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# Management's discussion and analysis

For the three months ended March 31, 2010

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## **Management's discussion and analysis**

*This Management's Discussion and Analysis (MD&A) has been prepared for the three months ended March 31, 2010 as of April 26, 2010 and it should be read in conjunction with Sherritt's audited consolidated financial statements and the MD&A for the year ended December 31, 2009. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Corporation's web site at [www.sherritt.com](http://www.sherritt.com).*

*References to "Sherritt" or "the Corporation" refer to Sherritt International Corporation and its share of consolidated subsidiaries and joint ventures, unless the context indicates otherwise. All amounts are in Canadian dollars, unless otherwise indicated. References to "US\$" are to United States dollars.*

*Securities regulators encourage companies to disclose forward-looking information to help investors understand a company's future prospects. This discussion contains statements about Sherritt's future financial condition, results of operations and business. See the end of this report for more information on forward-looking statements.*

## Key financial and operational data

\$ millions, for the three months ended March 31	2010		2009 <sup>(2)</sup>	
<b>Financial highlights</b>				
Revenue	\$	393.3	\$	349.6
EBITDA <sup>(1)</sup>		143.1		96.5
Operating earnings <sup>(1)</sup>		82.6		27.8
Net earnings (loss)		59.7		(42.9)
Net earnings (loss) per share, basic and diluted (\$ per share)		0.20		(0.15)
<b>Cash flow</b>				
Cash provided by operating activities	\$	145.5	\$	95.3
<b>Capital expenditures</b>				
	\$	362.1	\$	416.9
<b>Production volumes</b>				
Nickel (tonnes)(50% basis)		4,265		4,073
Cobalt (tonnes)(50% basis)		468		469
Coal - Prairie Operations (millions of tonnes)		8.8		8.5
Coal - Mountain Operations (millions of tonnes)(50% basis)		0.4		0.5
Oil - Cuba - net production (barrels per day)		11,459		13,666
Electricity (gigawatt hours)		515		541
<b>Unit operating costs</b>				
Nickel <sup>(3)</sup> (US\$ per pound)	\$	3.45	\$	4.12
Coal - Prairie Operations (\$ per tonne)		11.18		11.62
Coal - Mountain Operations (\$ per tonne)		78.42		59.11
Oil - Cuba (\$ per barrel)		7.97		9.03
Electricity (\$ per megawatt hour)		9.81		17.78
<b>Averaged-realized sales prices</b>				
Nickel (\$ per pound)	\$	9.20	\$	5.68
Cobalt (\$ per pound)		20.16		16.22
Coal - Prairie Operations (\$ per tonne)		14.86		14.99
Coal - Mountain Operations (\$ per tonne)		69.45		98.76
Oil - Cuba (\$ per barrel)		53.00		36.01
Electricity (\$ per megawatt hour)		42.67		50.46

\$ millions, as at	2010		2009	
	March 31		December 31	
<b>Financial condition</b>				
Current ratio <sup>(4)</sup>		2.37:1		3.16:1
Net working capital balance <sup>(4)</sup>	\$	819.3	\$	1,027.3
Cash, cash equivalents and short-term investments		764.8		861.6
Total assets		9,934.7		9,899.4
Total long-term debt		2,966.4		2,993.9
Non-controlling interests		2,081.5		2,110.8
Shareholders' equity		3,437.6		3,454.4
Long-term debt-to-capitalization <sup>(5)</sup>		35%		35%

(1) For additional information see the Non-GAAP measures section.

(2) Amounts for the three months ended March 31, 2009 have been amended to include the results of Mineral Products which had previously been accounted for as a discontinued operation.

(3) Net direct cash cost is inclusive of by-product credits and third-party feed costs.

(4) Working capital at March 31, 2010 included \$76.0 million of cash and cash equivalents held by the Ambatovy Joint Venture that can only be used to fund the Ambatovy Joint Venture's activities. Not including this cash, the Corporation's current ratio is 2.24:1.

(5) Calculated as Total long-term debt divided by the sum of Total long-term debt, Non-controlling interests and Shareholders' equity. For the purposes of this calculation, Total long-term debt does not include other long-term liabilities.

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## Executive summary

Highlights of the first quarter of 2010:

- Net earnings for the first quarter of 2010 were \$59.7 million compared to a net loss of \$42.9 million in the same period in the prior year. 2009 net loss included a loss on disposal of property, plant and equipment of \$79.5 million (\$57.4 million after-tax) related to the termination by Sherritt's joint-operating partner of the Block 7 production-sharing contract in Cuba;
- Revenue of \$393.3 million and EBITDA<sup>(1)</sup> of \$143.1 million in the first quarter of 2010 compared to revenue of \$349.6 million and EBITDA of \$96.5 million in the same period in the prior year. Higher revenue and EBITDA were primarily a result of higher nickel, cobalt and oil prices, partially offset by lower export coal prices and lower net oil production;
- The Ambatovy Project continued to progress with an additional \$315.9 million being spent primarily on site-based construction activities. Engineering for the project is complete. The majority of systems are expected to be turned over to commissioning teams by the end of 2010, with mechanical completion expected in early 2011; and
- The Corporation continued to maintain a strong liquidity position with a current ratio of 2.37:1, a net working capital balance of \$819.3 million and cash, cash equivalents, and short-term investments of \$764.8 million. These amounts include \$76.0 million in cash and cash equivalents that are held by the Ambatovy Joint Venture and must be used to fund the Joint Venture's activities. The Corporation's long-term debt-to-capitalization ratio was 35%.

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(1) For additional information, see the Non-GAAP Measures section.

**Management's discussion and analysis**

\$ millions, except per share amounts, for the three months ended March 31	2010	2009
<b>Revenue by segment</b>		
Metals	\$ 115.8	\$ 79.7
Coal	188.3	188.9
Oil and Gas	59.3	46.6
Power	28.0	30.4
Corporate and other	1.9	4.0
	<b>393.3</b>	<b>349.6</b>
<b>EBITDA<sup>(1)</sup> by segment</b>		
Metals	\$ 48.1	\$ (1.4)
Coal	42.0	60.0
Oil and Gas	43.1	27.2
Power	21.3	19.7
Corporate and other	(11.4)	(9.0)
	<b>143.1</b>	<b>96.5</b>
<b>Operating earnings (loss)<sup>(1)</sup> by segment</b>		
Metals	\$ 39.9	\$ (8.8)
Coal	17.3	34.8
Oil and Gas	23.8	-
Power	13.3	12.1
Corporate and other	(11.7)	(10.3)
	<b>82.6</b>	<b>27.8</b>
Loss on disposal of property, plant and equipment	-	79.5
Net financing income	(5.0)	(2.1)
Other items	-	2.2
Non-controlling interests	4.9	6.1
Income taxes	23.0	(15.0)
<b>Net earnings (loss)</b>	<b>\$ 59.7</b>	<b>\$ (42.9)</b>
<b>Net earnings (loss) per share</b>		
Basic	\$ 0.20	\$ (0.15)
Diluted	\$ 0.20	\$ (0.15)
<b>Effective tax rate</b>	<b>28%</b>	<b>29%</b>

(1) For additional information see the Non-GAAP Measures section.

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During the first quarter of 2010, Sherritt's operating results were significantly impacted by market-driven commodity prices of nickel, cobalt, oil and gas. The average-realized price for nickel and oil continued to strengthen during the first quarter of 2010 compared to prior quarters. The fourth quarter of 2008 and first two quarters of 2009 were more affected by the global financial crisis. The average-realized cobalt price also increased, although at a slower pace, compared to the previous four quarters.

The average-realized prices of nickel, cobalt, and oil produced in Cuba in the first quarter of 2010 were 62%, 24%, and 47% higher than in the same period in the prior year, respectively. The approximate impact of these higher average-realized prices was a \$73 million increase in first-quarter 2010 operating earnings compared to the same period in the prior year. The average-realized thermal coal price declined 30% from the same period in the prior year primarily due to reduced pricing on export coal contracts and a stronger Canadian dollar relative to the U.S. dollar.

Although the average Canadian to U.S. dollar exchange rate was \$1.04 for the first quarter of 2010 compared to \$1.14 in the same period in the prior year, the overall impact on the Corporation's first quarter earnings was minimal. The negative impact of a weaker U.S. dollar on operating earnings was more than offset by the positive impact of the conversion of U.S. dollar-denominated debt.

Detailed information on the performance of each division can be found in the review of operations sections. In summary:

- Metals' operating earnings of \$39.9 million for the three months ended March 31, 2010 were \$48.7 million higher than in the same period in 2009 primarily due to higher average-realized nickel and cobalt prices and higher sales volumes for nickel;
- Coal's operating earnings of \$17.3 million for the three months ended March 31, 2010 were \$17.5 million lower than in the same period in 2009. Operating earnings at Prairie Operations were higher than in the same period in the prior year primarily due to lower operating costs. Operating earnings at Mountain Operations were lower than the same period in the prior year primarily due to lower average-realized prices and higher operating costs;
- Oil and Gas' operating earnings of \$23.8 million for the three months ended March 31, 2010 were \$23.8 million higher than in the same period in the prior year primarily due to an increase in the average-realized price for oil produced in Cuba, partially offset by a decrease in net oil production;
- Power's operating earnings of \$13.3 million for the three months ended March 31, 2010 were \$1.2 million higher than in the same period in the prior year primarily due to higher by-product prices and lower operating costs, partially offset by lower average-realized electricity prices and lower sales volumes; and
- The effective consolidated tax rate for the three months ended March 31, 2010 was 28% compared to 29% in the same period in the prior year. Removing the impact of the \$79.5 million (\$57.4 million after-tax) loss on disposal of assets realized by Oil and Gas in 2009, the normalized effective consolidated tax rate for the three months ended March 31, 2009 was 25%. The increase in the effective consolidated tax rate in 2010, compared to the normalized effective consolidated tax rate in 2009, was primarily due to changes in the relative mix of earnings and losses incurred by each division which were carried out in different tax rate jurisdictions.

## Review of Operations

### Metals

#### FINANCIAL REVIEW

\$ millions, for the three months ended March 31	2010	2009
Revenue		
Nickel	\$ 86.4	\$ 49.7
Cobalt	18.3	16.2
Fertilizers	8.5	12.1
Other	2.6	1.7
	115.8	79.7
Operating costs <sup>(1)</sup>		
Mining, processing and refining	46.3	56.2
Third-party feed costs	3.7	3.8
Fertilizers	8.3	12.3
Other	5.2	5.1
	63.5	77.4
Selling costs	2.8	2.8
General and administrative costs	1.4	0.9
EBITDA <sup>(2)</sup>	48.1	(1.4)
Depletion, amortization and accretion	8.2	7.4
Operating earnings (loss) <sup>(2)</sup>	\$ 39.9	\$ (8.8)

(1) Excluding depreciation of \$6.3 and \$4.5 million for the three-month periods ended March 31, 2010 and 2009, respectively.

(2) For additional information see the Non-GAAP measures section.

The change in operating earnings between 2010 and 2009 is detailed below:

\$ millions, for the three months ended March 31	2010
Higher realized nickel prices	\$ 41.8
Higher realized cobalt prices	5.9
Higher nickel sales volumes net of lower cobalt and fertilizer sales volumes	0.6
Lower mining, processing and refining costs net of increased third-party feed costs	2.6
Impact of weaker U.S. dollar	(2.6)
Other	0.4
Change in operating earnings, compared to 2009	\$ 48.7

## METAL PRICES

### Prices

For the three months ended March 31	2010	2009
Nickel - average-realized (\$/lb)	\$ 9.20	\$ 5.68
Cobalt - average-realized (\$/lb)	20.16	16.22
Nickel - average-reference (US\$/lb)	9.11	4.74
Cobalt - average-reference (US\$/lb) <sup>(1)</sup>	20.11	13.37

(1) Average low-grade cobalt published price per Metals Bulletin.

The average nickel and cobalt reference prices increased by US\$4.37 per pound and US\$6.74 per pound, respectively, as global demand for finished metals improved compared to the first quarter of 2009.

## PRODUCTION AND SALES

### Production (tonnes) (50% basis)

For the three months ended March 31	2010	2009
Mixed sulphides	4,659	4,686
Finished nickel	4,265	4,073
Finished cobalt	468	469

### Sales (50% basis)

For the three months ended March 31	2010	2009
Finished nickel (thousands of pounds)	9,392	8,736
Finished cobalt (thousands of pounds)	907	998
Fertilizer (tonnes)	26,694	31,651

Production of 9,318 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides was comparable to the first quarter of 2009. Finished nickel production of 8,529 tonnes (100% basis) was 383 tonnes (100% basis) higher than in the first quarter of 2009 and finished cobalt production of 936 tonnes (100% basis) was comparable to the first quarter of 2009. Finished metals production was higher due to increased feed availability, a higher nickel-to-cobalt ratio, and the impact of an autoclave replacement program at Fort Saskatchewan that was completed in the fourth quarter of 2009.

Finished nickel sales were 656,000 pounds (50% basis) higher primarily due to higher global nickel demand and higher finished nickel production. Finished cobalt sales volumes were 91,000 pounds (50% basis) lower primarily due to the timing of sales. Fertilizer sales volumes were 4,957 tonnes lower primarily due to the timing of spring season sales.

**Management's discussion and analysis****OPERATING COSTS**

Unit operating costs

For the three months ended March 31	2010	2009
Mining, processing and refining costs	\$ 4.68	\$ 5.00
Third-party feed costs	0.38	0.35
Cobalt by-product credits	(1.87)	(1.48)
Other <sup>(1)</sup>	0.26	0.25
Net direct cash cost (US\$/lb of nickel)	\$ 3.45	\$ 4.12
Natural gas costs (\$/gigajoule)	4.87	4.74
Sulphur (US\$/tonne)	114.22	153.61
Sulphuric acid (US\$/tonne)	129.60	184.94

(1) Includes fertilizer profit or loss, marketing costs, premiums, and other by-product credits.

Components of mining, processing and refining costs<sup>(1)</sup>

For the three months ended March 31	2010	2009
Fixed costs	21%	22%
Sulphur	6%	8%
Sulphuric acid	14%	20%
Fuel oil	19%	12%
Maintenance	14%	13%
Other Variable	26%	25%
	100%	100%

(1) Approximate breakdown of mining, processing and refining costs based on a breakdown of production costs for the period excluding the impact of opening and closing inventory values on the cost of sales.

The net direct cash cost of nickel was US\$0.67 per pound lower primarily due to lower mining, processing and refining costs and higher cobalt by-product credits resulting from higher cobalt prices. Mining, processing and refining costs were lower primarily due to lower commodity input prices.

**CAPITAL SPENDING**Capital Expenditures<sup>(1)</sup>

\$ millions, for the three months ended March 31	2010	2009
<b>Moa Joint Venture</b>		
Sustaining	\$ 4.2	\$ 2.9
Expansion	1.3	2.6
	5.5	5.5
<b>Ambatovy Joint Venture</b>	315.9	376.9
<b>Total</b>	\$ 321.4	\$ 382.4

(1) Capital expenditures relate to the Corporation's 50% interest in the Moa Joint Venture, its 100% interest in the utility and fertilizer operations in Fort Saskatchewan and 100% of the Ambatovy Joint Venture.

Capital spending for the Moa Joint Venture, which continues to include capitalized interest related to financing of the Phase 2 expansion and the Moa acid plant, was comparable to the first quarter of 2009.

Capital spending for the Ambatovy Project was primarily for site-based construction activities.

## AMBATOVY PROJECT UPDATE

- The projected capital cost of the project remains unchanged at US\$4.52 billion, excluding accrued financing charges, foreign exchange and working capital requirements;
- Capital spending for the project was \$315.9 million for the quarter;
- A total of \$39.1 million was provided by the Ambatovy Joint Venture partners during the quarter. Sherritt's share of \$15.6 million was financed through loans from the other joint venture partners;
- A total of \$22.5 million was drawn from the Ambatovy Joint Venture senior debt financing in the first quarter of 2010;
- Engineering for the project is complete and mechanical completion is expected in early 2011;
- Approximately 14,000 people are engaged in all areas of the project, representing close to the peak workforce during the construction phase;
- An intense expediting program continued throughout the first quarter of 2010 to ensure on-time delivery of materials in support of the construction program;
- Commissioning teams continued system walk-downs and testing of systems and sub-systems that were turned over from construction. This process will continue throughout 2010;
- Operational readiness planning is on schedule;
- The operational focus in the next quarter is on completion of standard operating practices and procedures; and
- The project has not experienced any material disruptions as a result of the political uncertainties in Madagascar. The Corporation actively monitors the political climate in Madagascar and continues its communication with officials of the Transitional Government and with multilateral institutions and key embassies.

## OUTLOOK FOR 2010

	Actual 2010	Projected 2010
	March 31	December 31
Production volumes and capital spending		
For the three and twelve months ended		
<b>Production</b>		
Mixed sulphides (tonnes, 100% basis)	9,318	37,000
Finished Nickel (tonnes, 100% basis)	8,529	33,500
Finished Cobalt (tonnes, 100% basis)	936	3,700
<b>Capital expenditures (\$ millions)</b>		
Moa Joint Venture (50% basis)	\$ 6	\$ 66
Ambatovy (100% basis, US\$)	\$ 306	\$ 1,100

In Metals, full-year 2010 production of mixed sulphides, finished nickel and cobalt is expected to be near 2009 levels, consistent with previous guidance. Finished metals production guidance reflects the impact of a planned total shutdown of the refinery currently scheduled for second-quarter 2010. Capital expenditure guidance is 11% (\$8 million) lower than previously provided. The decrease reflects an anticipated delay in the construction of the 2,000 tonne per day sulphuric acid plant at Moa, which remains subject to securing adequate financing. Construction activities related to the 9,000 tonne Phase 2 expansion are not currently scheduled for 2010.

At Ambatovy, the majority of systems are expected to be turned over to commissioning teams by the end of 2010, with mechanical completion expected in early 2011.

**Management's discussion and analysis****Coal****FINANCIAL REVIEW**

\$ millions, for the three months ended March 31	2010	2009
<b>Prairie Operations (100% basis)</b>		
Mining revenue	\$ 138.5	\$ 127.9
Coal royalties	11.1	12.9
Potash royalties	3.3	4.3
	152.9	145.1
Operating costs <sup>(1)</sup>	104.2	99.2
General and administrative costs	1.0	1.6
EBITDA <sup>(2)</sup>	47.7	44.3
Depletion, amortization and accretion	20.2	22.1
Operating earnings <sup>(2)</sup>	\$ 27.5	\$ 22.2
<b>Mountain Operations and coal development assets (50% basis)</b>		
Revenue	\$ 35.4	\$ 43.8
Operating costs <sup>(3)</sup>	39.9	26.3
General and administrative costs	1.2	1.8
EBITDA <sup>(2)</sup>	(5.7)	15.7
Depletion, amortization and accretion	4.5	3.1
Operating earnings <sup>(2)</sup>	\$ (10.2)	\$ 12.6

(1) Excluding depreciation and amortization of \$9.3 million and \$12.4 million for the three-month periods ended March 31, 2010 and March 31, 2009, respectively.

(2) For additional information see the Non-GAAP Measures section.

(3) Excluding depreciation and amortization of \$4.0 million and \$2.7 million for the three-month periods ended March 31, 2010 and March 31, 2009, respectively.

The change in operating earnings between 2010 and 2009 is detailed below:

\$ millions, for the three months ended March 31	2010
<b>Prairie Operations</b>	
Lower royalties	\$ (2.8)
Lower operating costs, net of mining revenue	5.6
Lower depletion, amortization and accretion	1.9
Other	0.6
Change in operating earnings, compared to 2009	\$ 5.3
<b>Mountain Operations and coal development assets</b>	
Lower export coal prices, denominated in U.S. dollars	\$ (6.6)
Impact of weaker U.S. dollar	(6.4)
Impact of higher export sales volumes	4.9
Higher operating costs	(13.6)
Other	(1.1)
Change in operating earnings, compared to 2009	\$ (22.8)

## COAL PRICES

Prices (\$/tonne)<sup>(1)</sup>

For the three months ended March 31	2010	2009
Prairie Operations - average-realized	\$ 14.86	\$ 14.99
Mountain Operations - average-realized	69.45	98.76

(1) Excludes royalty revenue.

In Prairie Operations, the average-realized price of coal was consistent with the prior quarter.

In Mountain Operations, the average-realized price decreased \$29.31 per tonne due to lower export thermal coal pricing and a weaker U.S. dollar relative to the Canadian dollar. In 2008, coal contracts were entered into at record high prices that carried into the first quarter of 2009.

## ROYALTY REVENUE

\$ millions, for the three months ended March 31

Prairie Operations (100% basis)	2010	2009
Coal royalties	\$ 11.1	\$ 12.9
Potash royalties	3.3	4.3

In Prairie Operations, coal royalties decreased due to the timing of mining in royalty assessable areas. Potash royalties decreased due to lower potash market prices.

## PRODUCTION AND SALES

Production (millions of tonnes)

For the three months ended March 31	2010	2009
Prairie Operations (100% basis)	8.8	8.5
Mountain Operations (50% basis)	0.4	0.5

Sales (millions of tonnes)

For the three months ended March 31	2010	2009
Prairie Operations (100% basis)	9.3	8.5
Mountain Operations (50% basis)	0.5	0.4

In Prairie Operations, higher production in the first quarter of 2010 at Genesee mine was primarily due to lower ratios of overburden to coal. Sales volumes were higher at Boundary Dam, Genesee and a contract mine due to increased customer demand. These higher volumes were partially offset by reduced production and sales volumes at Sheerness mine due to reduced demand from its main customer as a result of a scheduled maintenance shutdown at its power generating station.

In Mountain Operations, production volumes were lower primarily due to reduced plant yields mainly related to continued low coal quality. Sales volumes increased due to production volumes from the Obed Mountain mine which re-opened in July 2009.

A dispute relating to an off-take contract for increased production resulting from the re-opening of Obed Mountain mine was resolved in the fourth quarter of 2009 and shipments began in January 2010. The delays caused by this dispute reduced Coal Valley Resources Inc.'s (CVRI) working capital and tangible net worth as it was unable to record expected levels of revenue in 2009. As a result of this and lower production volumes in the first quarter of 2010, CVRI was not in compliance with two financial covenants applicable to a \$38.0 million (100% basis) 3-year non-revolving term facility. The financial institution granted a waiver of these covenants for the quarter ended March 31, 2010. See the *Liquidity and capital resources* section for more information.

**Management's discussion and analysis****OPERATING COSTS**

Unit operating costs (\$ per tonne)

For the three months ended March 31	2010	2009
Prairie Operations	\$ 11.18	\$ 11.62
Mountain Operations	78.42	59.11

Components of operating costs (%)

For the three months ended March 31	2010	2009
<b>Prairie Operations</b>		
Labour	41%	40%
Repairs and maintenance	30%	27%
Fuel	12%	13%
Other <sup>(1)</sup>	17%	20%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Mountain Operations</b>		
Labour	23%	22%
Repairs and maintenance	12%	10%
Fuel	11%	11%
Rentals and contractors	15%	13%
Ex-Mine <sup>(2)</sup>	33%	40%
Other <sup>(3)</sup>	6%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

(1) Composed of rentals, subcontracts, explosives, power, taxes, tires, licenses and other miscellaneous expenses.

(2) Composed largely of commissions, royalties, freight and port fees.

(3) Composed of tires, explosives, power, taxes, licenses, other miscellaneous expenses.

In Prairie Operations, operating costs decreased \$0.44 per tonne primarily due to higher sales volumes at Boundary Dam and Genesee mines, partially offset by increased maintenance costs at Paintearth mine on equipment that had reached specified operating-hour thresholds.

In Mountain Operations, operating costs increased by \$19.31 per tonne, primarily due to reduced plant yields at both the Coal Valley and Obed Mountain mines. Both mines are currently in areas of lower quality coal because of permitting delays that have prevented mining in areas with higher quality coal.

## CAPITAL SPENDING

Capital Expenditures

\$ millions, for the three months ended March 31

	2010	2009
<b>Prairie Operations</b>		
Sustaining (100% basis) <sup>(1)</sup>	\$ 8.0	\$ 9.1
Growth (50% basis)	7.2	1.8
<b>Mountain Operations (50% basis)</b>		
Sustaining <sup>(2)</sup>	1.1	3.2
Growth	-	1.2
<b>Total</b>	<b>\$ 16.3</b>	<b>\$ 15.3</b>

(1) Includes leased expenditures of \$5.5 million and \$0.5 million for the three-month periods ended March 31, 2010 and March 31, 2009, respectively.

(2) Includes leased expenditures of \$nil and \$2.0 million for the three-month periods ended March 31, 2010 and March 31, 2009, respectively.

Coal leases the majority of its mobile equipment under long-term mine-support equipment agreements entered into in 2004. In the first quarter of 2010, in addition to the acquisition of \$5.5 million of leased equipment, Prairie Operations incurred capital costs of \$2.5 million for infrastructure development and capital repairs on mobile equipment.

In the first quarter of 2010, \$7.2 million (50% share) was spent on the construction of the activated carbon plant at the Bienfait mine. Commissioning of the plant and sales of activated carbon to coal-fired electric utility power plants is expected in the second quarter of 2010.

In Mountain Operations, capital spending for infrastructure development was lower as capital spending at the Coal Valley and Obed Mountain mines was limited by cash flows. The reduction in growth capital spending was related to the completion of the re-opening of the Obed Mountain mine in July 2009.

## OUTLOOK FOR 2010

	Actual 2010 March 31	Projected 2010 December 31
Production volumes, royalties and capital expenditures		
For the three and twelve months ended		
<b>Production</b>		
Prairie Operations (millions of tonnes)	8.8	36
Mountain Operations (millions of tonnes, 100% basis)	0.8	5
<b>Royalties (\$ millions)</b>		
Coal	11	37
Potash	3	15
<b>Capital expenditures (\$ millions)</b>		
Prairie Operations	8	73
Mountain Operations (50% basis)	1	24
Activated carbon project (50% basis)	7	14

In Prairie Operations, guidance remains unchanged from last quarter. Production is expected to remain near 2009 levels. Potash royalties are expected to increase approximately 50% from 2009 levels due to production curtailments in the industry at the end of 2009 and their impact on pricing. Coal royalties are expected to decrease approximately 27% from 2009 as mining plans have less overlap with royalty assessable areas. Capital expenditures are expected to be slightly higher than 2009 as a result of the cyclical timing of equipment purchases. The activated carbon plant remains on schedule for commissioning in second-quarter 2010.

**Management's discussion and analysis**

In Mountain Operations, production guidance remains consistent with last quarter. The permitting delays preventing mining in the Mercoal West permit area are expected to be resolved, and mining to commence in the permit area, by mid-year 2010. Mountain Operations plans to compensate for most of the production volume shortfall experienced in the first half of 2010. However, should permitting delays continue beyond mid-year or the resulting yields prove insufficient, production may fall short of the current estimate. Approximately 70% of Coal Valley mine's contract year production will be linked to the Newcastle FOB settlement price. Contract prices are expected to settle within the next several weeks. Current market prices for export thermal coal are significantly higher than the prior-year period, indicating potential for a higher contract price than was achieved in the previous contract year (April 2009 - March 2010). These contracts are denominated in U.S. dollars, and therefore the results will be impacted by the relative movement of the Canadian and U.S. currencies.

## Oil and Gas

### FINANCIAL REVIEW

\$ millions, for the three months ended March 31	2010	2009
Revenue		
Cuba	\$ 54.7	\$ 44.3
Spain	3.9	1.5
Pakistan	0.2	0.3
Processing and other	0.5	0.5
	59.3	46.6
Operating costs	9.6	12.7
General and administrative costs	6.6	6.7
EBITDA <sup>(1)</sup>	43.1	27.2
Depletion, amortization and accretion	19.3	27.2
Operating earnings <sup>(1)</sup>	\$ 23.8	\$ -

(1) For additional information see the Non-GAAP Measures section.

The change in operating earnings between 2010 and 2009 is detailed below:

\$ millions, for the three months ended March 31	2010
Higher realized oil and gas prices	\$ 25.6
Impact of weaker U.S. dollar	(0.3)
Lower revenue due to decrease in volumes	(6.3)
Decrease in depletion, amortization and accretion	3.2
Other	1.6
Change in operating earnings, compared to 2009	\$ 23.8

### OIL PRICES

Prices	2010	2009
For the three months ended March 31		
Average-realized prices		
Cuba (\$/barrel)	\$ 53.00	\$ 36.01
Spain (\$/barrel)	79.70	55.69
Pakistan (\$/boe) <sup>(1)</sup>	7.39	8.94
Reference price (US\$/barrel)		
Gulf Coast Fuel Oil No. 6	70.37	38.86
Brent	76.62	44.60

(1) Average-realized price for natural gas production is stated in barrels of oil equivalent (boe), which is converted at 6,000 cubic feet per boe.

The average-realized price for oil production in Cuba increased by \$16.99 per barrel in 2010 as a result of higher oil reference prices, partially offset by a weaker U.S. dollar relative to the Canadian dollar. The average-realized price for oil produced in Spain was higher in 2010 for the same reasons.

**Management's discussion and analysis****PRODUCTION AND SALES**Daily Production Volumes <sup>(1)</sup>

For the three months ended March 31

	2010	2009
Gross working-interest oil production in Cuba <sup>(2)(4)</sup>	22,019	21,687
Net oil production <sup>(3)</sup>		
Cuba (heavy oil)		
Cost recovery	3,687	8,180
Profit oil	7,772	5,486
Total	11,459	13,666
Spain (light/ medium oil) <sup>(3)</sup>	546	303
Pakistan (natural gas) <sup>(3)</sup>	365	370
<b>Total</b>	<b>12,370</b>	<b>14,339</b>

- (1) Oil production is stated in barrels per day (bpd). Natural gas production is stated in barrels of oil equivalent per day (boepd), which is converted at 6,000 cubic feet per barrel.
- (2) In Cuba, Oil and Gas delivered all of its gross working-interest oil production to CUPET at the time of production. Gross working-interest oil production excludes (i) production from wells for which commerciality has not been established in accordance with production-sharing contracts, and (ii) working interests of other participants in the production-sharing contracts.
- (3) Net oil production (equivalent to net sales volume) represents the Corporation's share of gross working-interest production. In Spain and Pakistan, net oil production volumes equal 100% of gross working-interest production volumes.
- (4) For further information on gross working-interest oil production in Cuba, cost recovery, and profit oil see page 42 of the 2009 annual report.

Gross working-interest oil production in Cuba increased by 332 bpd as production increases from wells drilled and workovers in 2009 exceeded natural reservoir declines. The expiration of the Varadero production-sharing contract on March 18, 2010 did not materially impact the results for the first quarter of 2010. Prior to expiring, first-quarter gross working-interest production from Varadero was approximately 2,250 bpd (net working-interest production was 464 bpd).

In the first quarter of 2010, cost recovery oil production decreased by 4,493 bpd compared to the same period in the prior year primarily due to significantly lower oil prices in 2009 and the inclusion of approximately \$4 million of non-recurring facility costs in 2009. The profit oil component of net production is Sherritt's contractual share of production after the cost recovery component is subtracted from gross working-interest production. As a result of the increase in gross working-interest production and the decrease in cost recovery oil production, profit oil production increased by 2,286 bpd. Sherritt's average share of profit oil in Cuba during the first quarter of 2010 was 42%.

Production in Spain was higher due to the impact of a series of workovers performed during 2009.

## OPERATING COSTS

Unit operating costs (\$ per net boe)

For the three months ended March 31

	2010	2009
Cuba <sup>(1)</sup>	\$ 7.97	\$ 9.03
Spain	27.10	55.55
Pakistan	1.22	1.32
Weighted-average	\$ 8.61	\$ 9.82

(1) 2009 excludes the impact of loss on disposal of Block 7 assets.

Components of operating costs - Cuba (%)

For the three months ended March 31

	2010	2009
Cuba		
Labour	8%	4%
Maintenance	7%	7%
Treatment and transportation	45%	46%
Other <sup>(1)</sup>	40%	43%
	100%	100%

(1) Composed mainly of chemicals, insurance, yard maintenance costs and fuel, net of capitalized equipment costs.

Unit operating costs in Cuba decreased by \$1.06 per barrel largely due to a weaker U.S. dollar relative to the Canadian dollar. Also, in the first quarter of 2009, operating costs included higher treatment and transportation costs due to higher net production and the inclusion of a retroactive adjustment for 2008 treatment and transportation rates.

## CAPITAL SPENDING

Capital Spending

\$ millions, for the three months ended March 31

	2010	2009
Development and facilities	\$ 10.9	\$ 10.9
Exploration	2.3	1.2
Total	\$ 13.2	\$ 12.1

In the first quarter of 2010, development and facilities capital spending included \$5.7 million for development drilling activities, \$2.5 million for equipment and inventory purchases, and \$0.3 million related to facilities.

During the first quarter of 2010, two exploration wells and two development wells were drilled in Cuba.

Exploration costs related primarily to two wells drilled in respect of the Block 8 and Boca Profundo production-sharing contracts. Neither well produced commercial quantities of oil and both have been suspended pending further analysis. The Corporation has applied for an extension of the exploration period for Boca Profundo.

**Management's discussion and analysis****OUTLOOK FOR 2010**

	<b>Actual</b>	Projected
	<b>2010</b>	2010
For the three and twelve months ended	<b>March 31</b>	December 31
<b>Production volumes and capital expenditures</b>		
<b>Production</b>		
Gross working-interest oil (Cuba) (bpd)	22,019	20,500
Net working-interest production, all operations (boepd) <sup>(1)</sup>	12,370	12,600
<b>Capital expenditures (\$ millions)</b>		
Cuba	\$ 13	\$ 98
Other	\$ -	\$ 39

(1) Net oil production outlook is predicted on the Fuel Oil No.6 price remaining consistent with recent historical levels.

In Oil and Gas, 2010 gross working-interest oil production in Cuba is expected to be approximately 4% (800 bpd) higher than previous guidance. The increase is based on the positive results of wells drilled and workovers completed in first-quarter 2010. Capital expenditures reflect three additional development wells to be drilled in Cuba this year, which were not included in the previous guidance.

## Power

### FINANCIAL REVIEW

\$ millions, for the three months ended March 31	2010	2009
Revenue		
Electricity sales	\$ 22.0	\$ 27.3
By-products and other	6.0	3.1
	28.0	30.4
Operating costs	5.1	9.6
General and administrative costs	1.6	1.1
EBITDA <sup>(1)</sup>	21.3	19.7
Depletion, amortization and accretion	8.0	7.6
Operating earnings <sup>(1)</sup>	\$ 13.3	\$ 12.1

(1) For additional information see the Non-GAAP Measures section.

The change in operating earnings between 2010 and 2009 is detailed below:

\$ millions, for the three months ended March 31	2010
Lower realized electricity prices, denominated in Canadian dollars	\$ (4.3)
Higher by-products prices	1.7
Higher operating costs in 2009 due to turbine failure	3.7
Other	0.1
Change in operating earnings, compared to 2009	\$ 1.2

### ELECTRICITY PRICES

Prices (\$/MWh) <sup>(1)</sup>

For the three months ended March 31	2010	2009
Average-realized price	\$ 42.67	\$ 50.46

(1) Megawatt hours (MWh).

The average-realized price of electricity was \$7.79 per MWh lower primarily due to the impact of a weaker U.S. dollar relative to the Canadian dollar, offset partially by a higher proportion of electricity generated at facilities with higher tariffs.

By-product revenue increased mainly as a result of higher prices, which are linked to market prices for petroleum products.

### PRODUCTION AND SALES

Production/Sales

For the three months ended March 31	2010	2009
Electricity sold <sup>(1)</sup> GWh <sup>(2)</sup>	515	541

(1) Including non-controlling interest's share.

(2) Gigawatt hours (GWh).

**Management's discussion and analysis**

Production decreased by 26 GWh primarily due to intermittent gas supply shortages that more than offset the decrease in production in the first quarter of 2009 resulting from a turbine failure at Boca de Jaruco.

The Corporation's lease on a power plant in Varadero, Cuba (20 MW) expired in March 2010. As the power plant only operated during peak demand when sufficient supplies of gas were available, the impact on production was minimal.

**OPERATING COSTS**

Unit operating costs (\$ per MWh)

For the three months ended March 31	2010	2009
Operating cost	\$ 9.81	\$ 17.78

Components of unit operating costs (%)

For the three months ended March 31	2010	2009
Labour	18%	30%
Maintenance	72%	63%
Other <sup>(1)</sup>	10%	7%
Total	100%	100%

(1) Composed mainly of insurance, freight and duty.

Unit operating costs were \$7.97 lower primarily due to higher operating costs in the first quarter of 2009 due to a gas turbine failure at Boca de Jaruco and lower operating costs in 2010 due to an insurance recovery in relation to a separate turbine failure.

**CAPITAL SPENDING**

Capital Expenditures

\$ millions, for the three months ended March 31	2010	2009
Sustaining	\$ 2.8	\$ 1.3
Growth	3.5	7.7
Total	\$ 6.3	\$ 9.0

Sustaining capital expenditures in the first quarter of 2010 related mainly to equipment and infrastructure. Growth capital spending relates mainly to components and capitalized interest relating to the 150 MW Boca de Jaruco Combined Cycle project, which is under review.

**OUTLOOK FOR 2010**

	Actual 2010 March 31	Projected 2010 December 31
Production volumes and capital expenditures For the three and twelve months ended		
<b>Production</b>		
Electricity (GWh)	515	2,040
<b>Capital expenditures (\$ millions) <sup>(1)</sup></b>		
Cuba	\$ 6	\$ 31

(1) For projected December 31, 2010, capital expenditures include \$5 million of progress payments that will be recorded as other assets.

In Power, production levels in 2010 are expected to remain largely consistent with first-quarter levels, based on current gas availability.

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## **Other - Technologies**

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### **FINANCIAL REVIEW**

In the three months ended March 31, 2010, Technologies generated revenue of \$2.0 million, compared to \$3.3 million in the same period in the prior year. Revenue decreased primarily due a lower number of new customer agreements established as a result of a weaker global economy.

## **Other – Mineral Products**

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### **FINANCIAL REVIEW**

In 2009, the Corporation determined that Mineral Products no longer met the criteria to be classified and accounted for as a discontinued operation as the Corporation was no longer actively marketing this business for sale. Mineral Products incurred losses of \$0.8 million and \$0.8 million for the three months ended March 31, 2010 and March 31, 2009, respectively.

## Liquidity and capital resources

Although economic conditions and commodity prices improved in the latter part of 2009, Sherritt continued to focus on effectively managing liquidity. The primary factors affecting liquidity and how Sherritt manages capital are described in detail in the annual MD&A. Management believes that, based on the financial position and liquidity profile at March 31, 2010, the Corporation should be able to fund the working capital requirements of its operations, to fund capital assets, and to make all of its short and long-term debt repayments and other obligations.

### Cash requirements

The following table provides a summary of consolidated liquidity and capital commitments based on existing commitments and debt obligations:

\$ millions, as at	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter
Long-term debt							
repayment obligations	\$ 3,174.8	\$ 40.5	\$ 24.3	\$ 391.9	\$ 124.0	\$ 372.6	\$ 2,221.5
Capital commitments	580.5	456.7	75.2	44.9	3.7	-	-
Capital leases and other	109.7	37.4	30.3	23.9	14.8	3.3	-
Operating leases	76.1	15.3	12.7	10.8	6.6	7.3	23.4
Pension obligations	82.5	7.6	7.8	7.8	7.9	8.1	43.3
Asset-retirement							
obligations	456.3	21.0	25.7	25.5	22.1	14.7	347.3
<b>Total</b>	<b>\$ 4,479.9</b>	<b>\$ 578.5</b>	<b>\$ 176.0</b>	<b>\$ 504.8</b>	<b>\$ 179.1</b>	<b>\$ 406.0</b>	<b>\$ 2,635.5</b>

### Investment liquidity

At March 31, 2010, cash, cash equivalents and short-term and long-term investments were located in the following countries:

\$ millions, as at March 31, 2010	Cash and cash equivalents	Short-term investments	Long-term investments	Total
Canada	\$ 106.2	\$ 521.8	\$ 39.5	\$ 667.5
Cuba	37.2	-	121.4	158.6
England	61.3	-	-	61.3
Other	38.3	-	-	38.3
<b>Total</b>	<b>\$ 243.0</b>	<b>\$ 521.8</b>	<b>\$ 160.9</b>	<b>\$ 925.7</b>

#### CASH AND SHORT-TERM INVESTMENTS

The Corporation's cash balances are deposited with major financial institutions rated A or higher by Standard and Poor's and with banks in Cuba that are not rated.

At March 31, 2010, included in cash, cash equivalents and short-term investments was \$76.0 million (100% basis) of cash held by the Ambatovy Joint Venture and \$32.0 million (50% basis) held by the Moa Joint Venture. All cash held by the Ambatovy Joint Venture and Moa Joint Venture is for the exclusive use of those joint ventures.

The Corporation's short-term investments are primarily in Government of Canada treasury bills with original maturity dates of greater than three months and less than one year.

## LONG-TERM INVESTMENTS

As a result of an agreement in January 2009 with Oil and Gas and Power's Cuban customers, Sherritt acquired approximately US\$159.1 million in certificates of deposit (CDs). These CDs were issued by a Cuban bank and bear interest at a rate of 30-day LIBOR plus 5%. In the event of default, Sherritt has the right to receive payment from the cash flows payable by the Moa Joint Venture to its Cuban beneficiaries. At March 31, 2010, the balance of the CD's was \$121.4 million.

At March 31, 2010, the Corporation held MAV notes with a fair value of \$33.9 million. These notes are held as an investment. The Corporation has used these notes as collateral for its MAV note loans. Under the terms of the loans, proceeds from the sale of the MAV notes would be used to repay any outstanding principal amounts of the loan, if any and/or reduce the amount available under the loan.

## Sources and uses of cash

The Corporation's cash flows from operating, investing and financing activities are summarized in the following table as derived from Sherritt's Consolidated Statements of Cash Flow.

\$ millions, for the three months ended March 31	2010	2009
<b>Cash from operating activities</b>		
Cash from operating activities before change in non-cash working capital	\$ 107	\$ 86
Change in non-cash working capital	38	9
Cash provided by operating activities	\$ 145	\$ 95
<b>Cash from investing and financing</b>		
Capital spending	\$ (299)	\$ (409)
Short-term debt borrowings, net of repayments	3	53
Long-term debt borrowings, net of repayments	31	81
Dividends paid on common shares	(11)	(11)
Funding from Ambatovy Joint Venture partners	24	355
Other	10	19
	\$ (242)	\$ 88
	\$ (97)	\$ 183
Cash, cash equivalents, and short-term investments:		
Beginning of the period	\$ 862	\$ 607
End of the period	\$ 765	\$ 790

Operating cash flow before change in non-cash working capital in the first quarter of 2010 was significantly impacted by an increase in earnings. During the first quarter of 2009, the Corporation received \$74.1 million as its share of proceeds related to the termination of the Block 7 production-sharing contract in Oil and Gas.

In the first quarter of 2009, US\$161.1 million collected on overdue 2008 receivables from Oil and Gas and Power had a minimal impact on the overall cash position as the Corporation agreed to purchase a similar amount of certificates of deposit. See the Long-term investments description above for more details.

Changes in non-cash working capital in the first quarter of 2010 were primarily due to higher accounts payable due to the timing of payments mostly at the Ambatovy Project, partially offset by lower accounts receivable as a result of collections at Oil and Gas and Power.

Cash used toward capital expenditures for the first quarter of 2010 were \$299 million. The majority of this spending related to the development of the Ambatovy Project. A discussion of capital expenditures is included in the Review of operations sections for each division.

Long-term debt proceeds (net of payments) in the first quarter of 2010 were \$31 million; the majority of proceeds were received under the Ambatovy Joint Venture senior debt financing and the Ambatovy Joint Venture additional partner loans.

**Management's discussion and analysis**

In addition, in the first quarter of 2010, \$24 million was received by the Ambatovy Joint Venture from the other Ambatovy Joint Venture partners as their share of the joint venture funding requirements.

**Available credit facilities**

At March 31, 2010, the Corporation and its divisions have borrowed \$3.0 billion under available long-term credit facilities. Total credit available under these facilities was \$945 million, inclusive of approximately \$492 million (US\$485 million) (100% basis) available under the Ambatovy Joint Venture senior debt financing.

The following table outlines the maximum amount and amounts available to the Corporation under its credit facilities as at March 31, 2010 and December 31, 2009.

\$ millions, as at	2010		2009	
	Maximum	Available	Maximum	Available
<b>Short-term</b>				
Syndicated 364-day revolving term credit facility	\$ 140	\$ 134	\$ 140	\$ 117
MAV liquidity line of credit	20	20	20	20
<b>Long-term</b>				
Ambatovy Project financing (US\$) (100%)	\$ 2,100	\$ 485	\$ 2,100	\$ 507
Ambatovy J.V. partner loans (US\$) <sup>(1)(2)</sup>	213	128	213	128
Ambatovy J.V. additional partner loans (US\$) <sup>(2)</sup>	23	-	23	-
Senior credit facility agreement	235	136	235	135
MAV note loans	33	33	33	33
<b>Total Canadian equivalent</b>	<b>\$ 2,800</b>	<b>\$ 945</b>	<b>\$ 2,874</b>	<b>\$ 971</b>
Capital leases <sup>(3)</sup>	\$ 140	\$ 54	\$ 140	\$ 46
Proportionate share of credit facility <sup>(4)</sup>	<b>Maximum</b>	<b>Available</b>	<b>Maximum</b>	<b>Available</b>
Ambatovy Project financing (US\$) (40%)	\$ 840	\$ 194	\$ 840	\$ 203
<b>Total Canadian equivalent</b>	<b>\$ 853</b>	<b>\$ 197</b>	<b>\$ 879</b>	<b>\$ 212</b>

(1) The availability under this loan has been reduced by US\$22.9 million, the amount repaid to Kores.

(2) The Ambatovy Joint Venture additional partner loans are uncommitted except for a commitment of US\$22.9 million. The US\$22.9 million is committed to offset the reduction in amounts available under the original Ambatovy Joint Venture partner loans. (See footnote 1, above)

(3) Capital leases include only those that have been committed by lenders.

(4) To illustrate Sherritt's 40% proportion of the available credit under the Ambatovy Project financing. On a proportionate basis, at March 31, 2010, Sherritt had drawn a total of \$656 million.

**COVENANTS**

At March 31, 2010, CVRI was not in compliance with two of its financial covenants applicable to the 3-year non-revolving term loan that requires CVRI to maintain a current ratio of not less than 1:1 and a debt-to-tangible-net-worth ratio of not greater than 2.5. The loan provides total liquidity of \$19.0 million (50% basis). CVRI was, however, granted a waiver of these covenants for the quarter ended March 31, 2010.

CVRI has classified the \$16.5 million balance on this loan (50% basis) in current liabilities as there is uncertainty that CVRI will be in compliance with the working capital covenant and debt-to-tangible-net-worth covenant for the next 12 months. This potential reduction in liquidity is not expected to preclude the Corporation from satisfying its current and long-term obligations as they come due.

The Corporation and its divisions were in compliance with all of their other financial covenants as at March 31, 2010. Other than the two covenants applicable to the 3-year non-revolving term loan discussed above, the Corporation expects to remain in compliance with all of its other financial covenants during the next 12 months, based on current market conditions. Other than the covenants required for the debt facilities, the Corporation is not subject to any externally imposed capital restrictions.

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## COMMON SHARES

As at April 26, 2010, the Corporation had 293,886,403 common shares outstanding. An additional 5,469,146 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan.

An additional 1,886,555 common shares are issuable in relation to the cross-guarantees provided by certain Ambatovy Joint Venture partners. These shares are to be issued in approximately-equal amounts on December 31, 2010 and December 31, 2011.

In February 2010, the Board of Directors of the Corporation approved a quarterly dividend of \$0.036 per share that was payable on April 14, 2010 to shareholders of record at the close of business on March 31, 2010.

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## Managing risk

Sherritt manages a number of risks in each of its businesses in order to achieve an acceptable level of risk without hindering its ability to maximize returns. Management has procedures to identify and manage significant operational and financial risks. Strategies designed to manage the Corporation's significant business risks are discussed in the Corporation's Annual Information Form filed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.sherritt.com](http://www.sherritt.com).

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## Accounting pronouncements

### Convergence with International Financial Reporting Standards

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#### BACKGROUND

The Canadian Accounting Standards Board (AcSB) requires all Canadian publicly accountable entities to adopt IFRS for years beginning on or after January 1, 2011. Sherritt's first filing under IFRS will be for the period ending March 31, 2011 and will include 2010 IFRS comparative figures. Accordingly, Sherritt's adoption date for IFRS is January 1, 2011, but Sherritt's effective transition date is January 1, 2010 (Transition Date) in order to accommodate IFRS comparative figures in Sherritt's 2011 financial statements.

IFRS uses a conceptual framework similar to Canadian GAAP; however, there are significant differences in recognition, measurement and disclosure. Adoption of IFRS will require the Corporation to make certain policy choices that could materially impact the reported financial position and results of operations; however, it is not expected that IFRS will change the actual cash flows the Corporation generates or change its business activities. To the extent possible, Sherritt will make these choices with a view to providing meaningful information to stakeholders that is also comparable between industry peers.

#### PROJECT PLAN

As previously disclosed, the Corporation is managing its IFRS Conversion Project in three phases; Phase 1 - the scoping and planning phase, Phase 2 - the design and build phase, and Phase 3 - the implementation and review phase.

Management provides regular progress reports on the status of Sherritt's IFRS Conversion Project to the IFRS Conversion Project Steering Committee and to the Audit Committee of the Board of Directors.

Phase 1, the scoping and planning phase, is complete. This phase mainly consisted of establishing a project management structure including the formation of a Steering Committee and business unit project teams; approving the project charter and a detailed project plan; performing a high-level diagnostic assessment of potential differences between Canadian GAAP and IFRS in addition to identifying certain exemptions available for first time adopters; and the completion of preliminary training for key members of the IFRS Conversion Project.

Phase 2, the design and build phase, involves performing the conversion to IFRS. Significant progress has been made under Phase 2 which is described further in the 'Project Update' section below.

During Phase 2, in late 2009, Management determined that additional resources were required to meet the implementation deadline. As a result, the Corporation engaged additional professional advisors and added resources to its finance group. The additional resources in the finance group will also be needed to support the increased demands of on-going reporting under IFRS.

## Management's discussion and analysis

Phase 3 is the implementation and review phase. This phase, which will continue to January 1, 2011 and beyond, is the execution phase which will focus on enabling continued IFRS reporting and facilitating knowledge transfer. Phase 3 involves the following key elements: preparation of full IFRS interim and annual financial statements for the transition period ending December 31, 2010 for comparative disclosure; preparation of interim and annual IFRS financial statements for the year ending December 31, 2011; continued IFRS compliance by developing new accounting policies, accounting manuals, guidelines, processes for reporting to management and shareholders; development of detailed training and knowledge transfer to appropriate staff; and development of revised processes for disclosure controls and procedures and internal controls over financial reporting including updating key controls as required and perform testing and addressing any internal or disclosure control deficiencies.

### PROJECT UPDATE

Phase 2 is well underway. Progress to date is highlighted below:

**Making policy choices and choosing exemptions** – A preliminary determination of the significant accounting policies under IFRS has been made as well as the initial determinations of the optional exemptions available under IFRS 1, *First-time Adoption of IFRS*. Management is selecting policies consistent with industry peers to the extent appropriate. The process of quantifying the impacts of accounting policy choices and exemptions is underway for the purpose of preparing the transitional Consolidated Statement of Financial Position as at January 1, 2010 under IFRS;

**Financial systems** – A scoping study was completed that identified changes to the financial systems necessary to support IFRS. In addition, a strategy was developed for dual internal Canadian GAAP and IFRS reporting during 2010 and changeover to IFRS in 2011;

**Financial statement disclosures** – Illustrative IFRS financial statements and disclosures have been prepared based on a preliminary determination of accounting policies and optional exemptions available under IFRS 1;

**Accounting policy manual** – A review of accounting policies throughout the Corporation to ensure consistency is in progress. This work will support the development of a Sherritt IFRS Accounting Policy Manual;

**Internal controls** – The design of the control framework necessary to support the IFRS reporting environment has been initiated with a view to updating the CEO/CFO certification process by the fourth quarter of 2010;

**Training** – Training has continued for stakeholders involved in the implementation process including certain members of the Corporation's Audit Committee; and

**Other** – Began preliminary discussions on an approach to determine the impact of IFRS on business policies, and compensation, debt, and other contractual agreements.

### PRELIMINARY ASSESSMENTS

To date, the Corporation has identified some significant differences between Canadian GAAP and IFRS in its current form which could potentially impact its consolidated financial statements. A number of projects underway by standard-setting bodies could materially change IFRS. Management's analysis and preliminary assessments are underway based on current facts and circumstances, which could change prior to the transition to IFRS.

The most significant impact, identified to date, on the consolidated financial statements arising from a difference between Canadian GAAP and IFRS could potentially be a change in the method of accounting for the Corporation's investments in the Ambatovy Joint Venture and Energas which are described further below.

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### Joint Ventures and Associated entities

Under Canadian GAAP, the Ambatovy Joint Venture and Energas are considered investments in variable interest entities as defined by Accounting Guideline 15, *Consolidation of Variable Interest Entities* (AcG-15) and are fully consolidated with non-controlling interest in the net assets reported separately. In accordance with IAS 28, *Investment in Associates*, and IAS 31, *Interests in Joint Ventures*, it is possible that Ambatovy may have to be treated as an associated entity that is accounted for using the equity method of accounting and Energas may have to be treated as a jointly-controlled entity that is accounted for using proportionate consolidation. If this is determined to be the appropriate accounting treatment, Sherritt may be required to deconsolidate these entities thereby eliminating Non-controlling interest at the Transition Date and significantly reducing assets and liabilities on a line-by-line basis. In addition, the Ambatovy Joint Venture would be reported as an “investment in an associated entity,” a single line item on the Consolidated Statement of Financial Position and the Corporation’s proportionate share of results would be reported in a single line on its Consolidated Statement of Comprehensive Income (Loss). For Energas, if this accounting is determined to be appropriate, the Corporation would recognize its proportionate share of assets, liabilities and earnings (loss) on a line-by-line basis in its consolidated financial statements.

If the Corporation’s investment in the Ambatovy Joint Venture is accounted for as an equity investment under IFRS, it would not be considered to be a qualified asset as defined under IAS 23, *Borrowing Costs*, for the capitalization of certain borrowing costs. As a result, certain previously capitalized borrowing costs would be written off to retained earnings, and future interest relating to the non-qualifying loans would be expensed as incurred.

In addition, as a result of this potential change in accounting for the Ambatovy Joint Venture, the Corporation may be required to account for its investment as if it was equity accounted from inception. As a result, the Ambatovy mineral rights and previously written off goodwill associated with the investment may need to be included in the investment cost and reviewed for impairment at the Transition Date and at subsequent reporting dates.

The potential accounting treatment for Energas is based on current IFRS standards, and does not assume the adoption of Exposure Draft 9 (ED9), *Joint Arrangements*, which is currently under discussion by the International Accounting Standard Board. If adopted in its current form, ED9 would, among other things, eliminate the use of proportionate consolidation for entities determined to be joint ventures and require them to be accounted for as equity investments in most circumstances. If this exposure draft is adopted, it could have a further material impact on Sherritt’s financial statements. In addition to Energas, Sherritt’s other significant joint ventures are the Coal Valley Partnership (Coal Mountain operations) and the Moa Joint Venture which would also be impacted by the adoption of ED 9.

### Foreign currency translation

Under IFRS, the concept of an integrated or self-sustaining foreign operation does not exist as it does under Canadian GAAP. Although similar to Canadian GAAP, the indicators used to determine the functional currency of a foreign operation under IFRS, IAS 21, *The Effects of Changes in Foreign Exchange Rates*, are based on a hierarchy for analyzing the transactions in the entities’ primary economic environment. Based on Management’s preliminary analysis, the Corporation may conclude that the functional currency of Energas is the U.S. dollar under IFRS. If this were the case, Energas’ operations would be translated using the current rate method which translates foreign denominated assets, liabilities and transactions at the exchange rate at the reporting date with all exchange gains and losses included in comprehensive income (loss) and deferred in Accumulated other comprehensive income (loss).

### Impairment of assets

Under IFRS, IAS 39, *Impairments*, provides for a one-step approach to test for and measure impairments by comparing asset carrying values directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This compares with Canadian GAAP which involves a two-step approach, first comparing carrying value of an asset with undiscounted future cash flows and, if an impairment is indicated, comparing the carrying value with the fair value (generally based on discounted cash flows). Application of the IFRS guidelines may result in more write downs, as carrying values of assets that may have been supported based on an undiscounted basis under Canadian GAAP may not be supported on a discounted basis under IFRS.

IFRS also requires a full or partial reversal of previous impairment losses, except on goodwill, where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits the reversal of impairment losses.

In addition, where Canadian GAAP assesses impairments on a reporting unit basis, IFRS requires impairment analyses to be performed on a cash generating unit basis which is defined as the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or group of assets. This difference could also result in higher impairment losses.

## Management's discussion and analysis

### First time adoption of IFRS

First time adoption of International Financial Reporting Standards (IFRS 1) provides certain exemptions that could be used when the Corporation first adopts IFRS. The Corporation's analysis of these exemptions is ongoing; however, the following exemptions would likely be the most significant exemptions that could apply to Sherritt on adoption of IFRS:

- **Business combinations** – IFRS 1 provides an exemption not to apply IFRS 3R, *Business Combinations*, retrospectively to business combinations that occurred before the Corporation's Transition Date. The Corporation may choose this exemption and not restate any business combinations that occurred prior to its Transition Date.
- **Cumulative translation adjustment** – IFRS 1 provides an exemption to not apply the guidance of IAS 21, *The Effects of Changes in Foreign Exchange Rates*, retrospectively for cumulative translation differences relating to foreign operations that existed at the Transition Date. Retrospective application of IAS 21 would require the Corporation to determine cumulative currency translation differences from the date a subsidiary or other investee was formed or acquired. The Corporation may elect this exemption and reset all cumulative translation gains and losses to zero at its Transition Date.
- **Exploration and evaluation** - IFRS 1 provides an exemption from retrospectively applying the full cost method of accounting for Oil and Gas assets in accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources*.

The Corporation may elect this exemption which would permit the following capitalization measurement basis to be retained for exploration and evaluation costs incurred prior to the Transition Date:

- Capitalized amounts for exploration and evaluation assets determined under Canadian GAAP; and
  - Capitalized development and production assets determined for the cost centre under Canadian GAAP and the allocation of this amount to the respective assets based on reserve volumes.
- **Lease arrangements** - IFRS 1 provides an exemption from retrospectively applying the guidance provided in IFRIC 4, *Determining whether an Arrangement contains a Lease*, if, in certain circumstances, a lease was previously accounted for in accordance with Emerging Issues Abstract 150 (EIC-150) under Canadian GAAP. EIC-150 permitted an entity to not have to revisit arrangements that existed prior to the issuance date of the standard, January 1, 2005. The Corporation may apply the exemption that would allow it to apply IFRIC 4 only to arrangements existing at the Transition Date that were entered into prior to January 1, 2005, based on the facts and circumstances at that date. These arrangements that were analyzed in accordance with EIC-150 entered into prior to January 1, 2005 will be required to be in compliance with IFRIC 4.

## Accounting pronouncements - Canadian Generally Accepted Accounting Policies

### BUSINESS COMBINATIONS/CONSOLIDATED FINANCIAL STATEMENTS/NON-CONTROLLING INTERESTS

In January 2009, the CICA issued Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests", which superseded Sections 1581, "Business Combinations", and 1600 "Consolidated Financial Statements". These new sections replaced existing guidance on business combinations and consolidated financial statements to harmonize Canadian accounting for business combinations with IFRS. These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of these new sections concurrently. The Corporation does not plan to early adopt these sections at this time; however, this plan could change in future periods depending on the facts and circumstances.

### MULTIPLE DELIVERABLE REVENUE ARRANGEMENTS

In December 2009, the CICA issued EIC-175, "Multiple Deliverable Revenue Arrangements", which provides guidance for determining whether an arrangement involving multiple deliverables contains one or more units of accounting. The accounting treatments provided in EIC-175 are effective for the first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. The Corporation will not early adopt this standard.

## Summary of quarterly results

The following table presents a summary of the segments and consolidated operating results for each of the eight quarters ended June 2008 to March 2010.

\$ millions, except per share amounts, for the three months ended	2010 March 31	2009 December 31	2009 September 30	2009 June 30	2009 March 31	2008 December 31	2008 September 30	2008 June 30
Revenue <sup>(1)</sup>								
Metals	\$ 115.8	\$ 110.6	\$ 114.3	\$ 111.1	\$ 79.7	\$ 96.0	\$ 137.5	\$ 177.7
Coal <sup>(2)</sup>	188.3	174.9	181.2	165.7	188.9	200.7	189.9	124.5
Oil and Gas	59.3	63.0	59.9	50.2	46.6	44.9	112.9	104.5
Power	28.0	28.5	30.6	28.6	30.4	31.8	30.9	30.3
Corporate and other	1.9	2.8	3.6	2.9	4.0	6.5	7.1	5.4
<b>Net earnings (loss)</b>	<b>\$ 59.7</b>	<b>\$ 48.3</b>	<b>\$ 55.9</b>	<b>\$ 24.4</b>	<b>\$ (42.9)</b>	<b>\$ (592.1)</b>	<b>\$ 133.1</b>	<b>\$ 80.3</b>
Net earnings (loss) per share								
Basic	\$ 0.20	\$ 0.16	\$ 0.19	\$ 0.08	\$ (0.15)	\$ (2.03)	\$ 0.45	\$ 0.28
Diluted	\$ 0.20	\$ 0.16	\$ 0.19	\$ 0.08	\$ (0.15)	\$ (2.03)	\$ 0.45	\$ 0.28

- Revenue has been amended for the three months ended March 31, 2009, December 31, 2008, September 30, 2008, and June 30, 2008 to include the results of Mineral Products which had previously been accounted for as a discontinued operation.
- Coal's results include the Corporation's 100% interest in Royal Utilities from the date of acquisition, May 2, 2008, and the Corporation's 50% proportionate interest in the Coal Valley export thermal coal mine and other coal development assets. In the periods prior to May 2, 2008, Royal Utilities was equity-accounted.

Net earnings (loss) for the Corporation before the inclusion of unusual items were affected primarily by changes in commodity prices and exchange rates that impact revenue and costs. The Corporation's results have been positively impacted by an increase in nickel, cobalt and oil prices, which have been trending higher in recent quarters compared to the quarters that were impacted to a greater degree by the global financial crisis that began in late 2008. In the first quarter of 2009, the Corporation recognized a loss on the disposal of Block 7 assets of \$79.5 million (\$57.4 million after-tax). As a result of the weakened economic environment in the fourth quarter of 2008, the Corporation recognized \$590.7 million in unusual costs, including the impairment of goodwill related to the Ambatovy Joint Venture and impairment of certain Cuban accounts receivable balances.

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## Transactions with related parties

The Corporation engaged in the following related-party transactions resulting in the balances at March 31, 2010 below:

\$ millions, the three months ended March 31	2010
<b>Total value of goods and services</b>	
Provided to joint ventures and affiliates	\$ 15.0
Purchased from joint ventures and affiliates	6.0
<hr/>	
\$ millions, as at March 31	2010
Accounts receivable from joint ventures	\$ 5.7
Accounts payable to joint ventures	2.1
Advances and loans receivable from certain Moa Joint Venture entities	194.9
Loan receivable from Coal Valley Resources Inc.	5.1

The Corporation and its subsidiaries provide goods, labour, advisory and other administrative services to joint ventures and affiliates at exchange amounts (cost, commercial rates and other various contractual terms). The Corporation and its subsidiaries also market, pursuant to sales agreements, a portion of the nickel, cobalt, and certain by-products produced by certain jointly-owned entities in Metals. The above transactions arise in the normal course of the Corporation's relationships with the joint venture entities.

Advances and loans receivable include two loans provided pursuant to a funding agreement and advances on a working-capital facility provided by the Corporation to certain Moa Joint Venture entities. The funding arrangement was created in order to finance the expansion activities at the Moa Joint Venture. All amounts are recorded at the proportionately consolidated amounts.

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## Controls and procedures

### Disclosure controls and procedures

The Corporation's disclosure controls and procedures are designed to ensure that all important information about Sherritt, including operating and financial activities, is communicated fully, accurately and in a timely way and that they provide Sherritt with assurance that the financial reporting is accurate.

### Internal controls over financial reporting

Internal control over financial reporting means a process designed by or under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

As at March 31, 2010, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended March 31, 2010 the Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

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## Supplementary information

### Sensitivity analysis

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The following table shows the approximate impact on the Corporation's first quarter 2010 net earnings and EPS of a change in selected key variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor	Increase	Approximate change in Q1 net earnings (\$ millions)	Approximate quarterly change in basic EPS
<b>Prices</b>			
Nickel - LME price per pound	US\$ 0.50	3	0.01
Cobalt - Metal Bulletin price per pound	US\$ 5.00	3	0.01
Oil -U.S. Gulf Coast Fuel Oil No. 6 price per barrel	US\$ 5.00	3	0.01
<b>Volume</b>			
Nickel - tonnes	1,000	4	0.01
Cobalt - tonnes	250	3	0.01
Oil - barrels per day	1,000	3	0.01
<b>Exchange rate</b>			
US dollar per Canadian dollar	US\$ 0.05	(10)	(0.03)
<b>Operating costs</b>			
Natural Gas - cost per gigajoule (Metals)	\$ 1.00	(1)	-
Sulphuric acid - cost per tonne (Metals)	US\$ 25.00	(1)	-

## Non-GAAP measures

### EBITDA AND OPERATING EARNINGS

The Corporation's definition of EBITDA is earnings or loss from operations as reported in the GAAP financial statements, excluding net earnings or net loss related to any non-controlling interest, amounts included in net earnings or net loss for income taxes, interest expense, depletion, amortization, accretion, depreciation, impairment charges for property, plant and equipment, goodwill and investments, and gain or loss on disposal of property, plant and equipment.

The Corporation's definition of Operating earnings is EBITDA less depletion, amortization and accretion expense and depreciation included in operating expenses.

The table below presents EBITDA and Operating earnings and reconciles these non-GAAP measures to earnings from operations before income taxes and non-controlling interests.

\$ millions, for the three months ended March 31	2010	2009
Revenue	\$ 393.3	\$ 349.6
Operating, selling, general and administrative expenses	269.8	272.7
	123.5	76.9
Add: Depreciation included in operating expenses	19.6	19.6
EBITDA	143.1	96.5
Less:		
Depreciation included in operating expenses	19.6	19.6
Depletion, amortization and accretion	40.9	49.1
Operating earnings	82.6	27.8
Loss on disposal of property, plant and equipment	-	79.5
Net financing income	(5.0)	(2.1)
Other items	-	2.2
Earnings (loss) from operations before income taxes and non-controlling interests	\$ 87.6	\$ (51.8)

### ADJUSTED BALANCE SHEET

The Corporation is the primary beneficiary of two Variable Interest Entities (VIEs) as defined under CICA Accounting Guideline 15. The Corporation holds an indirect 40% interest in the equity of a VIE, the Ambatovy Joint Venture, and in accordance with Canadian GAAP, the accounts of the Ambatovy Joint Venture are consolidated and the 60% equity interests of the other shareholders are accounted for as non-controlling interests. The Corporation also holds an indirect one-third interest in the equity of another VIE, Energas S.A., and in accordance with Canadian GAAP, the accounts of Energas S.A. are consolidated. The two-thirds equity interests of the other shareholders are accounted for as non-controlling interests.

Given the magnitude of these VIEs relative to the Corporation's total asset base, certain shareholders and other stakeholders have requested additional information that will help them better understand the Corporation's economic interest in and exposure to these VIEs.

To address these concerns, the Corporation has prepared an adjusted balance sheet that includes the Corporation's proportionate interest in these VIEs. The adjusted balance sheet has been prepared using an arithmetic formula and does not represent proportionate consolidation under Canadian GAAP. The adjusted balance sheet has also been condensed in order to better illustrate key financial statement line items of interest to investors and management. The adjusted balance sheet does not have a standardized meaning under Canadian GAAP and is not to be used to compare the Corporation to other companies. An investor may find this information useful in analyzing Sherritt's financial information but it should not be considered in isolation or as a substitute for any information prepared in accordance with Canadian GAAP.

The adjusted balance sheet provides both investors and management with information to help them better understand the Corporation's economic interest in key financial statement line items. Management also reviews key financial statement line items on this adjusted basis.

The adjusted balance sheet has been reconciled to the condensed Canadian GAAP balance sheet as at March 31, 2010. This reconciliation provides a concise view of the impact of these VIEs on the Corporation's balance sheet by clearly identifying the adjustments related to each VIE by financial statement line item.

	GAAP Balance Sheet	Less: Consolidated amount		Add: Proportionate Interest		Adjusted Balance Sheet
		Ambatovy 100%	Energas S.A. 100%	Ambatovy 40%	Energas S.A. 33 <sup>1</sup> / <sub>3</sub> %	
\$ millions, as at March 31, 2010						
<b>ASSETS</b>						
Cash, cash equivalents, short-term investments	\$ 764.8	\$ (76.0)	\$ (16.7)	\$ 30.4	\$ 5.6	\$ 708.1
Other current assets	654.4	(29.0)	(24.1)	11.6	8.0	620.9
Property, plant and equipment	7,337.1	(5,242.5)	(449.3)	2,097.0	149.8	3,892.1
Other	1,178.4	(8.7)	(17.9)	3.5	5.9	1,161.2
	<b>\$ 9,934.7</b>	<b>\$ (5,356.2)</b>	<b>\$ (508.0)</b>	<b>\$ 2,142.5</b>	<b>\$ 169.3</b>	<b>\$ 6,382.3</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Current liabilities	\$ 599.9	\$ (324.1)	\$ (7.9)	\$ 129.3	\$ 2.6	\$ 399.8
Long-term debt and other long-term liabilities	3,135.1	(1,592.3)	(185.1)	636.9	61.7	2,056.3
Other	680.6	(320.0)	-	128.0	-	488.6
	4,415.6	(2,236.4)	(193.0)	894.2	64.3	2,944.7
<b>Non-controlling interests</b>	2,081.5	(1,871.5)	(210.0)	-	-	-
<b>Shareholders' equity</b>	3,437.6	(1,248.3)	(105.0)	1,248.3	105.0	3,437.6
	<b>\$ 9,934.7</b>	<b>\$ (5,356.2)</b>	<b>\$ (508.0)</b>	<b>\$ 2,142.5</b>	<b>\$ 169.3</b>	<b>\$ 6,382.3</b>

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## **Forward-looking statements**

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This discussion contains certain forward-looking statements. Forward-looking statements generally can be identified by the use of statements that include words such as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include statements respecting certain future expectations about the Corporation's capital expenditures; capital project commissioning and completion dates; production volumes; scheduled maintenance and shutdown of production facilities; realized prices for production; royalty revenues; sales of activated carbon; debt repayments; compliance with financial covenants; sufficiency of working capital; collection of account receivables; permitting for the Coal Mountain Operations; conversion plan for the adoption of IFRS; accounting treatment for investments in joint ventures and associated entities, foreign currency translation and impairment of assets due to adoption of IFRS; and other corporate objectives, plans or goals for 2010. These forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. Sherritt cautions readers of this MD&A not to place undue reliance on any forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. By their nature, forward-looking statements require Sherritt to make assumptions and are subject to inherent risks and uncertainties.

Key factors that may result in material differences between actual results and developments and those contemplated by this MD&A include, global economic conditions, business, economic and political conditions in Canada, Cuba, Madagascar, and the principal markets for Sherritt's products. Other such factors include, but are not limited to, uncertainties in the development and construction of large mining projects; risks related to the availability of capital to undertake capital initiatives; changes in capital cost estimates in respect of the Corporation's capital initiatives; risks associated with Sherritt's joint-venture partners; future non-compliance with financial covenants; potential interruptions in transportation; political, economic and other risks of foreign operations; Sherritt's reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainties in oil and gas exploration; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; risks related to the Cuban government's ability to make certain payments to the Corporation; development programs; uncertainties in reserve estimates; uncertainties in asset-retirement and reclamation cost estimates; Sherritt's reliance on significant customers; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; Sherritt's ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainties in pension liabilities; the ability of Sherritt to enforce legal rights in foreign jurisdictions; the ability of Sherritt to obtain government permits; risks associated with government regulations and environmental health and safety matters; differences between Canadian GAAP and IFRS; and other factors listed from time to time in Sherritt's continuous disclosure documents.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and except as required by law, Sherritt undertakes no obligation to update any forward-looking statements.