy the company was demonstrating 10 years ago. Those qualities need to be reintroduced into the company. Sherritt has an urgent need for dynamic entrepreneurs focused on costs, production, and shareholder value. Sherritt does not need ponderous administrators or lawyers whose interests are not aligned with shareholder value.

That the Concerned Shareholders of Sherritt, led by Clarke Inc., an institutional investor, decided to acquire a significant position in Sherritt vindicates our belief in Sherritt's tremendous potential. That they choose to take the action they are taking vindicates our own analysis of Sherritt's currently disappointing Board and leadership. After studying closely the Concerned Shareholders' letter to all Sherritt's shareholders, we can only conclude that we agree with most of their observations.

Takota had previously expressed dissatisfaction with the actions and attitudes of Sherritt's Board of Directors. Recent and unsatisfactory developments at Sherritt include: a new CEO with limited technical and capital allocation experience, with a compensation package not driven by value creation, and with a minimal holding of Sherritt shares; a Board culture which has degenerated from dynamism to complacency and entitlement; and a company-wide loss of focus on costs.

We believe that all Board members should have a significant stake in Sherritt. Despite benefitting from a wildly excessive compensation package, the current Board's holdings of Sherritt shares are minimal or non-existent, indeed derisory. All Board members should own equity and be at risk like the company's shareholders they are supposed to represent.

As a result, Takota is convinced that changes to the Sherritt Board are required and that the time for change is now.

Takota will therefore vote in support of the Concerned Shareholders director nominees, Aswath Mehra, David Wood and George Armoyan, and withhold votes for the Sherritt nominees [Peter Gillin, Edythe Marcoux, and Bernard Michel].

Takota will also vote in favour of three of the Proposals put forward by the Concerned Shareholders, but will not support Shareholder Proposal #1 because it does not believe that requiring unanimous Board approval for significant acquisitions is consistent with a well-functioning Board of Directors.

Like the Concerned Shareholders, Takota has made recommendations to the Board only to be rebuffed, despite being a significant investor and long-term supporter of the Company. Prior to Sherritt's annual meeting in May 2013, Takota published an open letter to the Board after the Board had failed to respond to three previous private letters, which we took to be a disconcerting sign of hubris and arrogance from the Board. Takota made two essential points in its open letter and again at the annual meeting where it was supported by other shareholders:

- Takota objects to Sherritt's CEO and the Board considering making acquisitions without due consideration of all capital allocation opportunities. Takota's position remains that capital available above and beyond what is needed to maintain a robust balance sheet should be used to optimize the assets that Sherritt already owns and, at current market prices, buy back shares of our Company. Pursuing an acquisition would be an unhelpful distraction for both the Board and management at a time the company needs a firm hand to control and improve its operations and results.
- Takota continues to advocate that Sherritt should fully investigate and, if warranted, pursue SNC Lavalin for compensation for the mistakes and failures that have caused delays and substantial cost overruns at Sherritt's Ambatovy nickel mine in Madagascar. That project has so far cost \$7.2 billion, more than twice its original budget.

In conclusion, we at Takota are clear that the time for change is now. We think it would be hopelessly wrong to re-elect the present Board to endorse their recent historic path of passivity, bathed in a sense of entitlement, overcompensation, and self-satisfaction.

**For more information:**

Scott Leckie, Principal, Takota Asset Management Inc.

416-363-3050

[connect@takota.ca](mailto:connect@takota.ca)

[www.takota.ca](http://www.takota.ca)