

Sherritt International Corporation
Management's Discussion and Analysis
for Third Quarter Ended
September 30, 2005

Sherritt International Corporation
Third Quarter Report 2005

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Management's Discussion and Analysis

(all tabular dollar amounts expressed in millions of Canadian dollars, except per share amounts)

The following discussion and analysis of the consolidated financial results of Sherritt International Corporation for the three and nine months ended September 30, 2005 should be read in conjunction with the unaudited consolidated financial statements and related notes contained in this interim report and the interim reports issued for the first and second quarters of 2005, as well as the Management's Discussion and Analysis, audited consolidated financial statements and related notes contained in the Corporation's 2004 annual report. Additional information relating to the Corporation, including the Corporation's 2004 Annual Information Form, is on SEDAR at www.sedar.com or on the Corporation's web site at www.sherritt.com. This Management's Discussion and Analysis is as of November 1, 2005.

This Management's Discussion and Analysis may contain 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", "likely", "will" or other similar words or phrases. Similarly, statements contained in the "Outlook" section of this Management's Discussion and Analysis, including those with respect to expectations concerning assets, prices, earnings, production, market conditions, capital expenditures, commodity demand, risks, corporate objectives and plans or goals, are or may be forward-looking statements. These forward-looking statements are not based on historic facts, but rather on current expectations and projections about future events. These forward-looking statements are subject to risks and uncertainties. These risks and uncertainties could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. They may include (i) the risks and uncertainties set forth in this Management's Discussion and Analysis, and in the Corporation's 2004 Annual Information Form and 2004 annual report, which is filed with Canadian securities regulators, (ii) changes in market conditions, including with respect to price and demand, (iii) changes in current cost or productivity estimates and (iv) changes in capital projects or other endeavours.

In the fourth quarter of 2004, Sherritt early adopted two accounting policies, based on new accounting pronouncements, which were implemented on a retroactive basis with restatement of prior periods. The implementation of these accounting policies resulted in the following:

- Consolidation of a variable interest entity in Power, which was previously proportionately consolidated based on Sherritt's one-third equity interest, and consolidation of the 49% owned soybean-based food processing business, which was previously accounted for on the equity basis.
- Classification of the liability and equity components of the 6% and 7% convertible debentures in accordance with the contractual agreement. The liability components of both debentures are accreted to their par values over their term to maturity.

Further description of these changes and their impact on the financial statements can be found in Note 2 to the interim consolidated financial statements.

The Corporation had earnings from discontinued operations for the three and nine months ended September 30, 2004 of \$nil and \$1.0 million (net of income taxes of \$0.2 million), respectively, that relate to the settlement of certain outstanding items from the disposal of the metallurgical coal operations in 2003. The following analysis focuses on continuing operations.

Consolidated Earnings

Third Quarter Results

For the third quarter of 2005, net earnings from continuing operations was \$23.1 million compared with \$35.2 million in the third quarter of 2004. This decrease was primarily the result of lower revenue from Metals, higher stock-based compensation expense, and higher operating costs in Coal. This was partially offset by higher revenues from Oil and Gas due to higher realized oil prices. Earnings per share for the quarter was \$0.15 compared with earnings per share of \$0.27 in the third quarter of 2004. Earnings per share for the quarter also reflected a higher weighted average number of shares outstanding which had a \$0.03 impact on earnings per share.

	Q3 2005	Q3 2004 (restated)
Revenue	\$ 253.4	\$ 259.6

The decrease in revenue is mainly attributable to lower Metals revenue. Metals revenue decreased due to lower realized cobalt and nickel prices and a stronger Canadian dollar. The decrease in revenue was partially offset by higher Oil and Gas revenue due to higher realized oil prices.

	Q3 2005	Q3 2004 (restated)
Operating costs	\$ 125.9	\$ 119.6
Selling costs	1.2	1.0
General and administrative costs	27.4	15.6
Operating, selling, general and administrative costs	\$ 154.5	\$ 136.2

Consolidated operating costs increased mainly due to higher operating costs in Coal, where the Coal Valley expansion project is impacting operating costs. Selling costs did not change materially quarter over quarter. General and administrative costs increased mainly due to increased stock-based compensation costs.

During the third quarter, the Board of Directors of the Corporation granted a Share Appreciation Right ("SAR") to outstanding options that were scheduled to expire on November 20, 2005 and January 25, 2006. This allows option holders to exercise options for either shares or cash. If the option is exercised for cash, the option holder will be paid an amount equal to the excess of the market value of the shares over the option exercise price.

During the third quarter of 2005, 1,746,000 of these options were exercised for cash totaling \$6.2 million for which this amount was charged to earnings during the period. As at September 30, 2005, 850,000 options with a SAR attachment remained outstanding. The Corporation has recognized a compensation expense of \$3.7 million related to those outstanding options. Subsequent to September 30, 2005, all 850,000 options were exercised for cash totaling \$3.7 million.

	Q3 2005	Q3 2004 (restated)
Depletion, amortization and accretion	\$ 46.2	\$ 45.6

There were no material changes in consolidated depletion, amortization and accretion expense quarter over quarter.

	Q3 2005	Q3 2004 (restated)
Net financing expense	\$ 7.4	\$ 20.1

The decrease was primarily due to a decrease in the foreign exchange loss as a result of the strengthening of the Canadian dollar relative to other currencies compared to the same quarter last year and lower interest expense due to the repurchase and early redemption of the 6% convertible debentures.

	Q3 2005	Q3 2004 (restated)
Effective tax rate	33%	26%

Sherritt's effective tax rate varies depending upon the relative profitability of its businesses, which are situated in different tax rate jurisdictions. The higher effective tax rate for the third quarter of 2005, as compared to the same period last year, reflects the smaller proportion of profits earned in low tax rate jurisdictions and the expiry of a tax holiday in Cuba on a portion of Power's operations. Assuming relatively constant commodity prices for the remainder of the year, the Corporation expects an annual effective tax rate of approximately 30% compared with 26% in 2004.

Management is planning to amend its methodology of accounting for income taxes in the Oil and Gas business. Adjustments have not yet been determined and, if any, will be implemented during the fourth quarter and may be applied on a retroactive basis. Any adjustment will likely increase the future income tax liability, however, will not result in a cash tax obligation.

	Q3 2005	Q3 2004 (restated)
Non-controlling interests	\$ 7.4	\$ 7.2

Non-controlling interests primarily reflect the two-thirds outside interest in the results of a variable interest entity in Power.

Nine Months Ended September 30 Results

For the first nine months of 2005, earnings from continuing operations of \$114.6 million or \$0.76 per share were lower than earnings from continuing operations of \$134.6 million or \$1.03 per share in the same period last year. This decrease was primarily the result of lower revenue from Metals, higher operating costs in Coal, lower earnings in Power, and higher stock-based compensation expense. These decreases were partially offset by higher revenues from Oil and Gas due to higher realized oil prices. Earnings per share for the quarter also reflected a higher weighted average number of shares outstanding which had a \$0.12 impact on earnings per share.

	Nine Months 2005	Nine Months 2004 (restated)
Revenue	\$ 828.8	\$ 824.1

The increase in revenue is mainly attributable to higher Oil and Gas revenue due to higher realized oil prices and higher Coal revenue due to higher export prices. This was mostly offset by lower Metals revenue. Metals revenue decreased due to lower realized cobalt prices, lower fertilizer sales volumes and a stronger Canadian dollar.

	Nine Months 2005	Nine Months 2004 (restated)
Operating costs	\$ 402.1	\$ 384.4
Selling costs	4.8	5.4
General and administrative costs	55.4	43.8
Operating, selling, general and administrative costs	\$ 462.3	\$ 433.6

Consolidated operating costs increased mainly due to higher operating costs in Coal, where the Coal Valley expansion project is impacting operating costs, higher operating costs in Power due to a reduction in the amount of an expected insurance recovery, and higher operating costs in Metals due to higher sales volumes and increased energy costs. Selling costs did not change materially quarter over quarter. General and administrative costs increased mainly due to increased stock-based compensation costs.

	Nine Months 2005	Nine Months 2004 (restated)
Depletion, amortization and accretion	\$ 137.6	\$ 136.4

There were no material changes in consolidated depletion, amortization and accretion expense period over period.

	Nine Months 2005	Nine Months 2004 (restated)
Net financing expense	\$ 35.5	\$ 45.2

The decrease was primarily due to lower interest expense as a result of the repurchase and early redemption of the 6% convertible debentures. This was partially offset by lower interest income from short-term investments and loans and an increase in the foreign exchange loss as a result of the strengthening of the Canadian dollar relative to other currencies compared to the same period last year.

	Nine Months 2005	Nine Months 2004 (restated)
Effective tax rate	29%	22%

Sherritt's effective tax rate varies depending upon the relative profitability of its businesses, which are situated in different tax rate jurisdictions. The higher effective tax rate for the first nine months of 2005, as compared to the same period last year, arises from a one-time adjustment recorded by the Coal business in the first six months of 2004 reflecting a reduction in provincial tax rates, a smaller proportion of profits in the Metals business recorded in a low tax rate jurisdiction relative to the same period last year, and the expiry of a tax holiday in Cuba on a portion of Power's operations. Assuming relatively constant commodity prices for the remainder of the year, the Corporation expects an annual effective tax rate of approximately 30% compared with 26% in 2004.

	Nine Months 2005	Nine Months 2004 (restated)
Non-controlling interests	\$ 22.2	\$ 28.8

Non-controlling interests primarily reflect the two-thirds outside interest in the results of a variable interest entity in Power. Non-controlling interest decreased due to lower operating earnings in the Power business.

Consolidated Cash Flow

Third Quarter Results

	Q3 2005	Q3 2004 (restated)
Cash from operating activities		
before working capital changes	\$ 74.2	\$ 83.6
Non-cash working capital changes	33.3	13.7
Cash provided by operating activities	\$ 107.5	\$ 97.3

Cash provided by operating activities of \$107.5 million includes net earnings of \$23.1 million and \$51.1 million of items not affecting cash, combined with the change in non-cash working capital. The increase in cash related to changes in non-cash working capital of \$33.3 million in the quarter was due to several factors. Accounts receivable decreased in Metals primarily due to lower nickel revenues combined with the seasonal sales of fertilizer. Accounts payable increased as a result of higher capital accruals in Coal due to the Coal Valley mine site expansion and an increase in accrued payables for stock-based compensation expense. These were partially offset by an increase in inventory in Metals primarily due to the build up of fertilizer inventory for the fall sales season and the impact of increased energy costs on inventory values.

	Q3 2005	Q3 2004 (restated)
Capital expenditures	\$ 70.5	\$ 39.1
Cash provided by (used for) other investing activities	13.1	(2.0)
Cash used for financing activities	17.2	1.8

The major capital expenditures in the third quarter related to Oil and Gas appraisal and development drilling in Cuba, expenditures for the expansion at the Coal Valley mine site, and expenditures for the Power expansion. Cash provided by other investing activities in the third quarter primarily relate to a decrease in restricted cash and a decrease in working capital advances to a joint venture operation. Cash used for financing activities in the quarter can be ascribed mainly to a repayment of a working capital facility.

Nine Months Ended September 30 Results

	Nine Months 2005	Nine Months 2004 (restated)
Cash from operating activities		
before working capital changes	\$ 269.3	\$ 272.5
Non-cash working capital changes	1.9	(19.7)
Cash provided by operating activities	\$ 271.2	\$ 252.8

Cash provided by operating activities of \$271.2 million includes net earnings of \$114.6 million adjusted for \$154.7 million of items not affecting cash, combined with the changes in non-cash working capital. The increase in cash relating to changes in non-cash working capital of \$1.9 million was the result of several factors. Accounts receivable decreased primarily due to the collection of receivables in Power, which was partially offset by an increase in receivables in Oil and Gas due to higher realized oil prices. Accounts payable increased as a result of higher capital accruals in Coal due to the Coal Valley mine site expansion and an increase in accrued payables for stock-based compensation expense. These were partially offset by an increase in inventory due to the build up of ammonia inventory for the fall sales season and the impact of increased energy costs on inventory values in Metals, and an accumulation of raw coal inventory due to the wash-plant shut down at Coal Valley relating to the on going expansion project.

	Nine Months 2005	Nine Months 2004 (restated)
Capital expenditures	\$ 214.8	\$ 85.3
Cash provided by (used for) other investing activities	12.6	(3.3)
Cash provided by (used for) financing activities	14.7	(2.5)

The major capital expenditures in the first nine months of the year were directed to Oil and Gas development and exploration drilling in Cuba, expenditures for the Power expansion, and expenditures for the expansion at the Coal Valley mine site. Cash provided by other investing activities in this period related to a decrease in restricted cash. Cash provided by financing activities in this period can be ascribed mainly to a drawdown of a working capital facility.

Consolidated Financial Position, Liquidity and Capital Resources

Total assets at September 30, 2005 were \$2.8 billion. Cash, cash equivalents, short-term investments and restricted cash totaled \$522.6 million at September 30, 2005, an increase of \$70.6 million since year end. This increase in cash included \$56.4 million of cash from operations after capital expenditures.

Current advances and loans receivable increased to \$34.4 million from the year end balance of \$27.7 million, primarily reflecting increases in working capital advances to joint ventures.

Accounts receivable were \$260.4 million at September 30, 2005 compared with \$282.6 million at December 31, 2004. The decrease was primarily due to the collection of receivables in Power, which was partially offset by an increase in receivables in Oil and Gas due to higher realized oil prices.

Coal accounts receivable result principally from sales to Canadian power utilities. Metals accounts receivable include receivables of finished metals sales to customers primarily located in Europe and Asia and receivables from fertilizer sales to customers in Canada. Oil and Gas, Power and soybean-based food processing receivables include amounts due from Cuban government agencies. Corporate receivables include amounts due from joint ventures and third parties.

Oil and Gas, Power and soybean-based food processing accounts receivable due from Cuban government agencies have, on occasion, included overdue amounts. Overdue amounts, if any, bear interest and historically have not generally exceeded four months of average monthly revenues. With the current oil prices, oil sales to the Cuban government provide for payment normally within 180 days of invoicing, with interest accruing on balances outstanding beyond 90 days. The Corporation manages its overall accounts receivable with the Cuban government agencies on a consolidated basis to provide for cash positive operation in its businesses, prudent growth and an orderly reduction of overdue balances. The Corporation has been a large foreign investor in Cuba for over a decade and continues to have a co-operative and mutually beneficial relationship with the state. Management of accounts receivable risk with Cuban government agencies requires taking into account payments made to Cuban agencies for labour, taxes, royalties and other local services in Metals, Oil and Gas, Power and soybean-based food processing; obtaining pledges of third party payments to Cuban agencies as security for the receivables; and managing sustaining and growth capital appropriately.

Inventories increased to \$113.4 million at September 30, 2005, compared to \$103.1 million at December 31, 2004. The increase relates mainly to the build up of ammonia inventory for the fall sales season and the impact of increased energy costs on inventory values in Metals and the accumulation of raw coal inventory due to the wash-plant shut down at Coal Valley resulting from the on going expansion project.

Capital assets were \$1,627.4 million at September 30, 2005 compared with \$1,500.5 million at December 31, 2004. The increase includes capital expenditures, asset retirement obligation additions and capital leases, net of depreciation and amortization of capital assets and capital asset disposals.

The future income tax asset (including current portion) of \$98.7 million at September 30, 2005 represented primarily the tax benefit of approximately of \$132.9 million of non-capital losses and \$77.1 million of capital losses. The non-capital losses have been generated primarily through interest on Sherritt's convertible debentures. The balance of the future income tax asset relates mainly to accrued reclamation costs, which are deducted for tax when incurred. The tax benefit of the losses has been recognized in the financial statements on the expectation that sufficient taxable income will be realized in the future to utilize these losses.

Other assets were \$96.4 million at September 30, 2005, compared with \$114.3 million at December 31, 2004. The decrease reflected partial repayments of a note receivable, reductions in long-term spare parts, application of progress payments to equipment purchases, amortization of other assets, and the reduction of deferred interest and issue costs relating to the conversion and redemption of the 6% convertible debentures.

Short-term debt of \$65.1 million at September 30, 2005, increased by \$20.2 million during the period, relating to a drawdown of a working capital facility. Accounts payable and accrued liabilities were \$202.1 million as at September 30, 2005 compared with \$178.8 million at December 31, 2004. The increase relates mainly to capital accruals in Coal as a result of the on going expansion at the Coal Valley mine site and an increase in corporate accrued payables for stock-based compensation expense.

The future income tax liability of \$207.4 million at September 30, 2005 increased slightly compared with the 2004 year end amount of \$203.7 million. The majority of this amount relates to the future income tax liability of the Coal business. The future income tax liability does not represent a current cash tax liability, but is a result of the temporary differences between the values of capital assets for tax purposes versus accounting purposes.

Long-term debt and other liabilities (including current portion) were \$593.6 million at the end of the third quarter compared with \$781.9 million at the end of 2004. The decrease is primarily attributable to the redemption of the \$200 million 6% convertible debentures during the first quarter.

The increase in non-controlling interests to \$205.9 million reflects third party interests in the net earnings of a variable interest entity in Power.

On November 1, 2005, the Corporation filed a preliminary short form base shelf prospectus permitting the issuance of up to \$500 million of senior unsecured debentures. Upon regulatory clearance and filing of a final short form base shelf prospectus, the Corporation will be entitled to issue senior unsecured debentures from time to time over the next two years, in one or more series and at prices and on terms to be determined at the time of sale.

In the short term, if market conditions warrant, the Corporation intends to effect an issue of senior unsecured debentures. The Corporation intends to use the proceeds of such an offering, together with cash on hand, to permit it to (i) redeem all of its outstanding \$105 million, 9.875% senior unsecured debentures due March 31, 2010; and (ii) effect a reduction or defeasance of its 50% share of the US\$275 million, 9.75% senior unsecured debentures, due October 15, 2011, in its coal business.

In April 2005, the Corporation announced its intention to pay a quarterly dividend. Dividends of \$0.025 per share were paid on May 24 and July 15, 2005 and a subsequent dividend for the same amount was declared to shareholders of record on September 30, 2005 and paid on October 14, 2005. Cash generated from operations and cash on hand are expected to be sufficient to finance ongoing operations and the quarterly dividend payment. Expansions or growth opportunities will be financed through a combination of cash from operations and, to the extent necessary, cash on hand and external financing.

In the first quarter of 2005, the Corporation completed the redemption of all of its \$200 million par value 6% convertible debentures. The redemption was effected by the issue of common shares. As a result of the redemption, and of conversions of 6% debentures into common shares prior to the redemption, Sherritt issued a total of 22,735,061 common shares in satisfaction and discharge of the \$200 million of 6% convertible debentures that were outstanding at year end. In addition, during the nine month period, 1,142 shares were issued on the conversion of \$8,000 principal amount of 7% convertible debentures and 2,144,000 shares were issued on stock option exercises.

The Corporation instituted a Normal Course Issuer Bid to acquire a maximum of five percent of its issued and outstanding shares which commenced July 5, 2005 and expires July 4, 2006. Between July 5, 2005, and September 30, 2005, 412,900 shares were purchased pursuant to the plan at an average price of \$10.70 per share. The Corporation also acquired 545,432 of its common shares at \$10.00 per share as a result of an issuer bid that closed on March 17, 2005.

During the nine month period, the Corporation entered into capital leases for equipment totalling \$14.6 million as part of long-term mine support equipment agreements. The Corporation also finalized the renewal of a credit facility during the second quarter.

In 2004, Sherritt entered into an agreement that allows for a part of the Moa Nickel S.A. income tax, royalty and labour tax payments, which are assigned to an international financial institution, to be redirected to Sherritt as payment for oil and power sales. The amount redirected to Sherritt is the excess of the international financial institution's minimum quarterly requirements. Sherritt received \$61.2 million under this agreement during the nine months ended September 30, 2005. In the event that the amounts received by the financial institution do not meet their minimum payment requirements, the amounts received by Sherritt must be refunded to make up the shortfall. The refund is limited to the total amount received by Sherritt in the particular calendar year. Should a refund occur, the Oil and Gas and Power businesses would increase the amounts receivable from the Cuban agencies by a similar amount. As at September 30, 2005, the estimated maximum potential refund, which would result in a similar amount of receivables being reinstated, is \$9.9 million. Based on management's expectations for production, commodity prices and costs at Moa Nickel S.A. for the remainder of the year, the Corporation does not expect that it will be required to refund any amounts that relate to the 2005 calendar year and therefore no liability has been recorded in respect of potential refunds.

Review of Operations

Coal

The Coal business continues to focus on innovative opportunities to increase productivity with improvements also being realized in safety performance. Coal achieved EBITDA of \$14.5 million on sales of 4.7 million tonnes during the third quarter of 2005.

Third Quarter Results

	Q3 2005	Q3 2004
Revenue	\$ 64.8	\$ 60.2
Operating costs	(48.9)	(43.3)
Selling costs	(0.1)	(0.1)
General and administrative costs	(1.3)	(1.2)
EBITDA	14.5	15.6
Depletion, amortization and accretion	(14.2)	(13.2)
Operating earnings	\$ 0.3	\$ 2.4

Revenue for the third quarter of 2005 increased by \$4.6 million compared to the same quarter last year. The increase is due to higher export coal prices and slightly increased sales volume at the Coal Valley mine, as well as moderately higher revenues at the contract mines due to increased cost recoveries. These revenue increases were partially offset by a decrease of \$2.4 million at the Poplar River mine due primarily to the loss of revenues related to a promissory note that matured in December 2004.

Operating costs have increased by \$5.6 million in 2005. This increase is partially attributable to the Coal Valley mine, where the wash plant was shut down in early August due to the expansion project, thereby decreasing production and sales and increasing unit production costs. Additionally, operating costs at the Paintearth mine have increased over the same quarter in 2004 as a result of increased equipment repair costs, fuel costs and higher mining ratios. Selling, general and administrative costs were similar to the same period in 2004.

Excluding Coal Valley's revenues and operating costs, EBITDA from the mine mouth, contract and other operations was \$17.9 million for the quarter compared with \$18.8 million for the comparable quarter last year. Included in the third quarter 2004 EBITDA was revenue related to the Poplar River promissory note of \$1.4 million. After adjusting for the promissory note, there was a slight increase in EBITDA of \$0.5 million.

Depletion, amortization and accretion of \$14.2 million during the quarter was \$1.0 million higher than the same period last year due to a higher capital asset base resulting from the prior year's capital expenditure program.

	Q3 2005	Q3 2004
Realized prices (\$/tonne)	\$ 13.79	\$ 13.06
Sales volumes (millions of tonnes)	4.7	4.6
Production volumes (millions of tonnes)	4.6	4.8

Average realized prices during the quarter were higher than the comparable quarter last year due to higher export prices. Sales and production volumes were similar to those in the same period last year. There was an increase in shipments at the mine mouth operations, due primarily to the expansion at the Genesee mine, which was partially offset by a decrease in shipments at the contract mining operations where production was negatively impacted during the quarter by the oil spill at Lake Wabamun that resulted from a CN train derailment.

	Q3 2005	Q3 2004
Capital expenditures	\$ 17.9	\$ 1.8

Capital spending was mainly in support of the Coal Valley expansion which is expected to double the capacity of the Coal Valley mine from 1.0 million to 2.0 million tonnes per year and is scheduled to be at full capacity by the second quarter of 2006.

Additionally, capital leases for equipment, totaling \$9.1 million were entered into during the quarter at various mine sites and were recorded as additions to capital assets and long-term debt.

Nine Months Ended September 30 Results

	Nine Months 2005	Nine Months 2004
Revenue	\$ 193.0	\$ 185.0
Operating costs	(139.5)	(128.4)
Selling costs	(0.4)	(0.3)
General and administrative costs	(3.6)	(3.7)
EBITDA	49.5	52.6
Depletion, amortization and accretion	(42.3)	(42.4)
Operating earnings	\$ 7.2	\$ 10.2

Revenue for the nine months ended September 30, 2005 increased by \$8.0 million compared to the same period last year. This increase is primarily due to higher export coal prices and slightly higher sales volume at the Coal Valley mine, where revenues have increased by \$6.8 million. The Paintearth mine generated \$1.7 million of higher revenues when compared to the same period last year due to increased sales volumes. Additionally, the contract operations have seen a \$4.5 million increase in revenues due to increased cost recoveries. These increases were partially offset by a decrease of \$5.7 million at the Poplar River mine due primarily to the loss of revenues related to the Poplar River promissory note that matured in December 2004.

Operating costs increased by \$11.1 million in 2005 compared to the same period in 2004. This increase is primarily attributable to the Coal Valley mine where operating costs have increased by \$8.4 million due to the on going expansion project where the wash plant shut down caused increased unit production costs. Operating costs at the contract mines also increased, mostly due to higher fuel costs and additional equipment hours arising from higher mining ratios, the impact of which was offset by higher revenue. Selling, general and administrative costs were similar to the same period in 2004.

Excluding Coal Valley's revenues and operating costs, EBITDA from the mine mouth, contract and other operations was \$53.8 million for the period, compared with \$55.3 million for the comparable period last year. Included in EBITDA for the 2004 period was revenue related to the Poplar River promissory note of \$4.0 million and other income of \$2.0 million. Other income is primarily the result of gains on the disposal of fixed assets and a one-time insurance refund received in the second quarter of 2004. After adjusting for these items, EBITDA for the remaining operations has increased \$4.5 million primarily due to improvements at the remaining mines.

Depletion, amortization and accretion of \$42.3 million was similar to the comparable period last year.

	Nine Months 2005	Nine Months 2004
Realized prices (\$/tonne)	\$ 13.59	\$ 12.93
Sales volumes (millions of tonnes)	14.2	14.3
Production volumes (millions of tonnes)	14.2	14.1

Average realized prices during the nine months ended September 30, 2005 were higher than the comparable period last year due to higher export prices. Sales volumes and production volumes are essentially unchanged from the same period in 2004. There was an increase in shipments at the mine mouth operations, due primarily to the expansion at the Genesee mine, which was partially offset by a decrease in shipments at the contract mining operations where production was negatively impacted during the second quarter by excessive rainfall in Western Canada and in the third quarter by the oil spill at Lake Wabamun that resulted from a CN train derailment.

	Nine Months 2005	Nine Months 2004
Capital expenditures	\$ 25.0	\$ 4.1

Capital spending was mainly in support of the Coal Valley expansion.

Additionally, capital leases for equipment, totaling \$14.6 million were entered into during the period at various mine sites and were recorded as additions to capital assets and long-term debt.

Metals

The Metals business continues to focus on maintaining low cost production of finished nickel and cobalt from the development of Cuba's extensive nickel resources. The Metals business mines, processes, and refines nickel and cobalt for sale worldwide (except the United States of America) with mining operations and associated processing facilities in Moa, Cuba; refining facilities in Fort Saskatchewan, Alberta; and international marketing and sales operations.

Third Quarter Results

	Q3 2005	Q3 2004
Revenue	\$ 83.8	\$ 100.9
Operating costs	(47.6)	(46.7)
Selling costs	(1.1)	(0.9)
General and administrative costs	(0.9)	(1.0)
EBITDA	34.2	52.3
Depletion, amortization and accretion	(4.8)	(5.1)
Operating earnings	\$ 29.4	\$ 47.2

Lower revenues relative to the same quarter last year reflected lower realized cobalt and nickel prices, lower nickel sales volumes, and a stronger Canadian dollar, partly offset by higher cobalt sales volumes and higher granular ammonium sulphate sales volumes. Increased operating costs relative to the same quarter last year were mainly a result of increased energy costs, partly offset by lower nickel sales volumes. Increased selling costs in the quarter reflect increased granular ammonium sulphate sales volumes.

During the third quarter, Metals received notice from its contract hydrogen supplier that deliveries of hydrogen may cease as a result of a plant closure scheduled later in 2006 or early 2007. The Corporation is reviewing other sources of supply and does not expect this situation to result in interruption to its nickel and cobalt operations.

Prices	Q3 2005	Q3 2004
Nickel – realized (\$/lb)	\$ 7.93	\$ 8.28
Cobalt – realized (\$/lb)	17.50	31.70
Nickel – reference (U.S.\$/lb)	6.61	6.35
Cobalt – reference (U.S.\$/lb)	13.41	23.17

Continuing strong demand and lower London Metal Exchange (“LME”) inventories relative to the same period last year contributed to the higher reference prices for nickel. However, realized nickel prices were lower, reflecting the impact of the stronger Canadian dollar. The lower cobalt reference price was mainly a result of increased global availability of cobalt and lower market demand relative to the same period last year.

Production (tonnes)	Q3 2005	Q3 2004
Mixed sulphides	4,116	4,203
Finished nickel	3,825	4,215
Finished cobalt	417	428

Lower mixed sulphides production in the quarter relative to the same period last year reflected the impact of maintenance activities at Moa. Lower finished nickel and cobalt production volumes in the third quarter reflected reduced mixed sulphide availability due to timing of production and shipments.

Sales (thousands of pounds)	Q3 2005	Q3 2004
Finished nickel	7,619	8,269
Finished cobalt	955	888

Nickel sales volumes were lower due to lower production volumes. Cobalt sales volumes increased as a result of the timing of sales and shipments.

	Q3 2005	Q3 2004
Capital expenditures	\$ 14.1	\$ 5.3

Capital expenditures of \$8.0 million in the third quarter of 2005 were primarily directed towards sustaining and upgrading the facilities at both Moa and Fort Saskatchewan, combined with various environmental initiatives. In addition, \$6.1 million was spent on basic engineering related to the expansion of the Metals Enterprise.

	Q3 2005	Q3 2004
Fertilizer sales (tonnes)	21,039	9,242
Revenue	\$ 6.2	\$ 3.4
Operating loss	(1.9)	(1.0)

The higher operating loss in the third quarter of 2005 from the fertilizer operations was primarily due to scheduled biannual maintenance activities in the sulphuric acid plant, partly offset by higher sales volumes and margins for granular ammonium sulphate, and higher margins on ammonia. Fertilizer sales are seasonal with the majority of sales occurring in the spring and fall. The increase in fertilizer sales volumes was due to the timing of fall sales for granular ammonium sulphate, which was partly offset by the realignment of profitability on crystalline ammonium sulphate sales to the Metals Enterprise. Effective March 31, 2005, the shareholders of the Metals Enterprise, of which Sherritt has a 50% interest, entered into an agreement to expand annual production, which included a provision to attribute 100% of future earnings or losses from the sale of crystalline ammonium sulphate to the Metals Enterprise. Prior to this agreement, 85% of earnings or losses were attributed to Sherritt, while the remaining 15% were attributed to the Metals Enterprise. Depreciation expense for the quarter for the fertilizer operations was \$0.7 million, which was comparable to the third quarter of 2004.

Nine Months Ended September 30 Results

	Nine Months 2005	Nine Months 2004
Revenue	\$ 325.4	\$ 348.7
Operating costs	(172.4)	(169.0)
Selling costs	(4.4)	(5.1)
General and administrative costs	(2.7)	(2.6)
EBITDA	145.9	172.0
Depletion, amortization and accretion	(15.0)	(15.1)
Operating earnings	\$ 130.9	\$ 156.9

Lower revenues relative to the prior period were mainly due to lower realized cobalt prices, lower fertilizer sales volumes, and a stronger Canadian dollar, partly offset by higher nickel and cobalt sales volumes and higher realized nickel prices. Increased operating costs relative to the first nine months of 2004 were mainly due to higher nickel and cobalt sales volumes and increased energy costs, partly offset by lower fertilizer sales volumes. Lower fertilizer sales volumes and selling costs reflect the realignment of profitability on crystalline ammonium sulphate sales to the Metals Enterprise.

Prices	Nine Months 2005	Nine Months 2004
Nickel – realized (\$/lb)	\$ 8.60	\$ 8.21
Cobalt – realized (\$/lb)	19.45	33.66
Nickel – reference (U.S.\$/lb)	7.00	6.25
Cobalt – reference (U.S.\$/lb)	15.16	24.23

For nickel, continuing strong demand and lower LME inventories relative to the same period last year contributed to the higher reference prices. The lower cobalt reference price was primarily a result of increased global availability of cobalt and lower market demand relative to the same period last year.

Production (tonnes)	Nine Months 2005	Nine Months 2004
Mixed sulphides	12,456	12,514
Finished nickel	12,085	12,100
Finished cobalt	1,287	1,244

Slightly decreased mixed sulphides production in the first nine months of 2005 relative to the same period last year reflected the impact of maintenance activities at Moa. Finished nickel production volumes were comparable with the same period last year. Higher cobalt production volumes were mainly a result of reduced in-process inventory relative to 2004.

Sales (thousands of pounds)	Nine Months 2005	Nine Months 2004
Finished nickel	26,289	25,676
Finished cobalt	2,768	2,642

Sales volumes were higher during the first nine months of 2005 than in the same period last year. For 2005, sales volumes of finished nickel and cobalt are expected to closely match production volumes, which are expected to be near the record levels established last year.

	Nine Months 2005	Nine Months 2004
Capital expenditures	\$ 24.5	\$ 9.3

Capital expenditures of \$16.1 million in the first nine months of 2005 were primarily directed towards sustaining and upgrading the facilities at both Moa and Fort Saskatchewan, combined with various environmental initiatives. On a year to date basis spending was higher primarily as a result of capital improvements to the sulphuric acid plant that occurred during the recent shutdown. In addition, \$8.4 million was spent on basic engineering related to the expansion of the Metals Enterprise.

	Nine Months 2005	Nine Months 2004
Fertilizer sales (tonnes)	143,222	167,067
Revenue	\$ 43.1	\$ 46.8
Operating earnings	2.8	6.1

Lower operating earnings relative to the first nine months of 2004 were mainly due to lower second quarter margins on granular ammonium sulphate, and lower profitability on crystalline ammonium sulphate resulting from the realignment of the crystalline ammonium sulphate business with the Metals Enterprise. Reported fertilizer sales volumes and revenue in the second and third quarters only reflect 50% of the crystalline ammonium sulphate sales and revenue. Depreciation expense for the first nine months of 2005 for the fertilizer operations was \$2.0 million, compared to \$1.7 million for the first nine months of 2004.

Oil and Gas

Oil and Gas continues to focus its operations on exploration, development and production from sub-sea oil deposits in Cuba which are drilled from nearby onshore locations using specialized skills in fold and thrust belt geology and directional drilling.

Third Quarter Results

	Q3 2005	Q3 2004
Revenue	\$ 59.7	\$ 51.1
Operating costs	(5.9)	(6.7)
General and administrative costs	(2.8)	(3.1)
EBITDA	51.0	41.3
Depletion, amortization and accretion	(19.8)	(21.0)
Operating earnings	\$ 31.2	\$ 20.3

Revenue for the third quarter increased over the same period last year as a result of record fuel oil prices, partly offset by lower production volumes. Operating costs decreased as a result of lower production volumes. General and administration costs were comparable to the same period last year. Depletion, amortization and accretion costs were comparable to 2004, as the impact of lower production volumes was offset by higher depletion rates. Depletion rates have increased due to the expanded capital program and lower reserve additions.

Prices	Q3 2005	Q3 2004
Realized prices \$/barrel (Cuba)	\$ 39.65	\$ 26.91
Reference price – Fuel Oil No. 6 (U.S.\$/barrel)	39.88	25.16

Oil and Gas sells all oil produced in Cuba to agencies of the Cuban government, generally at selling prices based on 79% to 83% of the Gulf Coast Fuel Oil No. 6 reference price. The reference price reached record levels during the third quarter of 2005, reaching as high as U.S. \$47.00 per barrel at the end of September. The impact of higher fuel oil prices was partially reduced by the strength of the Canadian dollar.

Production	Q3 2005	Q3 2004
Gross oil production in Cuba (bopd) ^{(1) (4)}		
Operated	37,190	42,325
Working interest ⁽²⁾	29,600	36,086
Net oil production (bopd) ⁽⁴⁾		
Cuba ⁽³⁾	15,173	19,399
Spain	569	584
Total	15,742	19,983

(1) Gross oil production excludes production from the Santa Cruz discovery and other wells for which commerciality has not been declared.

(2) Gross working interest production in Cuba is allocated to the Corporation and agencies of the Cuban government in accordance with production-sharing arrangements.

(3) Net working interest production or net sales volumes represents the Corporation's share of gross working interest production. Net working interest production for each production-sharing arrangement comprises profit oil (which is based upon a negotiated percentage) and cost recovery oil (which is based upon the Corporation's costs within each block). These costs, upon certification by agencies of the Cuban government, are accumulated in cost recovery pools by each production-sharing arrangement and reduced by allocation of produced oil to the Corporation. Production allocated to agencies of the Cuban government is considered to be a royalty interest.

(4) Barrels of oil per day ("bopd")

During the third quarter, gross production volumes decreased from the same period last year due to natural reservoir declines, a higher gas/oil ratio in the Canasi field, and precautionary shutdowns due to hurricane activity. Due to the significant focus on exploration drilling, new production resulting from development drilling did not fully offset natural reservoir declines. In addition to lower gross production volumes, the decrease in Cuban net oil production reflects lower cost recovery oil allocations due to record fuel oil prices and exploration drilling on Block 9, which is not recoverable until commerciality is declared.

	Q3 2005	Q3 2004
Capital expenditures	\$ 24.3	\$ 21.4

During the third quarter of 2005, six drilling rigs were active compared with three active rigs during the same period in 2004. Development wells at Seboruco 12 and Seboruco 102 were completed during the quarter and offsetting wells at Seboruco 13 and Seboruco 101 are being drilled during the fourth quarter. The first Santa Cruz appraisal well, completed in July, was suspended due to high water production rates, for which a remedial workover is scheduled for the fourth quarter. Construction also continues on the Canasi land-based treatment and ocean disposal system, which began in the second quarter.

Nine Months Ended September 30 Results

	Nine Months 2005	Nine Months 2004
Revenue	\$ 176.2	\$ 152.0
Operating costs	(19.6)	(20.0)
General and administrative costs	(9.1)	(8.2)
EBITDA	147.5	123.8
Depletion, amortization and accretion	(58.8)	(61.3)
Operating earnings	\$ 88.7	\$ 62.5

Revenue for the first nine months of 2005 increased as a result of record fuel oil prices, partly offset by lower production volumes. Operating costs decreased as a result of lower production volumes. General and administration costs have increased by approximately \$1.0 million due to higher activity levels. Depletion, amortization and accretion costs were comparable to 2004, as the impact of lower production volumes was offset by higher depletion rates. Depletion rates have increased due to the expanded capital program and lower reserve additions.

Prices	Nine Months 2005	Nine Months 2004
Realized prices \$/barrel (Cuba)	\$ 34.74	\$ 26.41
Reference price – Fuel Oil No. 6 (U.S.\$/barrel)	34.43	24.34

Oil and Gas sells all oil produced in Cuba to agencies of the Cuban government, generally at selling prices based on 79% to 83% of the Gulf Coast Fuel Oil No. 6 reference price. The reference price has increased steadily throughout the year reaching as high as U.S. \$47.00 per barrel in September following hurricane damage in the Gulf Coast region. The impact of higher fuel oil prices was partially reduced by the strength of the Canadian dollar.

Production	Nine Months 2005	Nine Months 2004
Gross oil production in Cuba (bopd) ^{(1) (4)}		
Operated	38,739	42,842
Working interest ⁽²⁾	31,257	36,988
Net oil production (bopd) ⁽⁴⁾		
Cuba ⁽³⁾	17,384	19,672
Spain	498	736
Total	17,882	20,408

(1) Gross oil production excludes production from the Santa Cruz discovery and other wells for which commerciality has not been declared.

(2) Gross working interest production in Cuba is allocated to the Corporation and agencies of the Cuban government in accordance with production-sharing arrangements.

(3) Net working interest production or net sales volumes represents the Corporation's share of gross working interest production. Net working interest production for each production-sharing arrangement comprises profit oil (which is based upon a negotiated percentage) and cost recovery oil (which is based upon the Corporation's costs within each block). These costs, upon certification by agencies of the Cuban government, are accumulated in cost recovery pools by each production-sharing arrangement and reduced by allocation of produced oil to the Corporation. Production allocated to agencies of the Cuban government is considered to be a royalty interest.

(4) Barrels of oil per day ("bopd")

During the first nine months of 2005, gross production volumes decreased due to natural reservoir declines, a higher gas/oil ratio in the Canasi field, and precautionary shutdowns due to hurricane activity. Due to the significant focus on exploration drilling, new production resulting from development drilling did not fully offset natural reservoir declines. In addition to lower gross production volumes, the decrease in Cuban net oil production reflects lower cost recovery oil allocations due to record fuel oil prices and exploration drilling on Block 9, which is not recoverable until commerciality is declared.

	Nine Months 2005	Nine Months 2004
Capital expenditures	\$ 92.1	\$ 61.0

Four drilling rigs were active during the first nine months of 2005 and two more rigs were added in August, compared with three active rigs during 2004. The 2005 capital program includes development drilling of Seboruco and other existing fields, appraisal of the Santa Cruz discovery, and exploration drilling on several prospects in Blocks 9 (San Anton), 10 (Playa Larga) and 7 (Guanabo and Tarara). The capital program also includes expansion of the Yumuri battery, which was finished during the second quarter, and construction of the Canasi land-based treatment and ocean disposal system, which started during the second quarter.

Power

Power continues to focus on the effective utilization of energy resources in the production of electricity. Sherritt has been an advocate of the construction of power facilities that derive both an economic and environmental benefit from processing natural gas being produced in Cuba which may otherwise be flared. Current production capacity of 226 megawatts (MW) will increase to over 310 MW with the completion of the 85 MW expansion in early 2006.

Discussions continue regarding further expansions of up to 190 MW in total. The project as planned would include two phases, the first of which involves two gas turbines providing a total of 65 MW. The second phase involves a combined cycle plant with capacity of approximately 125 MW and will be subject to confirmation and dedication of sufficient natural gas reserves from oil fields in Cuba. If the project proceeds, the gas turbines would be commissioned near the end of 2006 and the combined cycle would be completed in 2008. As with all previous Power projects, Sherritt would finance, construct and operate the expanded facilities, with all surplus net cash flow from the expansion being initially directed towards repayment of the financing and interest costs. Expenditures in respect of the next expansion phase are expected to commence in the fourth quarter pending finalization of terms. A final decision on this project is expected soon.

During the third quarter of 2005, Energas S.A. ("Energas") completed repayment of the financing provided by Sherritt for the construction of the existing Energas operations. Energas also paid \$3.3 million to the Cuban state for surface land rights in respect of these operations. In accordance with the agreements in respect of Power's operations in Cuba, effective September 1, 2005, the tariff on electricity produced from these operations has been reduced to U.S.\$0.038 per kilowatt hour from U.S.\$0.045 per kilowatt hour. In addition, the profits generated from these operations are now subject to a 30% Cuban tax and cash not required for these operations will be distributed to the owners of Energas as dividends.

The investment in the current and planned expansions of Energas will trigger a reinvestment credit of up to 30% of the amount invested. This reinvestment credit will be paid to Sherritt in an amount equal to 1/3 of the taxes paid by Energas. A reinvestment credit of approximately \$1 million is expected to be received in 2005.

The current and future expansions will be treated as a separate economic unit from the existing operations for the purpose of determining cash flows for the repayment of financing, calculation of taxes and payment of dividends. During the period in which financing for the expansion is repaid, Sherritt will be entitled to 100% of the net cash flow of the expansion as repayment of financing. The price of electricity during the payback period will be set at U.S. \$0.045 per kilowatt hour. Following the full repayment of financing for the expansion and payment for surface land rights, Energas will receive a lower tariff for electricity and will be taxable as described above for the existing operations.

Operating results for Power reflect the consolidation of Energas S.A. as a result of the adoption of Accounting Guideline AcG-15 – Consolidation of Variable Interest Entities, in the fourth quarter of 2004. The two-thirds non-controlling interests are disclosed separately on the consolidated balance sheets and the statements of operations. Results for 2004 have been restated to reflect the adoption of the accounting guideline.

Third Quarter Results

	Q3 2005	Q3 2004 (restated)
Revenue	\$ 24.2	\$ 26.6
Operating costs	(4.7)	(5.8)
General and administrative costs	(0.8)	(0.2)
EBITDA	18.7	20.6
Depletion, amortization and accretion	(5.6)	(4.4)
Operating earnings	\$ 13.1	\$ 16.2

Revenue for the third quarter decreased from the same period last year due to lower realized prices as a result of a stronger Canadian dollar and a reduction in the tariff charged for electricity production commencing in September. Operating costs were lower than in the prior year due mainly to the timing of maintenance work. General and administrative costs were higher in the current year quarter due to higher personnel and office costs. Depletion, amortization and accretion were higher than the previous year mainly due to the amortization of costs for major overhauls completed in late 2004 and during the second quarter of the current year.

	Q3 2005	Q3 2004
Realized prices (\$/MWh)	\$ 50.67	\$ 58.42

The sale price of electricity is fixed by a long-term U.S. dollar contract. Variations between the third quarter of 2005 and 2004 mainly reflect the strengthening of the Canadian dollar relative to the U.S. dollar, and the reduction in the electricity tariff in September 2005, following the repayment of the financing provided by Sherritt to construct the existing Energas operations.

	Q3 2005	Q3 2004
Electricity sold ⁽¹⁾ (MWh)	377,014	414,985

⁽¹⁾ Including non-controlling interest's share

Electricity sales for the quarter were lower than in the prior year due to the temporary diversion of gas to one customer. The diversion of some gas from electricity production is expected to continue until the end of October, but will not affect revenue otherwise earned from the usage of the gas to produce electricity.

	Q3 2005	Q3 2004
Capital expenditures	\$ 13.9	\$ 10.1

Capital expenditures for the third quarter of 2005 include expenditures of \$13.1 million for the expansion.

Commissioning of the 85 MW expansion has commenced and two of the turbines will be operational by year end. The third turbine, which will bring total capacity to over 310 MW, is now expected to be completed in February 2006. The slight delay in completing the expansion is due in part to three hurricanes that have delayed construction during 2005. A further \$10 million is expected to be spent on the expansion in the remainder of the year and approximately \$8 million is expected to be required to complete the project in 2006.

Nine Months Ended September 30 Results

	Nine Months 2005	Nine Months 2004 (restated)
Revenue	\$ 76.5	\$ 80.5
Operating costs	(21.7)	(16.5)
General and administrative costs	(1.5)	(0.6)
EBITDA	53.3	63.4
Depletion, amortization and accretion	(16.2)	(13.0)
Operating earnings	\$ 37.1	\$ 50.4

Revenue for the first nine months of the year decreased from the same period last year due to lower realized prices as a result of a stronger Canadian dollar and a reduction in the tariff charged for electricity production commencing in September 2005. Year to date operating costs were higher than prior year costs mainly due to a reduction in the amount of an expected insurance recovery. General and administrative costs increased due to higher personnel and office costs. Depletion, amortization and accretion were higher than the prior year mainly due to the amortization of costs for major overhauls completed in late 2004 and in the first six months of 2005.

	Nine Months 2005	Nine Months 2004
Realized prices (\$/MWh)	\$ 53.67	\$ 59.12

The sale price of electricity is fixed by a long-term U.S. dollar contract. Variations between the first nine months of 2005 and 2004 mainly reflect the stronger Canadian dollar and the reduction in the electricity tariff in September 2005.

	Nine Months 2005	Nine Months 2004
Electricity sold ⁽¹⁾ (MWh)	1,222,731	1,247,835

⁽¹⁾ Including non-controlling interest's share

Electricity sales for the year to date were slightly lower than the prior year due to the temporary diversion of gas to one customer. The diversion of some gas from electricity production is expected to continue until the end of October, but will not affect revenue otherwise earned from the usage of the gas to produce electricity.

	Nine Months 2005	Nine Months 2004
Capital expenditures	\$ 71.2	\$ 10.2

Capital expenditures for the first nine months of 2005 include expenditures of \$68.3 million on the expansion.

Other

Other primarily comprises the consolidated results of the Corporation's soybean-based food processing business. Operating results for Other reflect the consolidation of this business as a result of the adoption of Accounting Guideline AcG-15 – Consolidation of Variable Interest Entities, in the fourth quarter of 2004. Results for 2004 have been restated to reflect the adoption of the accounting guideline.

Third Quarter Results

	Q3 2005	Q3 2004 (restated)
Revenue	\$ 20.9	\$ 20.8
Operating costs	(18.8)	(17.1)
General and administrative costs	(0.4)	(0.6)
EBITDA	1.7	3.1
Depletion, amortization and accretion	(0.8)	(0.5)
Operating earnings	\$ 0.9	\$ 2.6

Revenue for the third quarter of 2005 was consistent with the prior year as a result of higher sales volumes of soybean-based products that was offset by lower market prices. As a result of increased throughput for the soybean-based food processing business, operating costs have increased when compared to the prior period.

Nine Months Ended September 30 Results

	Nine Months 2005	Nine Months 2004 (restated)
Revenue	\$ 57.7	\$ 57.9
Operating costs	(48.9)	(50.5)
General and administrative costs	(1.5)	(1.6)
EBITDA	7.3	5.8
Depletion, amortization and accretion	(2.2)	(1.5)
Operating earnings	\$ 5.1	\$ 4.3

EBITDA and operating earnings increased in the first nine months of the year compared with the prior period as throughput for the soybean-based food processing business increased due to the stable operation of the processing facility.

Outlook

Production levels in 2005 are expected to be similar to 2004 levels for Metals, Power, and Coal. Oil and Gas is expecting a modest increase in gross production for the balance of 2005 as a result of higher drilling activity. Total capital spending in 2005 is expected to be approximately \$300 million.

The outlook for each of Sherritt's business units follows:

Coal (all references are to Sherritt's 50% share)

Coal production in 2005 is expected to remain at levels similar to 2004 as a result of already expanded production at the Genesee mine being offset by lower production from the contract mines. The one million tonne expansion of the Coal Valley mine is nearing completion, with final commissioning of the wash plant now underway. Total expenditures in respect of the Coal Valley mine expansion for 2005 and 2006, including capital expenditures and capital and operating leases, are now expected to be approximately \$57.5 million compared with \$37.5 million estimated previously. The delay of several weeks and increased costs can be attributed primarily to underestimation of the project and difficulties in organizing and staffing construction activities in the tight labour market in Alberta. 2005 production for the mine is now anticipated at 0.9 million tonnes.

Work is continuing on an applied research project to develop the process technology required to beneficiate and gasify coal. Testing of the gasification potential of Sherritt's coals is taking place in the fourth quarter of 2005.

Sherritt is engaged in a series of longer term initiatives to develop its substantial coal reserves in Canada with a view to supplying energy in the form of steam or gases such as hydrogen, through gasification, and related hydrocarbon fuels. While some of these initiatives are in various stages of negotiations with potential customers, others are in the formative research and design stages. As these initiatives advance to become definitive business prospects, the Corporation intends to fund the resulting capital requirements from cash on hand, cash flow from operations, and other forms of financing as required. The Corporation may also consider the sale or monetization of certain operations or mature cash flow streams.

Metals (all references are to Sherritt's 50% share)

In 2005, finished nickel and finished cobalt production is expected to be near record levels. Nickel prices for the balance of the year are anticipated to remain strong, relative to historical prices, as long-term market fundamentals continue to be positive. Cobalt prices for the balance of the year are expected to be lower than the prior year, although a recovery in high grade cobalt demand is expected to stabilize cobalt prices before the end of 2005. The benefits of relatively strong nickel and cobalt prices are expected to be partly offset by continued high energy and raw materials prices. Sustaining capital expenditures for Metals are expected to be approximately \$33 million in 2005 and are focused on improving operational efficiency, maintaining process reliability and implementing environmental initiatives.

In March, 2005, Sherritt announced that it had reached a basic agreement for the expansion of its 50% owned metals joint venture by 50% to 49,000 tonnes per annum. Basic engineering for the project is scheduled for completion by the end of the first quarter of 2006 and construction is expected to begin in the second quarter. Agencies of the Government of Cuba have committed to dedicating sufficient reserves to the joint venture for 25 years of production at this expanded rate. The Corporation anticipates that it will be able to confirm the total capital expenditures required to complete the expansion at the end of basic engineering. Such expenditures (Sherritt's share) are currently estimated to be U.S.\$225 million. Given the anticipated completion date of basic engineering, the Corporation does not expect to enter into significant expansion-related equipment purchase commitments during 2005.

Oil and Gas

During 2005, fuel oil reference prices have increased steadily reaching record levels at the end of September following hurricane damage in the Gulf Coast region. The Corporation expects some moderation in fuel oil reference prices during the fourth quarter as Gulf Coast production and refining capacity returns to normal levels. Sherritt anticipates that its allocated (net) oil production in 2005 will be slightly lower than 2004, due to higher fuel oil prices, lower gross production from new wells, and natural field declines, partly offset by increases in recoverable capital spending.

Oil and Gas is on track with an ambitious exploration and development program at an estimated cost of \$128 million, with six drilling rigs currently in operation. In addition to its development drilling activity in Cuba, Sherritt is currently drilling several exploration and appraisal wells. The Corporation expects to complete and test three exploration wells during the fourth quarter on Block 7 (Guanabo and Tarara) and Block 9 (San Anton), and to spud a fourth exploration well on Block 10 (Playa Larga). A declaration of commerciality is expected to be made following completion of the appraisal wells, after which the Corporation will be entitled to a retroactive allocation of profit oil for all Santa Cruz production since the initial discovery. The level of exploration activity in the oil business is substantial and, to the extent new fields are discovered, significant capital may be required to bring such fields into production. The Corporation has also launched an initiative to improve recovery factors and increase reserves, including conventional gas lift and high volume lift technologies along with evaluating business combinations and other arrangements which will facilitate accelerated growth in the oil business.

Power

Commissioning of the 85 MW expansion has commenced and two of the turbines will be operational by year end. The third turbine, which will bring total capacity to over 310 MW, is now expected to be completed in February 2006. The slight delay in completing the expansion is due in part to three hurricanes that affected construction during the quarter. Capital expenditures for the year are estimated to be \$87 million, of which \$78 million is related to the expansion. Approximately \$8 million will be incurred in 2006 to complete the project. Total production for the year is expected to be 1.6 million megawatt hours.

Discussions continue regarding a further expansion of approximately 190 MW in total. The project as planned would include two phases, the first of which involves two gas turbines providing a total of 65 MW. The second phase involves a combined cycle plant with capacity of approximately 125 MW and will be subject to confirmation and dedication of sufficient natural gas reserves from oil fields in Cuba. If the project proceeds, the gas turbines would be commissioned near the end of 2006 and the combined cycle would be completed in 2008. As with all previous Power projects, Sherritt would finance, construct and operate the expanded facilities, with all surplus net cash flow from the expansion being initially directed towards repayment of the financing and interest costs. Expenditures in respect of this project are expected to commence in the fourth quarter pending finalization of terms. A final decision on this project is expected soon.

Other Businesses

The soybean-based food processing business continues to pursue opportunities to maximize consumption of its products in Cuba. Production levels are expected to increase by 13% in 2005. Capital expenditures for 2005 are estimated to be \$1 million.

Summary Quarterly Results (unaudited)

The following table presents a summary of our segments and consolidated operating results for each of the eight quarters from December 2003 to September 2005.

(millions of dollars, except per share amounts)	Quarter ended							
	September 2005	June 2005	March 2005	Dec. 2004	Sept. 2004 ⁽²⁾	June 2004 ⁽²⁾	March 2004 ⁽²⁾	Dec. 2003 ⁽²⁾
Revenue								
Coal ⁽¹⁾	\$ 64.8	\$ 65.3	\$ 62.9	\$ 65.4	\$ 60.2	\$ 61.6	\$ 63.2	\$ 60.3
Metals	83.8	141.8	99.8	107.6	100.9	142.8	105.0	99.6
Oil and Gas	59.7	66.8	49.7	45.1	51.1	53.3	47.6	51.2
Power	24.2	26.6	25.7	23.5	26.6	27.2	26.7	27.1
Other	20.9	19.6	17.2	20.3	20.8	21.1	16.0	12.2
	\$ 253.4	\$ 320.1	\$ 255.3	\$ 261.9	\$ 259.6	\$ 306.0	\$ 258.5	\$ 250.4
Earnings from continuing operations	\$ 23.1	\$ 56.0	\$ 35.5	\$ 22.7	\$ 35.2	\$ 53.3	\$ 46.1	\$ 20.5
Net earnings	23.1	56.0	35.5	24.4	35.2	54.3	46.1	20.5
Earnings from continuing operations per share								
Basic	0.15	0.36	0.25	0.15	0.27	0.41	0.35	0.20
Diluted	0.13	0.30	0.21	0.13	0.20	0.29	0.26	0.15
Earnings per share								
Basic	0.15	0.36	0.25	0.17	0.27	0.41	0.35	0.20
Diluted	0.13	0.30	0.21	0.14	0.20	0.30	0.26	0.15

⁽¹⁾ Coal revenue excludes revenue from the metallurgical coal operations disposed of in February 2003.

⁽²⁾ Restated – see note 2 of the Consolidated Financial Statements.

The analysis of financial results for the last eight quarters is generally consistent with the consolidated financial results and selected interim information presented previously in this document. Further details in respect of historical quarterly results can be found in the Corporation's quarterly reports filed on SEDAR at www.sedar.com or on the Corporation's web site at www.sherritt.com.

Changes in Accounting Policies

During 2004, the Corporation adopted several new accounting pronouncements from the Canadian Institute of Chartered Accountants (CICA) that have an impact on the Corporation's financial statements. The highlights of the impact of the new pronouncements are as follows:

Consolidation of Variable Interest Entities

On October 1, 2004, the Corporation early adopted AcG-15, Consolidation of Variable Interest Entities. The guideline requires the primary beneficiary of a variable interest entity (VIE) to consolidate the VIE when the equity owners have not provided the VIE with sufficient funding through equity to allow it to finance its activities without relying on subordinated financial support from other parties or when the primary beneficiary holds a controlling financial interest through means other than the majority ownership of voting equity. The primary beneficiary is the enterprise that will absorb or receive the majority of the VIE's expected losses, expected residual returns, or both. The Corporation is the primary beneficiary of two VIE's.

The Corporation elected to implement the guideline on a retroactive basis with restatement of prior periods. The effect of the change in policy on current and prior year amounts is disclosed in note 2 of the consolidated financial statements.

Convertible Debentures – Disclosure and Presentation

On October 1, 2004, the Corporation early adopted changes to CICA section 3860, Financial Instruments – Disclosure and Presentation. Under Section 3860 the convertible debentures must be divided into liability and equity components in accordance with the substance of the contractual arrangement.

The liability component was determined by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability without an associated equity component. The carrying amount of the equity component, represented by the holders' option to convert the convertible debentures into common shares, was determined by deducting the carrying amount of the liability component from the principal value of the convertible debentures that were originally issued at par. The liability is increased to the par value of the convertible debentures over the term to maturity through an accretion charge recorded in interest expense.

The Corporation elected to implement the guideline on a retroactive basis with restatement of prior periods. The effect of the change in policy on current and prior year amounts is disclosed in note 2 of the consolidated financial statements.

Off Balance Sheet Arrangements

The Corporation had no material outstanding foreign exchange or commodity options, futures or forward contracts as at September 30, 2005.

Transactions with Related Parties

Subsidiaries of the Corporation provide goods, labour, advisory and other administrative services to joint ventures at cost, commercial rates, and other various contractual terms. The Corporation and its subsidiaries also market, pursuant to sales agreements, all of the cobalt, a portion of the nickel, and certain by-products produced by certain jointly owned entities in the Metals business.

The total value of all goods and services, including labour services, that the Corporation and its subsidiaries provided to joint ventures in the third quarter of 2005 amounted to \$14.4 million (2004 - \$23.6 million) and for the first nine months ended September 30, 2005 was \$34.4 million (2004 - \$57.9 million). The total value of goods and services purchased from affiliates in the third quarter of 2005 was \$nil (2004 - \$nil million) and for the first nine months ended September 30, 2005 was \$1.5 million (2004 - \$1.6 million).

Accounts receivable from joint ventures at September 30, 2005, totalled \$4.4 million (2004 - \$7.5 million). Accounts payable to joint ventures at September 30, 2005 totalled \$2.1 million (2004 - \$0.9 million).

Contractual Obligations and Commitments

The Corporation is committed to purchases of equipment and services in the amount of \$21.8 million. As the Power and Metals expansion progresses, the Corporation expects to enter into additional commitments.

Additional Information

Share Capital

As at September 30, 2005, the Corporation had 155,426,847 common shares outstanding.

If all of the convertible debentures were converted into shares at the option of the holders, up to 42,855,143 additional shares would be issued on or before December 14, 2013 with respect to the 7% convertible debentures.