INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the three months ended March 31, 2012

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Condensed consolidated statements of comprehensive (loss) income

Unaudited, Canadian $ millions, except per share amounts, for the three months ended March 31	Note		2012		2011
Revenue		**$**	**462.2**	$	474.5
Cost of sales	5		**354.8**		337.8
Gross profit			**107.4**		136.7
Administrative expenses			**18.5**		22.5
Operating profit			**88.9**		114.2
Share of earnings (loss) of an associate, net of tax	12		**1.2**		(1.1)
Earnings from operations and associate			**90.1**		113.1
Financing income	6		**2.2**		(17.5)
Financing expense	6		**43.1**		35.1
Net finance expense			**45.3**		17.6
Earnings before tax			**44.8**		95.5
Income tax expense	7		**12.2**		31.5
Net earnings from continuing operations			**32.6**		64.0
Loss from discontinued operation, net of tax			**0.3**		0.4
Net earnings for the period		**$**	**32.3**	$	63.6
Other comprehensive (loss) income					
Foreign currency translation differences on foreign operations			**(36.8)**		(41.4)
Comprehensive (loss) income		**$**	**(4.5)**	$	22.2
Net earnings from continuing operations per common share:					
Basic	8	**$**	**0.11**	$	0.22
Diluted	8	**$**	**0.11**	$	0.22
Net earnings per common share:					
Basic	8	**$**	**0.11**	$	0.22
Diluted	8	**$**	**0.11**	$	0.22

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed consolidated statements of financial position

Unaudited, Canadian $ millions, as at	Note		2012 March 31		2011 December 31
ASSETS					
Current assets					
Cash and cash equivalents		$	**163.9**	$	174.6
Restricted cash			**1.2**		1.1
Short-term investments	17		**429.0**		456.8
Investments			**28.3**		29.1
Advances, loans receivable and other financial assets	9		**68.3**		71.1
Other non-financial assets	9		**0.2**		0.2
Finance lease receivables	9		**22.3**		23.3
Trade accounts receivable, net	17		**388.6**		386.5
Income taxes receivable			**19.1**		19.1
Inventories	10		**240.1**		215.1
Prepaid expenses			**13.3**		12.1
			1,374.3		1,389.0
Non-current assets					
Advances, loans receivable and other financial assets	9		**1,275.6**		1,278.8
Other non-financial assets	9		**12.8**		17.1
Finance lease receivables	9		**191.4**		196.0
Property, plant and equipment	11		**1,409.0**		1,430.4
Investments			**28.4**		34.7
Investment in an associate	12		**1,088.6**		1,053.1
Goodwill			**307.9**		307.9
Intangible assets			**786.0**		786.2
Deferred income taxes			**2.8**		2.8
			5,102.5		5,107.0
Assets of discontinued operation			**1.5**		1.5
		$	**6,478.3**	$	6,497.5
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Loans and borrowings	14	$	**21.9**	$	56.9
Trade accounts payable and accrued liabilities			**217.0**		179.8
Income taxes payable			**23.8**		25.9
Other financial liabilities	14		**70.4**		69.8
Other non-financial liabilities	14		**43.8**		8.0
Environmental rehabilitation provisions	15		**33.3**		31.9
			410.2		372.3
Non-current liabilities					
Loans and borrowings	14		**1,674.3**		1,687.8
Other financial liabilities	14		**192.5**		205.4
Other non-financial liabilities	14		**14.8**		15.1
Intangible liability			**8.0**		9.1
Environmental rehabilitation provisions	15		**230.5**		235.8
Deferred income taxes			**224.6**		232.1
			2,344.7		2,385.3
Liabilities of discontinued operation			**8.2**		8.2
			2,763.1		2,765.8
Shareholders' equity					
Capital stock	16		**2,801.8**		2,803.1
Retained earnings			**805.9**		784.9
Reserves	16		**195.7**		195.1
Accumulated other foreign currency translation reserve	16		**(88.2)**		(51.4)
			3,715.2		3,731.7
		$	**6,478.3**	$	6,497.5

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed consolidated statements of changes in equity

Unaudited, Canadian $ millions

	Note	Capital stock	Retained earnings	Reserves	Accumulated foreign currency translation reserve	Total
Balance as at December 31, 2010		$ 2,787.3	$ 632.5	$ 206.6	$ (98.1)	$ 3,528.3
Shares issued for:						
Treasury stock - restricted stock plan	16	(0.6)	-	-	-	(0.6)
Stock options exercised	16	0.1	-	-	-	0.1
Restricted stock plan amortization	16,20	-	-	0.3	-	0.3
Employee share purchase plan expense	16,20	-	-	0.2	-	0.2
Stock option plan expense	16,20	-	-	0.1	-	0.1
Dividends declared to common shareholders	16	-	(11.2)	-	-	(11.2)
Total comprehensive income:						
Net earnings for the period		-	63.6	-	-	63.6
Foreign currency translation differences on foreign operations	16	-	-	-	(41.4)	(41.4)
		-	63.6	-	(41.4)	22.2
Balance as at March 31, 2011		$ 2,786.8	$ 684.9	$ 207.2	$ (139.5)	$ 3,539.4
Shares issued for:						
Treasury stock - restricted stock plan	16	(0.1)	-	-	-	(0.1)
Restricted stock plan (vested)	16	0.1	-	(0.1)	-	-
Employee share purchase plan	16	2.4	-	-	-	2.4
Cross-guarantee	16	13.9	-	(13.9)	-	-
Restricted stock plan amortization	16,20	-	-	0.4	-	0.4
Employee share purchase plan expense	16,20	-	-	0.5	-	0.5
Stock option plan expense	16,20	-	-	1.0	-	1.0
Dividends declared to common shareholders	16	-	(33.7)	-	-	(33.7)
Total comprehensive income:						
Net earnings for the period		-	133.7	-	-	133.7
Foreign currency translation differences on foreign operations	16	-	-	-	88.1	88.1
		-	133.7	-	88.1	221.8
Balance as at December 31, 2011		$ 2,803.1	$ 784.9	$ 195.1	$ (51.4)	$ 3,731.7
Shares issued for:						
Treasury stock - restricted stock plan	16	(1.5)	-	-	-	(1.5)
Restricted stock plan (vested)	16	0.2	-	(0.2)	-	-
Restricted stock plan amortization	16,20	-	-	0.3	-	0.3
Employee share purchase plan expense	16,20	-	-	0.1	-	0.1
Stock option plan expense	16,20	-	-	0.4	-	0.4
Dividends declared to common shareholders	16	-	(11.3)	-	-	(11.3)
Total comprehensive income:						
Net earnings for the period		-	32.3	-	-	32.3
Foreign currency translation differences on foreign operations	16	-	-	-	(36.8)	(36.8)
		-	32.3	-	(36.8)	(4.5)
Balance as at March 31, 2012		$ 2,801.8	$ 805.9	$ 195.7	$ (88.2)	$ 3,715.2

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed consolidated statements of cash flow

Unaudited, Canadian $ millions, for the three months ended March 31	Note		2012		2011
Operating activities					
Net earnings		**$**	**32.3**	$	63.6
Add (deduct)					
Depletion, depreciation and amortization	4		**57.5**		50.2
Accretion expense on environmental rehabiliation provisions	6		**1.2**		1.4
Stock-based compensation (recovery) expense, net	20		**0.8**		1.9
Share of (earnings) loss of an associate, net of tax	12		**(1.2)**		1.1
Impairment losses	5		**1.2**		0.1
Net loss (gain) on financial instruments	6		**11.8**		(5.6)
Current income tax expense	7		**18.7**		28.9
Deferred income tax (recovery) expense	7		**(6.5)**		2.6
Unrealized foreign exchange loss			**4.4**		2.2
Liabilities settled for environmental rehabilitation	15		**(7.0)**		(4.8)
Service concession arrangement			**(7.0)**		(5.5)
Cross-guarantee fee amortization	6		**3.0**		3.0
Interest income	6		**(9.6)**		(11.9)
Interest expense	6		**32.1**		28.5
Other items			**(1.5)**		1.0
Net change in non-cash working capital	21		**6.3**		(34.0)
Interest received			**10.3**		11.5
Interest paid			**(3.6)**		(2.9)
Income tax paid			**(20.4)**		(24.0)
Cash provided by operating activities			**122.8**		107.3
Investing activities					
Property, plant and equipment expenditures	4		**(19.4)**		(22.4)
Exploration and evaluation intangible expenditures	4		**(1.6)**		(0.7)
Other intangible expenditures	4		**(1.1)**		(0.5)
Increase in advances, loans receivable and other financial assets			**(12.7)**		(10.9)
Repayment of advances, loans receivable and other financial assets			**13.4**		13.7
Investments			**6.8**		6.7
Loans to an associate			**(22.7)**		(58.9)
Investment in an associate			**(69.9)**		(33.9)
Restricted cash			**(0.1)**		-
Net proceeds from sale of property, plant and equipment			**0.7**		0.1
Short-term investments			**27.8**		145.6
Cash (used for) provided by investing activities			**(78.8)**		38.8
Financing activities					
Repayment of loans and borrowings and other financial liabilities			**(46.8)**		(50.3)
Increase in loans and borrowings and other financial liabilities			**-**		46.6
Repayment of short-term loans			**-**		(14.2)
Increase in finance lease receivables			**(0.6)**		(3.7)
Repayment of finance lease receivables			**6.2**		5.1
Issuance of common shares	16		**-**		0.1
Treasury stock - restricted stock plan	16		**(1.5)**		(0.6)
Dividends paid on common shares	16		**(11.3)**		(11.2)
Cash used for financing activities			**(54.0)**		(28.2)
Effect of exchange rate changes on cash and cash equivalents			**(0.7)**		(0.1)
(Decrease) increase in cash and cash equivalents			**(10.7)**		117.8
Cash and cash equivalents at beginning of the period			**174.6**		263.1
Cash and cash equivalents at end of the period		**$**	**163.9**	$	380.9
Cash and cash equivalents consist of:					
Cash on hand and balances with banks		**$**	**96.5**	$	70.0
Cash equivalents	17		**67.4**		310.9

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

(All dollar amounts presented in tables are expressed in millions of Canadian dollars except per share amounts)

1 NATURE OF OPERATIONS AND CORPORATE INFORMATION

Sherritt International Corporation (the "Corporation" or "Sherritt") is a diversified Canadian natural resource company that operates principally in Canada and Cuba and has a significant mining project under development in Madagascar. The Corporation, either directly or through its subsidiaries, has significant interests in nickel and cobalt mining, processing and refining; thermal coal technology and production; oil and gas exploration, development and production; and electricity generation. The Corporation also licenses its proprietary technologies to other mining companies.

The Corporation is domiciled in Ontario, Canada and its registered office is 1133 Yonge Street, Toronto, Ontario, M4T 2Y7. These consolidated financial statements were approved and authorized for issuance by the Audit Committee on behalf of the Board of Directors of Sherritt on April 24, 2012. The Corporation is listed on the Stock Exchange in Toronto.

2 BASIS OF PRESENTATION

The interim condensed consolidated financial statements of the Corporation, the parent company, are prepared in accordance with IAS 34, "Interim Financial Reporting" (IAS 34), as issued by the International Accounting Standards Board (IASB). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the IASB, have been omitted or condensed. These financial statements include the financial results of the Corporation's interest in its subsidiaries, joint ventures and an associate.

The interim condensed consolidated financial statements are prepared on a going concern basis, under the historical cost convention except for certain financial assets which are presented at fair value in Canadian dollars, the Corporation's functional currency. All financial information is presented in Canadian dollars rounded to the nearest hundred thousand, except as otherwise noted.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of Sherritt for the year ended December 31, 2011. The disclosure contained in these interim condensed consolidated financial statements does not include all requirements in IAS 1, "Presentation of Financial Statements" (IAS 1). Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2011.

4 SEGMENTED INFORMATION

Business segments

Canadian $ millions, for the three months ended March 31						2012
	Metals	Coal	Oil and Gas	Power	Corporate and Other	Total
Revenue	$ 114.8	$ 245.3	$ 82.2	$ 16.6	$ 3.3	$ 462.2
Cost of sales	90.1	214.8	33.2	12.3	4.4	354.8
Gross profit (loss)	24.7	30.5	49.0	4.3	(1.1)	107.4
Administrative expenses	1.6	4.7	2.6	1.0	8.6	18.5
Operating profit (loss)	23.1	25.8	46.4	3.3	(9.7)	88.9
Share of earnings of associate	1.2	-	-	-	-	1.2
Earnings (loss) from operations and associate	24.3	25.8	46.4	3.3	(9.7)	90.1
Financing income	11.8	(4.4)	(1.4)	(0.6)	(3.2)	2.2
Financing expense	24.3	3.8	(4.8)	(2.4)	22.2	43.1
Net finance expense (income)	36.1	(0.6)	(6.2)	(3.0)	19.0	45.3
(Loss) earnings before tax	(11.8)	26.4	52.6	6.3	(28.7)	44.8
Income tax expense (recovery)	4.0	2.8	13.5	0.8	(8.9)	12.2
Net (loss) earnings from continuing operations	(15.8)	23.6	39.1	5.5	(19.8)	32.6
Loss from discontinued operation	-	-	-	-	0.3	0.3
Net (loss) earnings for the period	$ (15.8)	$ 23.6	$ 39.1	$ 5.5	$ (20.1)	$ 32.3
Supplementary information						
Depletion, depreciation and amortization	$ 8.2	$ 27.3	$ 18.8	$ 2.6	$ 0.6	$ 57.5
Property, plant and equipment expenditures	2.9	6.6	8.6	0.2	1.1	19.4
Intangible asset expenditures	-	-	1.6	1.1	-	2.7

Canadian $ millions, as at March 31						2012
Non-current assets[1]	$ 656.1	$ 1,430.4	$ 222.1	$ 176.9	$ 17.4	$ 2,502.9
Total assets	3,008.5	1,923.3	938.5	440.1	167.9	6,478.3

Canadian $ millions, for the three month ended March 31						2011
	Metals	Coal	Oil and Gas	Power	Corporate and Other	Total
Revenue	$ 140.4	$ 245.9	$ 70.5	$ 14.4	$ 3.3	$ 474.5
Cost of sales	78.1	217.8	28.6	10.8	2.5	337.8
Gross profit	62.3	28.1	41.9	3.6	0.8	136.7
Administrative expenses	3.8	4.6	2.5	1.4	10.2	22.5
Operating profit (loss)	58.5	23.5	39.4	2.2	(9.4)	114.2
Share of loss of associate	(1.1)	-	-	-	-	(1.1)
Earnings (loss) from operations and associate	57.4	23.5	39.4	2.2	(9.4)	113.1
Financing income	(1.9)	(4.6)	(2.0)	(0.7)	(8.3)	(17.5)
Financing expense	14.3	4.0	(3.7)	(1.2)	21.7	35.1
Net finance expense (income)	12.4	(0.6)	(5.7)	(1.9)	13.4	17.6
Earnings (loss) before tax	45.0	24.1	45.1	4.1	(22.8)	95.5
Income tax expense (recovery)	17.9	1.4	13.5	0.4	(1.7)	31.5
Net earnings (loss) from continuing operations	27.1	22.7	31.6	3.7	(21.1)	64.0
Loss from discontinued operation	-	-	-	-	0.4	0.4
Net earnings (loss) for the period	$ 27.1	$ 22.7	$ 31.6	$ 3.7	$ (21.5)	$ 63.6
Supplementary information						
Depletion, depreciation and amortization	$ 7.4	$ 24.2	$ 15.4	$ 2.6	$ 0.6	$ 50.2
Property, plant and equipment expenditures	5.7	2.5	14.0	-	0.2	22.4
Intangible asset expenditures	-	-	0.7	0.5	-	1.2

Canadian $ millions, as at December 31						2011
Non-current assets[1]	$ 666.7	$ 1,432.9	$ 234.9	$ 173.1	$ 16.9	$ 2,524.5
Total assets	2,926.1	1,937.2	919.0	436.5	278.7	6,497.5

(1) Non-current assets are composed of property, plant and equipment, goodwill, and intangible assets.

Geographic segments

The Corporation carries on business in the following geographic areas:

Canadian $ millions, as at	2012 March 31		2011 December 31	
	Non-current assets[1]	**Total assets**	Non-current assets[1]	Total assets
Canada	**$ 1,730.6**	**$ 3,044.6**	$ 1,735.9	$ 3,058.4
Cuba	**748.0**	**1,246.0**	765.6	1,281.1
Madagascar	**12.9**	**2,095.5**	12.9	2,052.2
Europe	**10.1**	**27.0**	8.6	24.5
Asia	**1.3**	**2.3**	1.5	2.2
Other	**-**	**62.9**	-	79.1
	$ 2,502.9	**$ 6,478.3**	$ 2,524.5	$ 6,497.5

(1) Non-current assets are composed of property, plant and equipment, goodwill, and intangible assets.

Canadian $ millions, for the three months ended March 31	2012	2011
	Total revenue	Total revenue
Canada	**$ 176.6**	$ 165.6
Cuba	**94.1**	80.0
Madagascar	**2.4**	2.1
Europe	**83.6**	76.0
Asia	**49.9**	111.7
Other	**55.6**	39.1
	$ 462.2	$ 474.5

Revenue segments

Revenue includes the following significant categories:

Canadian $ millions, for the three months ended March 31	2012	2011
Commodity and electricity	**$ 429.7**	$ 439.5
Royalty	**13.7**	16.8
Other	**18.8**	18.2
	$ 462.2	$ 474.5

5 COST OF SALES

Cost of sales includes the following select information:

Canadian $ millions, for the three months ended March 31		2012		2011
Employee costs	$	94.2	$	88.1
Depletion, depreciation and amortization of property, plant and equipment and intangible assets		56.4		47.6
Exploration and evaluation expenses		2.6		0.1
Impairment losses		1.2		0.1

The exploration and evaluation expenses incurred by the Corporation relate mainly to the Sulawesi Project in Indonesia. The Corporation expensed $2.6 million relating to this project for the three months ended March 31, 2012 ($nil for the three months ended March 31, 2011).

6 NET FINANCE EXPENSE

Canadian $ millions, for the three months ended March 31	Note		2012		2011
Net (loss) gain on financial instruments	17	$	(11.8)	$	5.6
Interest income on cash, cash equivalents and short-term investments			1.1		1.8
Interest income on investments			1.9		2.7
Interest income on advances and loans receivable			2.2		3.0
Interest income on finance leases			4.4		4.4
Total financing income			(2.2)		17.5
Interest expense and accretion on loans and borrowings			28.9		26.0
Interest expense on other liabilities			1.1		0.8
Interest expense on finance lease obligations			2.1		1.7
Accretion expense on environmental rehabilitation provisions	15		1.2		1.4
Foreign exchange loss			3.4		0.1
Cross-guarantee fee amortization			3.0		3.0
Other finance charges			3.4		2.1
Total financing expense			43.1		35.1
Net finance expense		$	45.3	$	17.6

7 INCOME TAXES

Canadian $ millions, for the three months ended March 31		2012		2011
Current income tax expense				
Current period	$	18.7	$	28.9
		18.7		28.9
Deferred income tax (recovery) expense				
Origination and reversal of temporary differences		(2.5)		0.6
Reduction in tax rate		(0.3)		-
(Recognition) non-recognition of tax assets (not) previously recognized		(3.7)		2.0
		(6.5)		2.6
Income tax expense	$	12.2	$	31.5

8 EARNINGS PER SHARE

The following table presents the calculation of basic and diluted earnings per common share:

Net earnings per share

Canadian $ millions, except per share amounts, for the three months ended March 31		2012		2011
Net earnings from continuing operations	$	32.6	$	64.0
Loss from discontinued operation		0.3		0.4
Net earnings - basic	$	32.3	$	63.6
Net earnings from continuing operations	$	32.6	$	64.0
Adjustment to cash-settled share-based compensation expense[1]		(0.1)		-
Earnings from continuing operations - diluted		32.5		64.0
Loss from discontinued operation		0.3		0.4
Net earnings - diluted	$	32.2	$	63.6
Weighted-average number of common shares - basic		296.2		295.0
Weighted-average effect of dilutive securities:[1]				
Employee share purchase		-		0.2
Stock options		0.1		-
Restricted stock		0.3		0.3
Cross-guarantee		-		0.9
Weighted-average number of common shares - diluted		296.6		296.4
Net earnings from continuing operations per common share:				
Basic	$	0.11	$	0.22
Diluted	$	0.11	$	0.22
Loss from discontinued operation per common share:				
Basic	$	-	$	-
Diluted	$	-	$	-
Net earnings per common share:				
Basic	$	0.11	$	0.22
Diluted	$	0.11	$	0.22

(1) The determination of the weighted-average number of common shares - diluted excludes 3.6 million shares related to stock options that were anti-dilutive for the three months ended March 31, 2012 (5.3 million for the three months ended March 31, 2011). There were 0.8 million shares related to the employee share purchase plan that were anti-dilutive for the three months ended March 31, 2012 (no shares for the three months ended March 31, 2011).

9 ADVANCES, LOANS RECEIVABLE, OTHER ASSETS AND FINANCE LEASE RECEIVABLES

Advances, loans receivable and other financial assets

Canadian $ millions, as at	Note	2012 March 31	2011 December 31
Advances, loans receivable			
Ambatovy subordinated loan receivable	19	**$ 974.6**	$ 968.9
Energas conditional sales agreement	19	**174.2**	166.9
Moa Joint Venture loans receivable	19	**134.7**	142.8
Other		**24.5**	24.3
Other financial assets			
Ambatovy call option	17	**25.6**	38.0
Deferred reclamation recoveries		**10.3**	9.0
		1,343.9	1,349.9
Current portion of advances, loans receivable and other financial assets		**(68.3)**	(71.1)
		$ 1,275.6	$ 1,278.8

Other non-financial assets

Canadian $ millions, as at	2012 March 31	2011 December 31
Cross-guarantee fee asset	**$ 7.6**	$ 10.6
Pension asset	**2.1**	2.4
Other	**3.3**	4.3
	13.0	17.3
Current portion of other non-financial assets	**(0.2)**	(0.2)
	$ 12.8	$ 17.1

Finance lease receivables

Canadian $ millions, as at	2012 March 31			2011 December 31		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**$ 36.9**	**$ 14.6**	**$ 22.3**	$ 38.3	$ 15.0	$ 23.3
Between one and five years	**117.0**	**45.3**	**71.7**	122.8	45.8	77.0
More than five years	**150.9**	**31.2**	**119.7**	149.5	30.5	119.0
	$ 304.8	**$ 91.1**	**$ 213.7**	$ 310.6	$ 91.3	$ 219.3

10 INVENTORIES

Canadian $ millions, as at	2012 March 31	2011 December 31
Uncovered coal	**$ 11.0**	$ 8.5
Raw materials	**10.0**	8.5
Materials in process	**35.6**	37.7
Finished products	**85.9**	64.8
	142.5	119.5
Spare parts and operating materials	**97.6**	95.6
	$ 240.1	$ 215.1

For the three months ended March 31, 2012, the cost of inventories recognized as an expense and included in cost of sales was $235.5 million ($237.3 million for the three months ended March 31, 2011).

11 PROPERTY, PLANT AND EQUIPMENT

Canadian $ millions, for the three months ended March 31				2012
	Mining properties	**Oil and Gas properties**	**Plant, equipment and land**	**Total**
Cost				
Balance, beginning of the period	**$ 417.6**	**$ 1,047.0**	**$ 1,991.1**	**$ 3,455.7**
Additions	**4.2**	**7.1**	**25.7**	**37.0**
Capitalized closure costs	**5.3**	**-**	**(2.6)**	**2.7**
Disposals	**-**	**-**	**(6.4)**	**(6.4)**
Capitalized interest	**-**	**-**	**0.6**	**0.6**
Effect of movements in exchange rates	**(0.5)**	**(13.4)**	**(11.4)**	**(25.3)**
Balance, end of the period	**426.6**	**1,040.7**	**1,997.0**	**3,464.3**
Depletion, depreciation and impairment losses				
Balance, beginning of the period	**262.0**	**917.0**	**846.3**	**2,025.3**
Depletion and depreciation	**9.2**	**16.2**	**26.0**	**51.4**
Disposals	**-**	**-**	**(5.9)**	**(5.9)**
Effect of movements in exchange rates	**(0.3)**	**(11.7)**	**(3.5)**	**(15.5)**
Balance, end of the period	**270.9**	**921.5**	**862.9**	**2,055.3**
Net book value	**$ 155.7**	**$ 119.2**	**$ 1,134.1**	**$ 1,409.0**

Canadian $ millions, for the year ended December 31				2011
	Mining properties	Oil and Gas properties	Plant, equipment and land	Total
Cost				
Balance, beginning of the year	$ 367.4	$ 984.8	$ 1,809.4	$ 3,161.6
Additions	12.1	45.2	134.4	191.7
Capitalized closure costs	37.3	0.5	42.1	79.9
Disposals	-	-	(27.9)	(27.9)
Capitalized interest	-	-	3.6	3.6
Effect of movements in exchange rates	0.8	16.5	29.5	46.8
Balance, end of the year	417.6	1,047.0	1,991.1	3,455.7
Depletion, depreciation and impairment losses				
Balance, beginning of the year	208.5	851.2	761.2	1,820.9
Depletion and depreciation	52.8	50.9	90.4	194.1
Impairments	-	-	2.0	2.0
Disposals	-	-	(23.0)	(23.0)
Effect of movements in exchange rates	0.7	14.9	15.7	31.3
Balance, end of the year	262.0	917.0	846.3	2,025.3
Net book value	$ 155.6	$ 130.0	$ 1,144.8	$ 1,430.4

Canadian $ millions	**Plant, equipment and land**
Assets held under finance lease at net book value, included in above	
As at March 31, 2012	**$ 117.6**
As at December 31, 2011	120.6
Assets under construction, included in above	
As at March 31, 2012	**$ 284.3**
As at December 31, 2011	281.6

12 INVESTMENT IN AN ASSOCIATE

Statement of financial position

The following provides additional information relating to the Corporation's investment in the Ambatovy Joint Venture:

Canadian $ millions, Sherritt's 40% interest, as at		**2012 March 31**		2011 December 31
Assets				
Cash on hand and balances with banks	**$**	**10.0**	$	13.7
Inventories[1]		**64.8**		55.7
Other current assets		**42.5**		38.4
Property, plant and equipment		**3,026.2**		3,007.7
Other assets		**2.0**		2.3
Deferred income taxes[2]		**-**		0.2
Liabilities				
Current liabilities		**110.5**		106.1
Long-term debt				
Ambatovy Joint Venture financing		**824.7**		838.9
Subordinated loan payable		**974.6**		968.9
Environmental rehabilitation provision		**30.9**		32.4
Other long-term liabilities		**-**		0.1
Deferred income taxes		**116.2**		118.5
Net assets	**$**	**1,088.6**	$	1,053.1

(1) Inventories are primarily comprised of raw materials, spare parts and materials in process.

(2) As at March 31, 2012, the Ambatovy Joint Venture has earned investment tax credits of $174.5 million (December 31, 2011 – $145.7 million) for which a deferred income tax asset has not been recognized. The investment tax credits have an indefinite carry forward period and may be used to partially offset Malagasy income tax otherwise payable by the Ambatovy Joint Venture in subsequent years.

Results of operations

For the three months ended March 31, 2012, the Corporation recognized net earnings of $1.2 million, representing its 40% interest in the Ambatovy Joint Venture. The net earnings were primarily composed of foreign exchange gains offset by cost of sales and administrative expenses (net loss of $1.1 million for the three months ended March 31, 2011 primarily composed of foreign exchange losses). The Ambatovy Joint Venture has not yet commenced operations or generated any revenue.

Contingent liabilities

In April 2012, a request for arbitration was received by Ambatovy Minerals S.A., one of the Ambatovy Joint Venture's operating companies. The request for arbitration was submitted by one of the Ambatovy Joint Venture's contractor's to the International Court of Arbitration of the International Chamber of Commerce (ICC). The contractor was responsible for constructing a 220 km long slurry pipeline. Amongst other things, the contractor is alleging that design changes, physical conditions and other events caused delays in completing the pipeline which resulted in damages to the contractor for which the Ambatovy Joint Venture is liable. The Ambatovy Joint Venture disputes these allegations and will pursue this matter, including a possible counterclaim against the contractor, in accordance with ICC Rules of Arbitration.

13 INTEREST IN JOINT VENTURES

Jointly controlled entities

The following table is a summary of the Corporation's proportionate interest in its jointly controlled entities:

Canadian $ millions, as at March 31					2012
		Moa Joint Venture		**Carbon Development Partnership**	**Energas**
		50%		**50%**	**33 1/3%**
Current assets	**$**	**176.4**	**$**	**0.7**	**$ 19.8**
Non-current assets		**556.8**		**29.6**	**134.6**
Current liabilities		**99.4**		**1.0**	**11.0**
Non-current liabilities		**227.3**		**0.5**	**79.2**
Net assets	**$**	**406.5**	**$**	**28.8**	**$ 64.2**

Canadian $ millions, for the three months ended March 31					2012
		Moa Joint Venture		**Carbon Development Partnership**	**Energas**
		50%		**50%**	**33 1/3%**
Revenue	**$**	**104.2**	**$**	**0.2**	**$ 15.3**
Expenses		**88.0**		**0.4**	**13.9**
Net earnings (loss)	**$**	**16.2**	**$**	**(0.2)**	**$ 1.4**

Canadian $ millions, as at December 31					2011
		Moa Joint Venture		Carbon Development Partnership	Energas
		50%		50%	33 1/3%
Current assets	$	160.6	$	0.9	$ 21.2
Non-current assets		565.7		29.6	131.2
Current liabilities		91.2		1.1	11.4
Non-current liabilities		239.1		0.5	75.4
Net assets	$	396.0	$	28.9	$ 65.6

Canadian $ millions, for the three months ended March 31					2011
		Moa Joint Venture		Carbon Development Partnership	Energas
		50%		50%	33 1/3%
Revenue	$	133.1	$	0.3	$ 13.1
Expenses		89.7		0.4	12.6
Net earnings (loss)	$	43.4	$	(0.1)	$ 0.5

14 LOANS, BORROWINGS AND OTHER LIABILITIES

Loans and borrowings

Canadian $ millions, as at	Note		2012 March 31		2011 December 31
Long-term loans					
8.25% senior unsecured debentures due 2014	17	$	**223.2**	$	223.0
7.75% senior unsecured debentures due 2015	17		**273.0**		272.9
8.00% senior unsecured debentures due 2018	17		**391.5**		391.2
Ambatovy Joint Venture additional partner loans			**696.0**		708.5
Ambatovy Joint Venture partner loans			**90.6**		92.2
Senior credit facility agreement			**14.0**		43.0
Loan from financial institution			**-**		2.7
3-year non-revolving term loan			**7.9**		11.2
			1,696.2		1,744.7
Current portion of loans and borrowings			**(21.9)**		(56.9)
		$	**1,674.3**	$	1,687.8

Other financial liabilities

Canadian $ millions, as at		2012 March 31		2011 December 31
Advances and loans payable	$	**99.6**	$	104.0
Finance lease obligations		**135.9**		142.8
Other long-term financial liabilities		**16.2**		17.2
Stock compensation liability		**11.2**		11.2
		262.9		275.2
Current portion of other financial liabilities		**(70.4)**		(69.8)
	$	**192.5**	$	205.4

Finance lease obligations

Canadian $ millions, as at	2012 March 31			2011 December 31		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**$ 50.4**	**$ 6.3**	**$ 44.1**	$ 52.1	$ 6.8	$ 45.3
Between one and five years	**100.0**	**8.2**	**91.8**	107.2	9.7	97.5
	$ 150.4	**$ 14.5**	**$ 135.9**	$ 159.3	$ 16.5	$ 142.8

Other long-term financial liabilities

Canadian $ millions, as at		2012 March 31		2011 December 31
Less than one year	$	**3.2**	$	3.7
Between one and five years		**6.2**		7.0
More than five years		**6.8**		6.5
	$	**16.2**	$	17.2

Other non-financial liabilities

Canadian $ millions, as at		2012 March 31		2011 December 31
Pension liability	$	**13.8**	$	14.1
Deferred revenue		**44.8**		9.0
		58.6		23.1
Current portion of other non-financial liabilities		**(43.8)**		(8.0)
	$	**14.8**	$	15.1

15 ENVIRONMENTAL REHABILITATION PROVISIONS AND GUARANTEES

Environmental rehabilitation provisions

Canadian $ millions	Note	For the three months ended 2012 March 31	For the year ended 2011 December 31
Balance, beginning of the period		**$ 267.7**	$ 208.3
Additions		**5.8**	17.2
Change in estimates		**(4.4)**	55.9
Utilized during the period		**(7.0)**	(19.4)
Accretion	6	**1.2**	5.4
Foreign exchange translation		**0.5**	0.3
Balance, end of the period		**263.8**	267.7
Current portion		**(33.3)**	(31.9)
		$ 230.5	$ 235.8

Guarantees

Coal Valley Resources Inc.

In relation to the 3-year non-revolving term loan (note 14), Sherritt and its former partner had each provided a $12.5 million limited guarantee. Upon acquiring the remaining 50% interest in CVP, the Corporation indemnified its former partner's guaranteed portion of the letter of credit and payments under the lease. In March 2012, the creditor released Sherritt's former partner of the $12.5 million limited guarantee thereby cancelling the Corporation's indemnification.

16 SHAREHOLDERS' EQUITY

Capital Stock

The Corporation's common shares have no par value and the authorized share capital is composed of an unlimited number of common shares. The changes in the Corporation's outstanding common shares were as follows:

Canadian $ millions, except share amounts		For the three months ended 2012 March 31		For the year ended 2011 December 31	
	Note	**Number**	**Capital stock**	Number	Capital stock
Balance, beginning of the period		**296,390,692**	**$ 2,803.1**	295,016,500	$ 2,787.3
Treasury stock - restricted stock plan	20	**(260,400)**	**(1.5)**	(88,500)	(0.7)
Restricted stock plan (vested)	20	**19,848**	**0.2**	21,856	0.1
Employee share purchase plan	20	**-**	**-**	477,560	2.4
Stock options exercised	20	**-**	**-**	20,000	0.1
Cross-guarantee[1]		**-**	**-**	943,276	13.9
Balance, end of the period		**296,150,140**	**$ 2,801.8**	296,390,692	$ 2,803.1

(1) On December 30, 2011, the Corporation issued 943,276 common shares valued at $14.74 per common share as the final annual issuance in relation to the cross-guarantees provided by Sumitomo and SNC-Lavalin on the Ambatovy senior credit facility. The issuance resulted in a total of $13.9 million being reclassified from the cross-guarantee reserve to capital stock.

The following dividends were paid or were declared but unpaid:

Canadian $ millions, except share amounts	2012 March 31		2011 March 31	
	Per share	**Total**	Per share	Total
Dividends paid during the period	**$ 0.038**	**$ 11.3**	$ 0.038	$ 11.2
Dividends declared but unpaid	**0.038**	**11.3**	0.038	11.2

Reserves

Canadian $ millions	Note		For the three months ended 2012 March 31		For the year ended 2011 December 31
Stated capital reserve[1]					
Balance, beginning of the period		**$**	**190.3**	$	190.3
Balance, end of the period			**190.3**		190.3
Stock-based compensation reserve[2]					
Balance, beginning of the period			**4.8**		2.4
Restricted stock plan (vested)	20		**(0.2)**		(0.1)
Restricted stock plan amortization	20		**0.3**		0.7
Employee share purchase plan expense	20		**0.1**		0.7
Stock option plan expense	20		**0.4**		1.1
Balance, end of the period			**5.4**		4.8
Cross-guarantee reserve					
Balance, beginning of the period			**-**		13.9
Issuance of common shares			**-**		(13.9)
Balance, end of the period			**-**		-
Total reserves, end of the period		**$**	**195.7**	$	195.1

(1) In May 2000, the Corporation's shareholders approved the elimination of the December 31, 1999 accumulated deficit of $6.9 million through a $200.0 million reduction in the stated value of the Corporation's restricted voting shares and the creation of a $193.1 million stated capital reserve. Between 2000 and 2007, this reserve was reduced to $190.3 million as a result of losses on repurchase of common shares and the redemption of convertible debentures.

(2) Stock-based compensation reserve relates to equity-settled compensation plans issued by the Corporation to its directors, officers and employees.

Accumulated foreign currency translation reserve

Shareholders' equity includes a reserve pertaining to the accumulated foreign currency translation adjustment which relates to deferred exchange gains and losses arising from the translation of the financial statements of the Corporation's foreign operations that have a functional currency that differs from that of the Corporation.

17 FINANCIAL INSTRUMENTS

Financial instrument hierarchy

Canadian $ millions, as at	Note	Hierarchy level	2012 March 31	2011 December 31
Financial assets:				
Held for trading, measured at fair value				
Cash equivalents		1	**$ 67.4**	$ 64.9
Short-term investments		1	**429.0**	456.8
Ambatovy call option	9	3	**25.6**	38.0

The following is a reconciliation of the beginning to ending balance for financial instruments included in Level 3:

Canadian $ million	Note	For the three months ended 2012 March 31	For the year ended 2011 December 31
Balance, beginning of period		**$ 38.0**	**$ 34.5**
Total (losses) gains in net earnings [1]	6	**(11.8)**	**2.7**
Effect of movements in exchange rates		**(0.6)**	**0.8**
Balance, end of period		**$ 25.6**	**$ 38.0**

(1) Gains and losses are recognized in net financing expense (note 6).

Ambatovy call option

During the three months ended March 31, 2012, the Corporation recognized a downward fair value adjustment of $11.8 million (upward fair value adjustment of $1.9 million for the three months ended March 31, 2011) in financing income on the Ambatovy call option as a result of changes in various inputs used in the Black-Scholes model, including volatility, which is based on a blend of historical commodity prices and the publicly traded stock prices of companies with comparable projects, and the reduced time to expiration of the option.

Fair values

Financial instruments with carrying amounts different from their fair values include the following[1]:

Canadian $ millions, as at	Note	2012 March 31 Carrying value	2012 March 31 Fair value	2011 December 31 Carrying value	2011 December 31 Fair value
8.25% senior unsecured debentures due 2014	14	**$ 223.2**	**$ 237.6**	$ 223.0	$ 233.0
7.75% senior unsecured debentures due 2015	14	**273.0**	**288.9**	272.9	283.1
8.00% senior unsecured debentures due 2018	14	**391.5**	**422.3**	391.2	408.4

(1) The carrying values are net of financing costs. Fair values exclude financing costs and are based on market closing prices.

As at March 31, 2012, the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, trade accounts receivable, current portion of advances and loans receivable, current portion of other financial assets, current portion of finance lease receivables, current portion of loans and borrowings, current portion of other financial liabilities, trade accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

The fair values of non-current loans and borrowings and other financial liabilities approximate their carrying amount, except as noted above. The fair value of a financial instrument on initial recognition is normally the transaction price, the fair value of the consideration given or received. The fair values of non-current advances and loans receivable and finance lease receivables are estimated based on discounted cash flows. Due to the use of judgment and uncertainties in the determination of the estimated fair values, these values should not be interpreted as being realizable in the immediate term.

As at March 31, 2012, the carrying amount for the Cuban certificates of deposit is approximately equal to the fair value (note 18).

As at March 31, 2012, the carrying amount of the lenders' conversion option under the Ambatovy Joint Venture additional partner loan agreements is approximately equal to the fair value.

Cash, cash equivalents 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. The total cash held in Cuban bank deposit accounts was $12.6 million at March 31, 2012 (December 31, 2011 – $14.8 million).

As at March 31, 2012, $4.9 million of cash on the Corporation's interim condensed consolidated statements of financial position was held by Energas and $43.7 million by the Moa Joint Venture (December 31, 2011 – $6.6 million and $30.0 million, respectively). These funds are for the use of each joint venture, respectively.

As at March 31, 2012, the Corporation had $496.4 million in Government of Canada treasury bills (December 31, 2011 – $521.7 million) included in cash and cash equivalents and short-term investments.

Trade accounts receivable

The Corporation's trade accounts receivable are composed of the following:

Canadian $ millions, as at	Note	**2012 March 31**	2011 December 31
Trade accounts receivable		**$ 327.5**	$ 345.0
Allowance for doubtful accounts		**(0.1)**	(0.1)
Accounts receivable from jointly controlled entities	19	**3.8**	4.1
Accounts receivable from associate	19	**42.7**	22.1
Other		**14.7**	15.4
		$ 388.6	$ 386.5

Of which are:

Canadian $ million, as at	**2012 March 31**	2011 December 31
Not past due	**$ 338.8**	$ 323.9
Past due no more than 30 days	**37.1**	33.2
Past due for more than 30 days but no more than 60 days	**1.1**	19.5
Past due for more than 60 days	**11.7**	10.0
	$ 388.7	$ 386.6

18 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Credit risk

The Corporation has credit risk exposure related to its share of cash, accounts receivable and advances and loans associated with its businesses located in Cuba or businesses which have Cuban joint venture partners as follows:

Canadian $ millions, as at	**2012 March 31**	2011 December 31
Cash	**$ 12.6**	$ 14.8
Trade accounts receivable, net	**199.0**	218.7
Advances and loans receivable	**534.7**	539.4
Cuban certificates of deposit	**51.1**	58.2
Total	**$ 797.4**	$ 831.1

The table above reflects the Corporation's maximum credit exposure to Cuban counterparties which may differ from loan balances in the consolidated results due to eliminations in accordance with accounting principles for subsidiaries and joint ventures.

Liquidity risk

Financial obligation maturity analysis

The Corporation's significant contractual commitments, obligations, and interest and principal repayments on its financial liabilities are presented in the following table:

Canadian $ millions, as at March 31	Total	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ 217.0	$ 217.0	$ -	$ -	$ -	$ -	$ -
Advances and loans payable	145.4	15.0	11.4	10.7	10.2	14.7	83.4
Income taxes payable	23.8	23.8	-	-	-	-	-
Loans and borrowings(1)	2,786.8	95.1	71.9	420.7	463.1	181.9	1,554.1
Finance leases and other equipment financing	160.1	53.9	41.6	26.8	27.7	10.1	-
Environmental rehabilitation provisions	393.7	32.8	35.9	36.6	25.7	20.9	241.8
Operating leases	52.2	17.3	13.4	4.5	3.0	2.9	11.1
Total	$ 3,779.0	$ 454.9	$ 174.2	$ 499.3	$ 529.7	$ 230.5	$ 1,890.4

(1) The interest and principal on the Ambatovy Joint Venture additional partner loans will be repaid from the Corporation's share of cash distributions from the Ambatovy Joint Venture. The amounts above are based on management's best estimate of future cash flows including estimating assumptions such as commodity prices, production levels, cash costs of production, capital and reclamation costs. These loans are non-recourse to Sherritt unless there is a direct breach of certain restrictions in the loan documents.

Market risk

Foreign exchange risk

Many of Sherritt's businesses transact in currencies other than the Canadian dollar. The Corporation is sensitive to foreign exchange exposure when commitments are made to deliver products quoted in foreign currencies or when the contract currency is different from the product price currency. Derivative financial instruments are not used to reduce exposure to fluctuations in foreign exchange rates. The Corporation is also sensitive to foreign exchange risk arising from the translation of the subsidiaries with a functional currency other than the Canadian dollar impacting other comprehensive income (loss).

Based on financial instrument balances as at March 31, 2012, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have an unfavourable or favourable impact of approximately $3.9 million, respectively, on net earnings, and $41.2 million on other comprehensive income.

Interest rate risk

The Corporation is exposed to interest rate risk based on its outstanding loans and borrowings and short-term and other investments. A change in interest rates could affect future cash flows or the fair value of financial instruments.

Based on the balance of short-term and long-term loans and borrowings, cash equivalents, short-term and long-term investments, and advances and loans receivable at March 31, 2012, excluding interest capitalized to project costs, a 1% increase or decrease in the market interest rate could increase or decrease the Corporation's annual interest expense by approximately $2.1 million, respectively. The Corporation does not engage in hedging activities to mitigate its interest rate risk.

Capital risk management

In the definition of capital, the Corporation includes, as disclosed on its interim condensed consolidated statements of financial position: retained earnings, capital stock and un-drawn credit facilities.

Canadian $ millions, as at	**2012 March 31**	2011 December 31
Capital stock	**$ 2,801.8**	$ 2,803.1
Retained earnings	**805.9**	784.9
Un-drawn credit facilities	**435.4**	423.6

The Corporation and its divisions were in compliance with all of their financial covenants as at March 31, 2012. The Corporation is not subject to any externally imposed capital restrictions.

19 RELATED PARTY TRANSACTIONS

Jointly controlled entities and associate

Canadian $ millions, for the three months ended March 31		2012		2011
Total value of goods and services:				
Provided to jointly controlled entities	$	21.0	$	20.9
Provided to associate		1.1		0.9
Purchased from jointly controlled entities		6.8		5.5
Net financing income from jointly controlled entities		6.4		5.9

Canadian $ millions, as at	Note		2012 March 31		2011 December 31
Accounts receivable from jointly controlled entities	17	$	3.8	$	4.1
Accounts receivable from associate	17		42.7		22.1
Accounts payable to jointly controlled entities			0.6		-
Accounts payable to associate			0.4		0.3
Advances and loans receivable from associate	9		974.6		968.9
Advances and loans receivable from Energas	9		174.2		166.9
Advances and loans receivable from certain Moa Joint Venture entities	9		134.7		142.8

20 STOCK-BASED COMPENSATION PLANS

Stock options and options with tandem stock appreciation rights

The following is a summary of stock option activity:

For the three months ended March 31	2012			2011		
	Options		Weighted-average exercise price	Options		Weighted-average exercise price
Outstanding, beginning of period	4,976,817	$	10.38	4,819,146	$	10.37
Granted	692,500		6.04	546,200		9.10
Exercised for cash	-		-	(51,666)		5.16
Exercised for shares	-		-	(20,000)		5.05
Forfeited	(1,425,000)		10.92	(15,000)		15.02
Outstanding, end of period	4,244,317		9.49	5,278,680		10.30
Options exercisable, end of period	2,764,599	$	10.91	3,482,187	$	11.34

The following table summarizes information on stock options outstanding and exercisable at March 31, 2012:

Range of exercise prices	Number outstanding	Weighted-average remaining contractual life		Weighted-average exercise price	Exercisable number		Exercisable weighted-average exercise price
$3.05 - $5.05	40,000	6.6 years	$	3.69	40,000	$	3.69
$5.06 - $9.77	2,545,982	8.5 years		7.01	1,066,264		7.23
$9.78 - $11.64	543,335	3.7 years		10.26	543,335		10.26
$11.64 - $15.23	1,115,000	5.4 years		14.99	1,115,000		14.99
Total	4,244,317	7.1 years	$	9.49	2,764,599	$	10.91

As at March 31, 2012, 2,984,017 options with tandem SARs (March 31, 2011 – 4,732,480) and 1,260,300 options (March 31, 2011 – 546,200) remained outstanding for which the Corporation has recognized a compensation recovery of $1.2 million for the three months ended March 31, 2012 (compensation expense of $0.3 million for the three months ended March 31, 2011). The carrying amount of liabilities associated with cash-settled compensation arrangements is $4.0 million at March 31, 2012 (December 31, 2011 – $5.5 million).

Inputs for measurement of grant date fair values

The fair value at the grant date of the stock options and options with tandem SARs (described below) was measured using Black-Scholes. The following summarizes the fair value measurement factors for options granted during the period:

For the three months ended March 31	**2012**	2011
Share price at grant date	**$5.96**	$8.95
Exercise price	**$6.04**	$9.10
Risk-free interest rates (based on 10-year Government of Canada bonds)	**1.95%**	3.33%
Expected volatility	**49.00%**	48.48%
Expected dividend yield	**2.55%**	1.63%
Expected life of options	**10 years**	10 years
Weighted average fair value of options granted during the period	**$2.52**	$4.49

Other stock-based compensation

A summary of the Share Purchase Plan, SARs, RSUs, DSUs and RSPs outstanding as at March 31, 2012 and 2011 and changes during the period is as follows:

For the three months ended March 31					**2012**
	Share Purchase Plan	**SAR**	**RSU**	**DSU**	**RSP**
Outstanding, beginning of period	**769,055**	**-**	**1,754,529**	**336,160**	**270,374**
Issued	**-**	**-**	**758,375**	**85,000**	**260,400**
Dividends credited	**-**	**-**	**17,515**	**2,941**	**-**
Forfeited	**(16,440)**	**-**	**-**	**-**	**-**
Vested	**-**	**-**	**-**	**-**	**(19,848)**
Outstanding, end of period	**752,615**	**-**	**2,530,419**	**424,101**	**510,926**
Units exercisable, end of the period	**n/a**	**-**	**n/a**	**424,101**	**n/a**
Weighted-average exercise price	**n/a**	**-**	**n/a**	**n/a**	**n/a**

For the three months ended March 31					2011
	Share Purchase Plan	SAR	RSU	DSU	RSP
Outstanding, beginning of the period	948,652	140,000	1,531,914	283,359	203,730
Issued	-	-	509,605	44,000	71,700
Dividends credited	-	-	8,172	1,556	-
Exercised	-	(100,000)	(316,568)	-	-
Forfeited	(16,724)	-	(5,688)	-	-
Outstanding, end of the period	931,928	40,000	1,727,435	328,915	275,430
Units exercisable, end of the period	n/a	40,000	n/a	328,915	n/a
Weighted-average exercise price	n/a	5.56	n/a	n/a	n/a

The Corporation recorded a compensation expense of $2.0 million for the three months ended March 31, 2012 for other stock-based compensation plans ($1.6 million compensation expense for the three months ended March 31, 2011). The carrying amount of liabilities associated with cash-settled compensation arrangements is $7.2 million at March 31, 2012 (December 31, 2011 - $5.7 million).

Measurement of fair values at grant date

The fair value of the Share Purchase Plan, RSUs, DSUs and RSPs are determined by reference to the market value of the shares at the time of grant. The following summarizes the fair value measurement factor for the Share Purchase Plan, RSU, DSU and RSP grants during the period:

For the three months ended March 31				**2012**
	Share Purchase Plan	**RSU**	**DSU**	**RSP**
Weighted-average share price at grant date	**n/a**	**$ 5.96**	**$ 6.15**	**$ 5.96**

For the three months ended March 31				2011
	Share Purchase Plan	RSU	DSU	RSP
Weighted-average share price at grant date	n/a	$ 8.95	$ 8.95	$ 8.95

The intrinsic value of cash-settled stock-based compensation awards vested and outstanding as at March 31, 2012 was $8.0 million (December 31, 2011 - $6.3 million).

21 NET CHANGE IN NON-CASH WORKING CAPITAL

Canadian $ millions, for the three months ended March 31	**2012**	2011
Trade accounts receivable	**$ 1.3**	$ (31.3)
Inventories	**(26.6)**	(17.7)
Prepaid expenses	**(3.7)**	1.0
Trade accounts payable and accrued liabilities	**(0.5)**	(0.4)
Deferred revenue	**35.8**	14.4
	$ 6.3	$ (34.0)

22 NON-CASH TRANSACTIONS

The Corporation entered into the following non-cash investing and financing activities which are not reflected in the consolidated statements of cash flow:

Canadian $ for the three months ended March 31	**2012**	2011
Acquisition of property, plant and equipment under a finance lease	**$ 5.7**	$ 11.9

23 OPERATING LEASE ARRANGEMENTS

Corporation acts as a lessor

The Corporation acts as a lessor in operating leases related to the Power facilities in Madagascar and in Varadero, Cuba. The following table summarizes future minimum lease payments relating to the Madagascar operating lease receivable:

Canadian $ millions, as at	**2012 March 31**	2011 December 31
Less than one year	**$ 5.1**	$ 5.1
Between one and five years	**8.1**	9.3
	$ 13.2	$ 14.4

All operating lease payments related to the Varadero facility are contingent on power generation and therefore excluded from the table above. For the three months ended March 31, 2012, contingent revenue was $3.3 million ($3.4 million for the three months ended March 31, 2011).

Corporation acts as a lessee

Operating lease payments recognized as an expense in the consolidated statement of comprehensive income were $5.0 million for the three months ended March 31, 2012 ($5.8 million for the three months ended March 31, 2011).

24 COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at March 31		2012
Property, plant and equipment commitments	$	16.9
Jointly controlled entities		
Property, plant and equipment commitments		5.0
Construction commitments relating to service concession arrangements (100% basis)		100.5
Other commitments		1.7
Jointly controlled operations		
Property, plant and equipment commitments		5.5
Associate		
Property, plant and equipment commitments		32.8