

May 7, 2013

Board of Directors of Sherritt International Corporation
C/o Corporate Secretary
Sherritt International Corporation
1133 Yonge Street
5th Floor
Toronto, Ontario M4T 2Y7

Open letter to the Board of Directors of Sherritt International:

Over the last twenty three years under the guidance of Mr. Delaney, Sherritt's actions have been driven by the dual objectives of improving the return on its capital, and reducing the cost of that capital to the Company. This letter offers two actions the Board should take immediately to satisfy these goals.

1. Share buy-back program

As written to the Board previously, many shareholders to whom I have spoken are of the opinion that the investment that currently offers Sherritt the best possible risk-adjusted return on capital is a buy-back of its own shares.

The rationale for Corporations to buy back their own shares is best expressed by Warren Buffett, who said "If a fine business is selling in the marketplace for far less than its intrinsic value, what more certain or more profitable utilization of capital can there be than the significant enlargement of the interest of all owners at that bargain price?".

Buffett also said that, "when companies purchase their own shares, they often find it easy to get \$2 of present value for \$1. Corporate acquisition programs almost never do as well and, in a discouragingly large number of cases, fail to get anything close to \$1 of value for each \$1 expended."



Buffett's views are confirmed by the Fortune magazine study previously forwarded to the Board: "the big general conclusion [is] that buybacks, regardless of who did the purchasing or how, worked superlatively for shareholders. The natural question is why. The most likely answer is that a lot of managers were smart twice over. First, they correctly judged their stock undervalued. Second, they were willing to commit capital to that proposition".

Sherritt has the necessary capital available to fund a buy-back programme, as confirmed by CEO David Pathe's comment in the recent 2012 annual report when he says that the "company is well positioned to capitalize on opportunities as they become available".

There is no question that Sherritt's share price is currently heavily discounted relative to the intrinsic value of its business. Insider reports show that members of the Board and management have been buying shares at current prices or higher. Now the question is why has the Board not also committed shareholder capital to this opportunity?

Because the management and the Board intimately know the Company's assets, the risk to the capital invested in a share buy-back is much less than for outside projects. Furthermore, no costly incremental management time or effort is required to implement a share buy-back plan. Given all this, the value that such a buy-back program would create for shareholders is hard to beat. We therefore reiterate our request that the Board implement a share buy-back programme of Sherritt's shares.

2. Ambatovy project costs: redress and recovery

A further argument in favour of a stock buyback is given by the Ambatovy nickel project. This project has cost more and taken longer to complete than was initially contemplated, meaning that the rate of return on the project will now be less than it was when the Board approved it. The act of buying back shares, at a discount to intrinsic value that includes the discounted value the market currently ascribes to Ambatovy, will have the effect of recovering some of the lost economics from this project.

The issues associated with the completion of the Ambatovy project bring up the question of how to recapture as much as possible of the value lost to shareholders. This question was asked but not satisfactorily answered at last year's annual meeting, and has to do with the possible responsibility of engineering contractor SNC Lavalin for the many failures, delays and cost overruns that have been anecdotally described. A legal claim, if legitimate, against a party that has failed to execute on its contractual obligations to our Company may allow the recovery of some of those lost economics. Therefore, we would like to request that the Board of our Company form a special committee to investigate fully the question of SNC's performance at Ambatovy and report their findings back to shareholders.



To conclude, I note that, perhaps because I have misunderstood the Board's communication policy with shareholders as outlined in the Management Information Circular, I have yet to receive a response (as requested) to the previous three letters sent to the Board on these issues, issues which I think are important to all shareholders and speak directly to their interest. Perhaps the Board could make these letters available to shareholders? Also, in order to broaden this discussion to include all interested shareholders, it is my intent to distribute this fourth letter publically. I look forward to a fulsome discussion of these matters at the annual meeting of shareholders May 23, 2013.

Sincerely,

Scott Leckie, CFA
Principal, Takota Asset Management

c.c. I W Delaney
D V Pathe
R P Gillen
The Honourable M. Lalonde
Sir R Lapthorne
E A Marcoux
B Michel
J R Moses
H Stephen