Q1

2009 First Quarter Report

For the three months ended March 31, 2009
Sherritt International Corporation

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Press Release

Sherritt reports 2009 first-quarter results

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IN THIS SECTION

TORONTO, APRIL 29, 2009 - Sherritt International Corporation (“Sherritt” or the “Corporation”) (TSX: S) today announced first-quarter 2009 results.

- Net loss of $42.9 million, or $0.15 per share, compared with net income of $89.0 million, or $0.38 per share, for first-quarter 2008. After adjusting for the loss on the disposal of certain Oil and Gas assets of $57.4 million (after-tax), or $0.20 per share, first-quarter 2009 adjusted net income totaled $14.5 million, or $0.05 per share.

- A loss on disposal of $79.5 million ($57.4 million after-tax) was recognized in respect of the sale of certain Oil and Gas assets during the quarter, following the termination of the Block 7 production-sharing contract in February 2009.

- Consolidated cash, cash equivalents and short-term investments were $789.6 million at March 31, 2009, of which $23.9 million was held in the Moa Joint Venture and $68.1 million was held in the Ambatovy Project. The $182.3 million increase in the balance from December 31, 2008 was partially attributable to the receipt of funds relating to the termination of the Block 7 production-sharing contract in Oil and Gas.

- Operating cash flows totaled $95.3 million for first-quarter 2009, net of a working capital decrease of $9.3 million.

- Collections with respect to receivables due in 2009 relating to the Oil and Gas and Power businesses in Cuba totaled $84.3 million, comprised of $62.8 million received during the first quarter and $21.5 million received subsequent to March 31, 2009. At March 31, 2009, $49.0 million of Oil and Gas and $0.6 million of Power receivables were overdue.

- Capital expenditures totaled $416.9 million for first-quarter 2009, including $376.9 million in capital expenditures on the Ambatovy Project (100% basis). Sherritt’s investment of $91.8 million was funded largely through borrowings from credit facilities available from the Ambatovy Joint Venture partners. Sustaining capital expenditures were $24.9 million for the quarter.

- Approximately $1.6 billion remains available under various credit facilities, including approximately $1.2 billion (US$1.0 billion, 100% basis) available under the Ambatovy senior project financing.

- At March 31, 2009, the Corporation was in compliance with all covenants relating to its short-term credit facilities. Lenders have provided their commitment to amend and extend the Corporation’s $140.0 million revolving credit facility. The proposed amendment provides for less restrictive financial covenants, revises the applicable interest rates to current market benchmarks and is expected to be effective by May 11, 2009. Lenders have also agreed that, following the amendment, two additional short-term facilities totaling $60.0 million will be amended to track the changes on the revolving facility.

- Discussions continue to advance with the Ambatovy Joint Venture partners on a mechanism to fund the remaining share of the capital cost in order to maintain Sherritt’s balance sheet strength and liquidity. The Corporation expects that these revised financing agreements will be finalized in second-quarter 2009.

- Construction at Ambatovy continued, with no material disruptions due to the political unrest in Madagascar.

Summary Financial and Sales Data (unaudited)

	Q1 2009	Q1 2008
Financial Data (millions of dollars, except per share amounts and ratios)		
Revenue	$ 349.0	$ 314.2
EBITDA[1]	97.2	175.7
Operating earnings	28.6	136.0
Net earnings (loss)	(42.9)	89.0
Basic earnings (loss) per share	(0.15)	0.38
Diluted earnings (loss) per share	(0.15)	0.38
Net working capital[2]	643.2	686.1
Capital expenditures	416.9	462.2
Total assets	10,091.4	6,418.9
Shareholders' equity	3,816.6	3,243.0
Long-term debt to capitalization	32%	16%
Weighted average number of shares (millions)		
Basic	293.1	232.1
Diluted	293.1	236.7
Sales Volumes (units as noted)		
Nickel (thousands of pounds, 50% basis)	8,736	8,362
Cobalt (thousands of pounds, 50% basis)	998	920
Thermal coal – Prairie Operations (millions of tonnes)[3]	8.5	9.1
Thermal coal – Mountain Operations (millions of tonnes, 50% basis)	0.4	0.4
Oil (bpd, net production)	14,339	18,365
Electricity (GWh, 100% basis)	541	597
Average Realized Prices (units as noted)		
Nickel ($/lb)	$ 5.68	$ 12.93
Cobalt ($/lb)	$ 16.22	$ 46.13
Thermal coal – Prairie Operations ($/tonne)	$ 14.99	$ 13.66
Thermal coal – Mountain Operations ($/tonne)	$ 98.76	$ 68.67
Oil ($/boe)	$ 35.73	$ 51.62
Electricity ($/MWh)	$ 50.46	$ 40.62

(1) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release.

(2) Net working capital is calculated as total current assets less total current liabilities.

(3) Prairie Operations volumes presented on a 100% basis for each period.

Review of Operations

Metals

	Q1 2009	Q1 2008
Production (tonnes, 50% basis)		
Nickel	4,073	3,749
Cobalt	469	407
Sales (thousands of pounds, 50% basis)		
Nickel	8,736	8,362
Cobalt	998	920
Reference prices (US$/lb)		
Nickel	$ 4.74	$ 13.09
Cobalt [(1)]	13.37	46.19
Realized prices ($/lb)		
Nickel	$ 5.68	$ 12.93
Cobalt	16.22	46.13
Unit operating costs (US$/lb)		
Mining, processing and refining costs	$ 5.00	$ 5.63
Third-party feed costs	0.35	1.32
Cobalt by-product credits	(1.48)	(5.06)
Other	0.25	0.06
Net direct cash costs of nickel[(2)]	$ 4.12	$ 1.95
Revenue ($ millions)		
Nickel	$ 49.7	$ 108.1
Cobalt	16.2	42.5
Fertilizer and other	13.8	11.7
	$ 79.7	$ 162.3
EBITDA ($ millions)[(3)]	$ (1.4)	$ 89.2
Operating earnings (loss) ($ millions)	$ (8.8)	$ 84.3
Capital expenditures ($millions)		
Moa Joint Venture (50% basis)	$ 5.5	$ 50.3
Ambatovy Joint Venture (100% basis)	376.9	382.9
	$ 382.4	$ 433.2

(1) Average Metal Bulletin: Low Grade cobalt published price.

(2) Net direct cash cost of nickel after cobalt and by-product credits.

(3) EBITDA is a non-GAAP measure. See the “Non-GAAP Measures” section at the end of this release.

Mixed-sulphide production for the first quarter was 9,372 tonnes (100% basis), up 8% (724 tonnes) from the prior-year quarter and reflected the increased capacity from the Phase 1 Expansion which was commissioned in the second quarter of 2008.

Finished metal production in the first quarter was up from the prior-year period reflecting the impact of additional capacity from the Phase 1 Expansion and higher feed availability. Finished nickel production of 8,146 tonnes (100% basis) and finished cobalt production of 937 tonnes (100% basis) represented a 9% (649 tonne) and 15% (123 tonne) increase over the prior-year period.

Nickel sales of 8.7 million pounds (50% basis) increased by 4% (0.4 million pounds) from the first quarter of 2008, but did not match the increase in finished metals production as the overall weakness in global nickel demand limited sales. First-quarter cobalt sales of 1.0 million pounds (50% basis) were an 8% (0.1 million pound) increase over the same period in 2008 and largely matched production.

Average nickel reference prices declined 64% (US$8.35/lb) and average cobalt reference prices declined 71% (US$32.82/lb) compared to the prior-year period due to the rapid deceleration in global industrial production that negatively impacted base metals markets.

The deterioration in cobalt prices contributed to the 111% (US$2.17/lb) increase in net direct cash costs of nickel for the quarter, as the price decline resulted in a 71% (US$3.58/lb) reduction in the cobalt by-product credit. The influence of weaker cobalt prices was partially offset by lower input commodity costs and third-party feed costs.

Sustaining capital expenditures for first-quarter 2009 were 71% ($7.2 million) lower than the prior-year period, commensurate with lower metal prices and the objective of remaining cash flow positive. Expansion expenditures incurred in the Moa Joint Venture during the quarter totaled $2.6 million and reflected the construction of certain Phase 2 Expansion assets at Fort Saskatchewan and the ongoing capitalization of interest related to the financing of the Phase 2 Expansion and the Moa acid plant which were suspended in late October 2008.

The Ambatovy Project

In the 60,000 tonne nickel (100% basis) Ambatovy Project in Madagascar, engineering was 95% complete and construction was 48% complete at March 31, 2009. In the first quarter of 2009, Project expenditures were $376.9 million (100% basis), relatively unchanged from the prior-year period. As at March 31, 2009, Project expenditures totaled US$2.6 billion (100% basis).

There were no borrowings against the senior project loans during first-quarter 2009. Sherritt’s share of the project capital expenditures were largely funded by partner advances pending the finalization of arrangements with the partners on a mechanism to fund Sherritt’s remaining equity requirements for the Project. Mechanical completion of the Ambatovy Project is on schedule for the latter part of 2010.

Coal

	Q1 2009	Q1 2008
Production (millions of tonnes)		
Prairie Operations[1]	8.5	8.8
Mountain Operations[2] (50% basis)	0.5	0.4
Sales (millions of tonnes)		
Prairie Operations[1]	8.5	9.1
Mountain Operations[2] (50% basis)	0.4	0.4
Realized prices, excluding royalties ($/tonne)		
Prairie Operations[1]	$ 14.99	$ 13.66
Mountain Operations[2]	98.76	68.67
Unit operating costs ($/tonne)		
Prairie Operations[1]	$ 11.62	$ 10.25
Mountain Operations[2]	59.11	55.90
Revenue ($ millions)		
Prairie Operations[1]		
Mining revenue	$ 127.9	$ 123.8
Coal royalties	12.9	8.5
Potash royalties	4.3	3.5
Mountain Operations and Other Assets[2],[3](50% basis)	43.8	30.9
	188.9	166.7

	Q1 2009	Q1 2008
EBITDA ($millions)[4]		
Prairie Operations[1]	$ 44.3	$ 40.8
Mountain Operations and Other Assets[2] [3] (50% basis)	15.7	5.3
	60.0	46.1
Operating earnings ($ millions)	$ 34.8	$ 18.8
Capital expenditures ($millions)		
Prairie Operations[1]	$ 8.6	$ 4.0
Mountain Operations[2] (50% basis)	1.2	0.6
Activated Carbon Project (50% basis)	1.8	-
Obed mine (50% basis)	1.2	-
	12.8	4.6

(1) Prairie Operations are presented on a 100% basis. Sherritt equity-accounted for these operations up to the date of the acquisition of Royal Utilities Income Fund in May 2008.

(2) Mountain Operations include the results of the Coal Valley mine, which is primarily involved in the export of thermal coal and are presented on a 50% basis.

(3) Other Assets include certain undeveloped reserves that produce coal-bed methane and technologies under development, including the Dodds-Roundhill Coal Gasification Project and are presented on a 50% basis.

(4) EBITDA is a non-GAAP measure. See the “Non-GAAP Measures” section at the end of this release.

Production and sales volumes at the Prairie Operations mines for the first quarter were down slightly from the prior-year period due to the timing of unit outages at the generating stations supplied by the contract mines. A 25% (0.1 million tonne) volume increase in production at the Mountain Operations, relative to the first quarter of 2008, was achieved through improved equipment availability.

Realized prices improved at both the Prairie and Mountain Operations when compared to the prior-year period. At the Prairie Operations, the pricing increase was attributable to both positive index adjustments at owned mines and higher unit costs and corresponding cost recoveries at the contract and Genesee mines. The 44% ($30.09/tonne) increase in realized prices at the Mountain Operations was the result of stronger contract pricing for the April 2008 to March 2009 coal year and the impact of a weaker Canadian dollar.

Relative to first-quarter 2008, unit costs were higher for all Coal operations in first-quarter 2009. Unit costs at the Prairie Operations were most affected by the need for higher cost mining techniques due to unseasonably cold weather in Saskatchewan and unplanned dragline outages at the Boundary Dam mine. Unit costs at the Mountain Operations were impacted by higher labour and contractor costs required to maintain the larger equipment fleet.

Coal royalties increased by 52% ($4.4 million) and potash royalties by 23% ($0.8 million) compared to first-quarter 2008 due to the timing of mining in coal royalty areas and higher relative market prices for potash.

Total sustaining capital expenditures for the first quarter in the Coal Division were 113% ($5.2 million) higher than the prior-year period largely due to the impact of a reduction in lease capacity that resulted in a requirement for cash payments for equipment that would have otherwise been lease-financed. For the last five years, Prairie Operations have leased the majority of their mobile equipment fleet. As such, these payments have historically been presented as lease payments, not capital expenditures. With the decline in global economic conditions, the availability of lease financing on acceptable terms has been significantly reduced. As a result, approximately $6.6 million of the capital expenditures in the Prairie Operations for the first quarter of 2009 represents equipment that in the past would have been lease-financed.

Oil and Gas

	Q1 2009	Q1 2008
Production (boepd)[1], [2]		
Gross working interest – Cuba[3], [5]	21,687	31,005
Net working interest[4]		
Cuba – cost recovery[5]	8,180	8,045
Cuba – profit oil[5]	5,486	9,427
Cuba – total	13,666	17,472
Spain[4]	303	495
Pakistan[4]	370	398
Total net working-interest production	14,339	18,365
Reference prices (US$/bbl)		
US Gulf Coast Fuel Oil No. 6	$ 38.86	$ 69.59
Brent crude	44.60	97.35
Realized prices		
Cuba ($/bbl)	$ 36.01	$ 51.34
Spain ($/bbl)	55.69	97.32
Pakistan ($/boe)	8.94	7.07
Unit operating costs		
Cuba ($/bbl)	$ 9.03	$ 6.12
Spain ($/bbl)	55.55	30.37
Pakistan ($/boe)	1.32	0.94
Revenue ($ millions)	$ 46.6	$ 87.5
EBITDA ($ millions)[6]	$ 27.2	$ 68.0
Operating earnings ($ millions)	$ -	$ 44.3
Capital expenditures ($ millions)	$ 12.1	$ 24.3

(1) Production figures exclude production from wells for which commerciality has not been established.

(2) Oil production is stated in barrels per day ("bpd"). Natural gas production is stated in barrels of oil equivalent per day ("boepd"), which is converted at 6,000 cubic feet per barrel.

(3) In Cuba, Oil and Gas delivers all of its gross working-interest oil production to CUPET at the time of production. Gross working-interest oil production excludes (i) production from wells for which commerciality has not been established in accordance with production-sharing contracts; and (ii) working interests of other participants in the production-sharing contracts.

(4) Net production (equivalent to net sales volume) represents the Corporation's share of gross working-interest production. In Spain and Pakistan, net oil production volumes equal 100% of gross working-interest production volumes.

(5) Gross working-interest oil production is allocated between Oil and Gas and CUPET in accordance with production-sharing contracts. The Corporation's share, referred to as 'net oil production', includes (i) cost recovery oil (based upon the recoverable capital and operating costs incurred by Oil and Gas under each production-sharing contract) and (ii) a percentage of profit oil (gross working-interest production remaining after cost recovery oil is allocated to Oil and Gas). Cost recovery pools for each production-sharing contract include cumulative recoverable costs, subject to certification by CUPET, less cumulative proceeds from cost recovery oil allocated to Oil and Gas. Cost recovery revenue equals capital and operating costs eligible for recovery under the production-sharing contracts. Therefore, cost recovery oil volumes increase as a result of higher capital expenditures and decrease when selling prices increase. When oil prices increase, the resulting reduction in cost recovery oil volumes is partially offset by an increase in profit oil barrels.

(6) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release.

During first-quarter 2009, Sherritt's joint venture partner in Block 7 in Cuba entered into an agreement with an agency of the Cuban government which resulted in the termination of the production-sharing contract related to Block 7. As a result, no Block 7 production was recorded in the first quarter. For comparison, gross working-interest production in Cuba, excluding Block 7, for first-quarter 2008 was 22,300 bpd and net working-interest production was 13,131 bpd.

The 3% (613 bpd) decline in gross working-interest production compared to the prior-year period, excluding Block 7, resulted from the suspension of development drilling in late 2008 and early 2009 due to cash flow restrictions in the Division. The increase in net production in Cuba for first-quarter 2009, excluding Block 7, of 11% (1,250 bpd) over the prior-year period was due mainly to the effect of the significant decline in oil prices. Total net production for Sherritt was also affected by reservoir declines in Spain and Pakistan.

Declines in realized prices reflected the weaker market pricing environment that was only partially offset by a weaker Canadian dollar. Unit operating costs in Cuba were 48% ($2.91/bbl) higher than in the prior-year period due to a retroactive adjustment to 2008 treatment and transportation rates, the re-categorization of certain administrative expenses as operating expenses, and the weaker Canadian dollar. Excluding these items, first-quarter 2009 unit operating costs are consistent with the 2008 full-year operating costs of $7.28/bbl.

Following the termination of the Block 7 production-sharing contract in February 2009, a loss on disposal of $79.5 million ($57.4 million after-tax) was recognized in respect of the Block 7 assets.

Capital expenditures were 50% ($12.2 million) lower than the prior-year period, a consequence of both the Division's objective to restrict its capital expenditures to its available cash flow and the timing of the receipt of payment of receivables. As a result, there were no new wells initiated or completed during first-quarter 2009.

Power

	Q1 2009	Q1 2008
Electricity sold (GWh, 100% basis)	541	597
Realized price ($/MWh)	$ 50.46	$ 40.62
Unit cash operating cost ($/MWh)	$ 17.78	$ 8.55
Net capacity factor	75%	79%
Revenue ($ millions)	$ 30.4	$ 29.8
EBITDA ($ millions)[(1)]	$ 19.7	$ 23.8
Operating earnings ($ millions)	$ 12.1	$ 16.3
Capital expenditures ($ millions)		
Cuba	$ 5.6	$ 3.8
Madagascar	3.4	-
	$ 9.0	$ 3.8

(1) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release.

Electricity production for the first quarter of 2009 was 9.4% (56 GWh) lower than the prior-year period due to scheduled maintenance and the failure of two turbines. Unit cash operating costs doubled over the same period due to the same factors. The net capacity factor reflected the lower availability due to downtime resulting from the scheduled maintenance and the turbine failures.

The majority of the capital spending increase in Cuba during the first quarter was for infrastructure and engineering related to the Phase 8 Expansion that is currently under review. In addition to capital expenditures, progress payments on major components amounted to $10.3 million for the first quarter. The progress payments and engineering were necessary to maintain the Project option value while the Project is under review. Capital spending in Madagascar was directed to the construction of the 25 MW Project in Antananarivo, which is expected to be operational in June 2009. Progress payments on major components for the Madagascar Project were $6.6 million in first-quarter 2009.

Cash, Debt and Financing

Cash, cash equivalents and short-term investments were $789.6 million at March 31, 2009. Of that amount 3% ($23.9 million) was held by the Moa Joint Venture and 9% ($68.1 million) was held by the Ambatovy Project. These funds are for the use of each joint venture, respectively.

At March 31, 2009, the amount of credit available under various credit facilities, inclusive of approximately US$1.0 billion (100% basis) under the Ambatovy project financing, remained relatively unchanged from December 31, 2008 at $1.6 billion. Of the US$1.1 billion Ambatovy financing drawn, approximately US$0.4 billion could be considered Sherritt's proportionate share.

Sherritt and its affiliates were in compliance with their financial covenants as at March 31, 2009. Lenders have provided their commitment to amend and extend the Corporation's $140.0 million revolving credit facility. The proposed amendment provides for less restrictive financial covenants, revises the applicable interest rates to market benchmarks and is expected to be effective by May 11, 2009. Lenders have also agreed that, following the amendment, two additional short-term facilities totaling $60.0 million will be amended to track the changes on the revolving facility.

A new $38.0 million demand non-revolving credit facility was established during the quarter between a subsidiary of the Coal Valley Partnership (50% Sherritt interest) and a Canadian financial institution for the purpose of financing certain equipment and to provide working capital in relation to the start-up of the Obed mine.

Outlook

Sherritt's actual and projected production volumes, royalties and capital expenditures for first-quarter 2009 and the year 2009 are shown below:

	Actual for the three months ended March 31, 2009	Projected for the year ending December 31, 2009
Production		
Mixed sulphides (tonnes, 100% basis)	9,372	37,000
Nickel (tonnes, 100% basis)	8,146	33,500
Cobalt (tonnes, 100% basis)	937	3,500
Coal – Prairie Operations (millions of tonnes, 100% basis)	8.5	36
Coal – Mountain Operations (millions of tonnes, 100% basis)	0.5	4.4
Oil – Gross working interest (Cuba) (bpd)	21,687	22,150
Oil – Net production, all operations (bpd)[1]	14,339	15,690
Power – Electricity (GWh)	541	1,959
Royalties		
Coal ($ millions)	$ 12.9	$ 41
Potash ($ millions)	4.3	15
Capital Expenditures ($ millions, unless otherwise noted)		
Metals – Moa Joint Venture (50% basis)	$ 5.5	$ 36
Coal – Prairie Operations	8.6	35
Coal – Mountain Operations (50% basis)	1.2	9
Coal – Activated Carbon Project (50% basis)	1.8	27
Coal – Obed mine (50% basis)	1.2	8
Oil and Gas – Cuba	9.7	122
Oil and Gas – Other	2.4	13
Power – Cuba	5.6	10
Power – Madagascar	3.4	19
	$ 39.4	$ 279
Metals – Ambatovy (100% basis, US$ millions)	$ 303.3	$ 1,800

(1) Net oil production is predicated on the WTI/Fuel Oil No.6 price differential remaining consistent with historical levels.

The Corporation's results in 2009 may continue to be negatively impacted by low nickel, cobalt and oil prices. Accordingly, the Corporation intends to remain focused on maintaining a strong liquid balance sheet, controlling capital and operating costs and improving cash flows from the current asset base while preserving growth opportunities. The objective of all Divisions is to be cash flow positive in 2009. This mandate may impact the production levels and capital expenditures at all Sherritt operations, and so all estimates for the year are expected to vary to a certain degree with market pricing and general global economic conditions. Further issues impacting the 2009 estimates are presented below.

- In Metals, the realization of lower commodity input costs is expected to result in lower unit production costs over the balance of 2009 and, in conjunction with higher expected cobalt prices, lower net direct cash costs throughout the year. The 2009 annual maintenance shutdown plan at the Fort Saskatchewan refinery has been modified in favour of maintenance windows in May, June and September, which are expected to be less disruptive and more cost effective than a single shutdown. Refining costs, production and sales volumes are expected to be negatively impacted in the months in which these maintenance opportunities are undertaken. No major elements of the Phase 2 Moa Joint Venture Expansion are expected to begin construction in 2009.

- In the Ambatovy Project, it is expected that approximately US$0.6 billion of the estimated US$1.8 billion in 2009 capital expenditures will be funded by Project financing drawdowns.

- In Coal, annual production levels are expected to be consistent with prior years and all production has been contracted. Price settlement for the majority of the Mountain Operations contracts occurred in late March and early April 2009. As expected, settlement prices will be down significantly from the record prices of 2008 due to market conditions. Approximately 50% of the Coal Valley mine's 2009 contract-year production will be linked to the Newcastle FOB settlement price which is expected to settle at approximately US$70.00/tonne, down over 40% from last year. This will reduce the average realized price per tonne at Mountain Operations for 2009, although the impact will be somewhat offset if the Canadian dollar remains weaker than last year. Additional production from the Obed mine (scheduled to reopen in the third quarter) is estimated to be approximately 0.4 million tonnes for the year. Sustaining capital expenditures for Prairie Operations are expected to increase as working capital or other credit facilities are used to fund capital purchases that otherwise would have been leased. Due to weather-related construction delays, the commissioning of the activated carbon plant is now expected to occur in early 2010 compared to the prior estimate of November 2009.

- In Oil and Gas, the extent of the drilling program in 2009 will be dictated largely by the receipt of payments in Cuba. The controllable operating costs are targeted to be 15% lower than the prior year. Activity in Cuba includes approximately $14.4 million in expenditures for the enhanced oil recovery pilot project that is expected to be operational in early 2010. The Corporation will participate in an exploratory well in Turkey beginning in the second quarter of 2009 in partnership with partners including a Turkish conglomerate and an international oil and gas company with experience in Turkey.

- In Power, production for 2009 will be impacted by planned maintenance activity and the two unplanned turbine outages that occurred in the first quarter. As a result of these events, unit operating costs for 2009 are expected to be higher than in 2008, but lower than the first quarter of 2009. The 150 MW Boca de Jaruco Combined Cycle Project in Cuba continues to be reviewed in light of current economic conditions. Sherritt will continue with engineering and progress payments to maintain the Project option value while it is under review. Construction on the 25 MW Madagascar Thermal Power Project is nearing completion, and is expected to be operational in June 2009.

Non-GAAP Measures

The Corporation discloses EBITDA in order to provide an indication of revenue less cash operating expenses. Operating earnings is a measure used by Sherritt to evaluate the operating performance of its businesses as it excludes interest charges, which are a function of the particular financing structure for the business, and certain other charges. EBITDA and operating earnings do not have any standardized meaning prescribed by Canadian generally accepted accounting principles and, therefore, they may or may not be comparable with similar measures presented by other issuers.

About Sherritt

Sherritt is a diversified natural resource company that produces nickel, cobalt, thermal coal, oil, gas and electricity. It also licenses its proprietary technologies to other metals companies. Sherritt's common shares are listed on the Toronto Stock Exchange under the symbol "S".

Forward-looking Statements

This press release contains certain forward-looking statements. Forward-looking statements generally can be identified by the use of statements that include words such as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "projected", "continue" or other similar words or phrases. Similarly, statements with respect to expectations concerning assets, prices, costs, dividends, foreign-exchange rates, earnings, production, market conditions, capital expenditures, commodity demand, risks, availability of regulatory approvals, the impact of investments in Master Asset Vehicles, 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, assumptions and projections about future events. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. Sherritt cautions readers of this press release not to place undue reliance on any forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. By their nature, forward-looking statements require Sherritt to make assumptions and are subject to inherent risks and uncertainties. Key factors that may result in material differences between actual results and developments and those contemplated by this press release include business and economic conditions in Canada, Cuba, Madagascar, and the principal markets for Sherritt's products. Other such factors include, but are not limited to, uncertainties in the development and construction of large mining projects; risks related to the availability of capital to develop the Ambatovy Project; risks associated with Sherritt's joint venture partners; potential interruptions in transportation; Sherritt's reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainties in oil and gas exploration; risks related to collecting accounts receivable and repatriating profits and dividends from Cuba; risks related to foreign-exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; development programs; uncertainties in reserve estimates; uncertainties in asset retirement and reclamation cost estimates; Sherritt's reliance on significant customers; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; Sherritt's ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainties in pension liabilities; the ability of Sherritt to enforce legal rights in foreign jurisdictions; the ability of Sherritt to obtain government permits; risks associated with government regulations and environmental health and safety matters; and other factors listed from time to time in Sherritt's continuous disclosure documents.

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

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Sherritt International Corporation Management's Discussion and Analysis

For the three months ended March 31, 2009

First Quarter - Management's Discussion and Analysis

We prepared this Management's discussion and analysis for the three months ended March 31, 2009, as of April 27, 2009 and it should be read in conjunction with our audited consolidated financial statements and our management's discussion and analysis for the year ended December 31, 2008. Additional information relating to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's web site at www.sherritt.com.

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

Securities regulators encourage companies to disclose forward-looking information to help investors understand a company's future prospects. This discussion contains statements about our future financial condition, results and operations and business. See page 36 of this report for further information on forward-looking statements.

Contents

Highlights

- Revenue in the first quarter of 2009 was $349.0 million compared to revenue of $314.2 million in the first quarter of 2008. In 2009, revenue included $145.1 million as a result of the consolidation of Royal Utilities Income Fund (Royal Utilities) following the acquisition of the remaining units in May 2008. Otherwise, revenue was significantly lower in the quarter due primarily to lower nickel, cobalt, and oil prices and due to lower net production volume at Oil and Gas as a result of the termination by Sherritt's partner of the Block 7 production-sharing contract in February 2009.

- EBITDA[1] of $97.2 million in the first quarter of 2009 was lower than EBITDA of $175.7 million in the first quarter of 2008 due primarily to the factors noted above, partially offset by the addition of $44.3 million in EBITDA as a result of the consolidation of Royal Utilities and higher thermal coal prices at Coal Mountain Operations.

- Net loss in the first quarter of 2009 was $42.9 million compared to net earnings of $89.0 million for the first quarter of 2008. In addition to the factors affecting revenue and EBITDA, we recorded a $79.5 million ($57.4 million net of tax) loss on disposal of assets associated with the Block 7 production-sharing contract.

- Production in the first quarter of 2009 was consistent with the same period last year with the exception of net production in Oil and Gas that was 4,026 barrels per day lower primarily due to the termination of the Block 7 production-sharing contract.

- The Ambatovy Project continues to progress. At March 31, 2009, engineering was 95% complete and construction was 48% complete.

- The Corporation continues to maintain a strong liquidity position with a current ratio of 1.7:1; a net working capital balance of $643.2 million; cash, cash equivalents, and short-term investments of $789.6 million; and a long-term debt to capitalization ratio of 32%[2].

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[1] For additional information, see the Non-GAAP Measures section.
[2] Calculated as Long-term debt divided by the total of Long-term debt, Non-controlling interests and Shareholders' equity.

Key financial and operational data

$ millions, except as noted for the three months ended March 31	2009	2008
Financial highlights		
Revenue[1]	$ 349.0	$ 314.2
EBITDA[2]	97.2	175.7
Operating earnings[2]	28.6	136.0
Net (loss) earnings	(42.9)	89.0
Net (loss) earnings per share ($ per share)	(0.15)	0.38
Cash flow[1]		
Cash provided by operating activities	$ 95.3	$ 151.5
Capital expenditures[1]	$ 416.9	$ 462.2
Production volumes		
Nickel [3] (tonnes)	4,073	3,749
Cobalt[3] (tonnes)	469	407
Coal - Prairie Operations[4] (millions of tonnes)	8.5	8.8
Coal - Mountain Operations [5] (millions of tonnes)	0.5	0.4
Oil - Cuba - net production (barrels per day)	13,666	17,472
Electricity (Gigawatt hours)	541	597
Unit operating costs		
Nickel[6] (US$ per pound)	$ 4.12	$ 1.95
Coal - Prairie Operations ($ per tonne)	11.62	10.25
Coal - Mountain Operations ($ per tonne)	59.11	55.90
Oil - Cuba ($ per barrel of oil)	9.03	6.12
Electricity ($ per megawatt hour)	17.78	8.55
Averaged-realized sales prices		
Nickel ($ per pound)	$ 5.68	$ 12.93
Cobalt ($ per pound)	16.22	46.13
Coal - Prarie Operations ($ per tonne)	14.99	13.66
Coal - Mountain Operations ($ per tonne)	98.76	68.67
Oil - Cuba ($ per barrel)	36.01	51.34
Electricity ($ per Megawatt hour)	50.46	40.62

$ millions, except as noted, as at	2009 March 31	2008 December 31
Financial Condition		
Current ratio	1.70:1	1.68:1
Long-term debt to capitalization[7]	32%	32%
Net working capital balance	$ 643.2	$ 554.3
Cash, cash equivalents and short-term investments	789.6	607.3
Total assets	10,091.4	9,547.2
Total long-term debt	2,678.4	2,550.1
Non-controlling interests	1,978.2	1,668.4
Shareholders' equity	3,816.6	3,727.1

(1) Results include those of Royal Utilities from date of acquisition, May 2, 2008.
(2) For additional information see the Non-GAAP Measures section.
(3) Amounts are presented on a 50% basis for each period.
(4) For Prairie Operations volumes are presented on a 100% basis for each period.
(5) For Mountain Operations volumes are presented on a 50% basis for each period.
(6) Net direct cash cost inclusive of by-product credits and third-party feed costs.
(7) Calculated as Long-term debt divided by the total of Long-term debt, Non-controlling interests and Shareholders' equity.

Current market environment

Impact on operating results

Our operating results continue to be significantly impacted by lower nickel, cobalt and oil prices and by changes in the Canadian dollar relative to the U.S. dollar. As compared to the prior-year quarter, the average reference price of nickel decreased from US$13.09 per pound to US$4.74 per pound and the average reference price for Gulf Coast Fuel Oil No. 6 decreased from US$69.59 per barrel to US$38.86 per barrel. These decreases in commodity prices resulted in a decrease of approximately $168 million in our operating earnings in the first quarter of 2009 compared to the first quarter of 2008.

Our results are reported in Canadian dollars and the fluctuation in foreign exchange rates has the potential to cause significant volatility in our results. The average exchange rate in the first quarter of 2008 was one Canadian dollar for each U.S. dollar compared to 1.25 Canadian dollars for each U.S. dollar in the first quarter of 2009. Changes in commodity prices also have a significant impact on the majority of our input costs, such as natural gas, sulphur and sulphuric acid that impact our operating earnings. We have provided estimates of the sensitivity of our first-quarter earnings for key parameters on page 32.

In the fourth quarter of 2008, primarily as a result of the weakened economic environment, we incurred several significant charges to our net earnings; $463.3 million impairment of goodwill related to the Ambatovy Project in Metals; an impairment of $65.5 million of receivables as a result of the termination of a production-sharing contract related to Block 7 at Oil and Gas; a $30.1 million impairment of property, plant and equipment at our business units; $20.1 million impairment on asset-backed commercial paper; and a $11.7 million impairment of commodity-input inventories.

Impact on liquidity

Despite challenges resulting from the continuing deterioration in the economy we have maintained our positive financial position. At March 31, 2009, total cash, cash equivalents and short-term investments were $789.6 million. The majority of this amount was held in Canada in Government of Canada treasury bills or in cash deposit accounts with major Canadian financial institutions rated A- or higher by Standard and Poor's.

We continue to implement strategies discussed in recent disclosures, including reduced capital spending in line with cash flows, suspension of certain expansion programs, reduced controllable operating costs and a review of Ambatovy Project costs.

In February, 2009, Sherritt reached an agreement with Cuban government agencies related to the collection of overdue 2008 Oil and Gas and Power receivables. In accordance with this agreement, Sherritt received a payment of US$161.1million and used the proceeds to purchase two Cuban Certificates of Deposit (CDs) issued by a Cuban bank in the amounts of US$124.4 million and US$34.7 million. These CDs bear interest at a rate of 30-day LIBOR plus 5%. Since the purchase of the CDs, the Corporation has received, and expects to continue receiving, a weekly payment of approximately US$0.6 million plus interest on the outstanding amount. In the event of non-payment, Sherritt holds the right to receive payment from the cash flows payable by the Moa Joint Venture to its Cuban beneficiaries.

In respect of Oil and Gas and Power receivables due in 2009, the Corporation received $62.8 million in the first quarter and $21.5 million subsequent to March 31, 2009. At March 31, 2009, $49.0 million of Oil and Gas and $0.6 million of Power receivables were overdue. The amounts outstanding are guaranteed by the National Bank of Cuba.

The Corporation and certain Cuban government agencies are currently negotiating an agreement with respect to 2009 Oil and Gas and Power receivables that would require the payment of all amounts due in 2009 to be made in approximately-equal monthly installments.

The Dominion Bond Rating Service (DBRS) downgraded our unsecured debt from BBB (low) to BB (high) and placed the rating "Under Review with Negative Implications". We do not expect this rating change to have a material impact on our liquidity but nonetheless it may make obtaining credit more difficult and costly.

The Corporation is in the process of finalizing an extension of its $140.0 million 364-day syndicated facility that matures May 12, 2009. See page 28 for further information.

Ambatovy Project

The recent political unrest in Madagascar has not resulted in any material disruptions in activities at the Project and there has been no targeting of project personnel or assets. See Review of operations – Metals section on page 9 for further information.

Financial results

$ millions, except per share amounts for the three months ended March 31		2009		2008
Revenue by segment				
Metals	$	79.7	$	162.3
Coal(1)		188.9		30.9
Oil and Gas		46.6		87.5
Power		30.4		29.8
Corporate and other		3.4		3.7
		349.0		314.2
EBITDA(2) by segment				
Metals	$	(1.4)	$	89.2
Coal(1)		60.0		5.3
Oil and Gas		27.2		68.0
Power		19.7		23.8
Corporate and other		(8.3)		(10.6)
		97.2		175.7
Operating earnings (loss)(2) by segment				
Metals	$	(8.8)	$	84.3
Coal(1)		34.8		3.1
Oil and Gas		-		44.3
Power		12.1		16.3
Corporate and other		(9.5)		(12.0)
		28.6		136.0
Loss on disposal of property, plant and equipment		79.5		-
Impairment of investment		2.2		-
Net financing income		(2.1)		(0.9)
Share of earnings of equity accounted investments		-		(6.4)
Income taxes		(15.0)		47.9
Non-controlling interests		6.1		6.2
(Loss) earnings from continuing operations	$	(42.1)		89.2
Loss from discontinued operation		(0.8)		(0.2)
Net (loss) earnings	$	(42.9)		89.0
(Loss) earnings from continuing operations per share				
Basic	$	(0.15)	$	0.38
Diluted	$	(0.15)	$	0.38
Net (loss) earnings per share				
Basic	$	(0.15)	$	0.38
Diluted	$	(0.15)	$	0.38
Effective Tax Rate		29%		33%

(1) The Coal segment includes the following:
- The Corporation's 50% proportionate interest in Mountain Operations and coal development assets.
- The Corporation's consolidated results of Royal Utilities since the date of acquisition (May 2, 2008). Prior to the date of acquisition, the Corporation recognized its share of earnings in "Share of earnings in equity accounted investments".

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

On a consolidated basis, for the first quarter of 2009, our revenue was $349.0 million, EBITDA was $97.2 million and net loss was $42.9 million. In the current challenging economic environment, having a diverse asset base and the implementation of cost containment initiatives has allowed us to generate positive operating cash flows despite a steep decline in the market price of nickel, cobalt, and oil, largely as a result of higher coal prices and higher royalty revenue. Detailed information on the performance of each of our operations can be found in the Review of operations sections. In summary:

- Metals incurred an operating loss of $8.8 million compared to earnings of $84.3 million in the first quarter of 2008 due primarily to 56% and 65% lower average-realized price for nickel and cobalt, respectively, despite moderately higher nickel and cobalt production volumes as a result of the completion of the Phase 1 expansion in the second quarter of 2008.

- Coal's operating earnings increased by $31.7 million to $34.8 million compared to first quarter of 2008 due to a 44% increase in the average-realized price of thermal export coal at Mountain Operations and the contribution from Prairie Operations as a result of the acquisition of the remaining units of Royal Utilities in 2008.

- Oil and Gas did not have operating earnings in the first quarter of 2009 compared to operating earnings of $44.3 million in the first quarter of 2008 due primarily to a reduction in net oil production of 4,341 barrels per day resulting from the termination of the Block 7 production-sharing contract and a 30% decrease in the average-realized price for oil produced in Cuba. Net earnings were impacted by a $79.5 million ($57.4 million net of tax) loss on disposal of assets associated with Block 7.

- Power's operating earnings decreased $4.2 million to $12.1 million compared to the first quarter of 2008 due primarily to higher maintenance and repair costs offset partially by higher average-realized prices due to foreign exchange rate changes.

- The effective consolidated tax rate for the first quarter of 2009 was 29% compared to 33% for the first quarter of 2008 due primarily to the change in the relative mix of earnings at our operations.

Review of operations - Metals

Financial data

$ millions, for the years ended March 31		2009		2008
Revenue				
Nickel	$	49.7	$	108.1
Cobalt		16.2		42.5
Fertilizers		12.1		8.5
Other		1.7		3.2
		79.7		162.3
Operating costs[1]				
Mining, processing and refining		(58.9)		(49.7)
Third-party feed costs		(3.8)		(11.1)
Fertilizers		(12.3)		(8.7)
Other		(2.4)		-
		(77.4)		(69.5)
Selling costs		(2.8)		(2.4)
General and administrative costs		(0.9)		(1.2)
EBITDA [2]		(1.4)		89.2
Depletion, amortization and accretion		(7.4)		(4.9)
Operating (loss) earnings [2]	$	(8.8)	$	84.3

(1) Excluding depreciation and amortization of $4.5 million and $3.1 million for the three-month periods ended March 31, 2009 and March 31, 2008, respectively.
(2) For additional information, see the Non-GAAP Measures section.

The change in operating earnings between 2009 and 2008 is detailed below.

$ millions, for the three months ended March 31	2009
Lower realized nickel prices	(90.3)
Lower realized cobalt prices	(40.9)
Higher metals and fertilizer sales volumes	4.8
Lower mining, processing, refining and third-party feed costs	13.9
Impact of stronger U.S. dollar	26.6
Other	(7.2)
Decrease in operating earnings, compared to 2008	(93.1)

Metal prices

Prices For the three months ended March 31		2009		2008
Nickel - average-realized ($/lb)	$	5.68	$	12.93
Cobalt - average-realized ($/lb)		16.22		46.13
Nickel - reference (US$/lb)		4.74		13.09
Cobalt - reference (US$/lb) [1]		13.37		46.19

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

The average nickel and cobalt reference prices decreased by US$8.35 per pound and US$32.82 per pound, respectively, compared to the first quarter of 2008 due to lower finished metal demand. The average-realized prices benefited from the stronger U.S. dollar relative to the Canadian dollar.

Production and sales

Production (tonnes) (50% basis) For the three months ended March 31	2009	2008
Mixed sulphides	4,686	4,324
Finished nickel	4,073	3,749
Finished cobalt	469	407

Sales For the three months ended March 31	2009	2008
Finished nickel (thousands of pounds)	8,736	8,362
Finished cobalt (thousands of pounds)	998	920
Fertilizer (tonnes)	31,651	22,379

Production of 9,372 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides established a quarterly production record at Moa reflecting the contribution of Phase 1 expansion assets commissioned in the second quarter of 2008. Total finished metals production was also higher reflecting better feed availability and the contribution of Phase 1 expansion assets at the Fort Saskatchewan site. Negotiations to finalize the terms of the mixed-sulphide supply agreement that expired on June 30, 2007 continue.

Finished nickel sales were higher than the first quarter of 2008 but did not match the increase in production in 2009 as a result of lower global nickel demand. Fertilizer sales volumes increased 9,272 tonnes reflecting the timing and strength of spring sales in light of the weaker fall season when many buyers postponed purchases.

Operating costs

Unit operating costs For the three months ended March 31	2009	2008
Mining, processing and refining costs	$ 5.00	$ 5.63
Third-party feed costs	0.35	1.32
Cobalt by-product credits	(1.48)	(5.06)
Other [(1)]	0.25	0.06
Net direct cash cost (US$/lb of nickel)	$ 4.12	$ 1.95
Natural gas costs ($/gigajoule)	4.74	7.55
Sulphur costs (US$/tonne)	153.61	261.47
Sulphuric acid costs (US$/tonne)	184.94	209.65

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

Components of mining, processing and refining costs For the three months ended March 31	2009	2008
Fixed Costs	22%	18%
Sulphur	8%	9%
Sulphuric acid	20%	19%
Fuel oil	12%	16%
Maintenance	13%	11%
Other variable(1)	25%	27%
	100%	100%

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

Net direct cash cost of nickel increased primarily due to significantly lower cobalt by-product credits as a result of lower cobalt prices. Mining, processing and refining costs were lower due to lower commodity-input prices and the impact of the stronger U.S. dollar on Canadian dollar denominated refining costs. Third-party feed costs were lower primarily as a result of lower metal prices.

Capital spending

Capital Spending(1) $ millions, for the three months ended March 31	2009	2008
Moa Joint Venture		
Sustaining	$ 2.9	$ 10.1
Expansion	2.6	40.2
	5.5	50.3
Ambatovy Joint Venture	376.9	382.9
Total	$ 382.4	$ 433.2

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

Capital spending at the Moa Joint Venture was $44.8 million lower due primarily to the suspension of expansion activities. Expansion spending during the quarter reflects the construction of certain Phase 2 expansion assets at Fort Saskatchewan and the ongoing capitalization of interest related to financing of the Phase 2 expansion and the Moa acid plant. During the quarter, the Moa Joint Venture realized $1.9 million (50% basis) on the sale of uninstalled expansion assets that were classified as “Assets held for sale” at December 31, 2008 and included in other assets.

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

Quarterly Ambatovy Project Update

- At March 31, 2009, engineering was 95% completed and construction was 48% completed.
- Capital spending for the project was $376.9 million in the first quarter.
- A total of $446.4 million was provided by the Ambatovy Joint Venture partners during the first quarter. Sherritt contributed $91.8 million of the $446.4 million, primarily through borrowings from credit facilities available from the other joint venture partners.
- The Ambatovy Project had achieved approximately 1.4 million exposure hours up to March 31, 2009 without a lost-time incident.
- On February 25, 2009, the Corporation announced an updated capital cost estimate of US$4.52 billion not including accrued financing charges, foreign exchange and working capital requirements. This updated estimate is subject to previously announced efforts to pursue cost reductions through the renegotiation of material contracts in an effort to realize the benefit of recent decreases in the price of construction materials, freight and labour.
- Mechanical completion is anticipated to occur by the latter part of 2010.

Project Financing

The Corporation is in advanced discussions with its Ambatovy Joint Venture partners on a mechanism to fund the remaining share of the capital cost in order to maintain Sherritt's balance sheet strength and liquidity. The Corporation expects that these revised financing agreements will be finalized in the second quarter of 2009.

There were no borrowings against the senior project loans during the first quarter of 2009.

Political Update

In January 2009, Andry Rajoelina, the opposition leader and former elected Mayor of the capital city, Antananarivo, called on the President of Madagascar, Marc Ravolomanana, to resign, citing improper use of public money, and other charges. In March 2009, after a period of civil unrest, Mr. Ravolomanana resigned as President. Mr. Rajoelina assumed power with the backing of the military and the high court and established a transitional government to govern the country for a period not to exceed 24 months with the expectation that elections will be held within that time frame.

The United States, the European Union and the International Monetary Fund have all curtailed non-humanitarian aid to Madagascar, and the African Union has suspended Madagascar's membership in the organization.

There were no material disruptions in activities at the Ambatovy Project and no targeting of project personnel or assets. The Corporation has established communication with the transitional government officials and continues its communication with multilateral institutions and key embassies.

Outlook for 2009

Production volumes and capital expenditures		Actual 2009		Projected 2009
For the three and twelve months ended		March 31		December 31
Production				
Mixed sulphides (tonnes, 100% basis)		9,372		**37,000**
Finished Nickel (tonnes, 100% basis)		8,146		**33,500**
Finished Cobalt (tonnes, 100% basis)		937		**3,500**
Capital Expenditures ($ millions)				
Moa Joint Venture (50% basis)	$	5.5	**$**	**36**
Ambatovy (100% basis, U.S.$)	$	303.3	**$**	**1,800**

We expect lower net direct cash cost of nickel per pound due to lower commodity input costs and higher cobalt prices. The 2009 annual maintenance shutdown plan at the Fort Saskatchewan refinery has been modified in favour of maintenance opportunities in May, June and September, which are expected to be less disruptive and more cost effective than a single shutdown. Refining costs, production and sales volumes are expected to be negatively impacted in the months in which these maintenance opportunities are undertaken. No construction is expected to begin in 2009 for any of the major elements of the Phase 2 Moa Joint Venture Expansion.

For the Ambatovy Project, it is expected that approximately US$0.6 billion of the estimated US$1.8 billion in 2009 capital expenditures will be funded by Project financing drawdowns.

Review of operations – Coal

Financial data

$ millions, for the three months ended March 31	2009	2008[1]
Prairie Operations (100% basis)		
Mining revenue	$ 127.9	$ 123.8
Coal royalties	12.9	8.5
Potash royalties	4.3	3.5
	145.1	135.8
Operating costs [2]	(99.2)	(92.9)
General and administrative costs [3]	(1.6)	(2.1)
EBITDA [4]	44.3	40.8
Depletion, amortization and accretion	(22.1)	(25.1)
Operating earnings[4]	22.2	15.7

Mountain Operations and coal development assets (50% basis)		
Revenue	43.8	30.9
Operating costs [5]	(26.3)	(25.1)
General and administrative costs	(1.8)	(0.5)
EBITDA [4]	15.7	5.3
Depletion, amortization and accretion	(3.1)	(2.2)
Operating earnings[4]	12.6	3.1

(1) The results of Prairie Operations have been consolidated from May 2, 2008. In the prior period and to May 2, 2008, Sherritt equity accounted for its investment in Royal Utilities. In order to provide a meaningful discussion of results on a consolidated basis, the table above and the financial analysis below discusses Prairie Operations on a 100% basis for the prior-year period. No Prairie Operations' results were included in revenue or EBITDA in the financial statements of the Corporation for the three-month period ended March 31, 2008. Rather, the Corporation recognized $6.4 million as its share of equity earnings in its financial statements to that date.
(2) Excluding depreciation and amortization of $12.4 million and $8.1 million for the three-month periods ended March 31, 2009 and March 31, 2008, respectively.
(3) Includes restructuring and other costs of $1.3 million for the three months ended March 31, 2008 related to the acquisition of the remaining units of Royal Utilities.
(4) For additional information see the Non-GAAP Measures section.
(5) Excluding depreciation and amortization of $2.7 million and $1.9 million for the three-month periods ended March 31, 2009 and March 31, 2008, respectively.

The change in operating earnings between 2009 and 2008 is detailed below.

$ millions, for the three months ended March 31	2009
Prarie Operations:	
Higher royalties	5.2
Higher operating costs, net of higher mining revenue	(2.2)
Lower depletion, amortization and accretion	3.0
Other	0.5
Increase in operating earnings, compared to 2008	6.5
Mountain Operations and coal development assets:	
Higher coal prices, denominated in U.S. dollars	6.7
Impact of stronger U.S. dollar	6.6
Higher operating costs	(1.2)
Higher depletion, amortization and accretion	(0.9)
Other	(1.7)
Increase in operating earnings, compared to 2008	9.5

Coal prices and royalty revenue

Prices ($/tonne) For the three months ended March 31	2009	2008
Prairie Operations - average-realized[1]	$ 14.99	$ 13.66
Mountain Operations - average-realized	98.76	68.67

(1) Excludes royalty revenue.

In Prairie Operations, coal royalties increased due to the timing of mining in royalty areas while potash royalties continued to be driven by high market prices. Also in Prairie Operations, for coal, the average-realized price increased by $1.33 per tonne to $14.99 per tonne, reflecting index-adjusted prices at owned mines and higher cost and capital recoveries at the contract and Genesee mines.

In Mountain Operations, the average-realized price increased $30.09 per tonne to $98.76 per tonne due to higher pricing on export thermal coal contracts that were entered into in the prior year at record prices and as a result of the stronger U.S. dollar relative to the Canadian dollar.

Operating costs

Unit operating costs ($/tonne) For the three months ended March 31	2009	2008
Prairie Operations	$ 11.62	$ 10.25
Mountain Operations	59.11	55.90

Components of Operating Costs (%) For the three months ended March 31	2009	2008
Prairie Operations		
Labour	40%	40%
Repairs and maintenance	27%	25%
Fuel	13%	16%
Other (1)	20%	19%
Total	100%	100%
Mountain Operations		
Labour	22%	19%
Repairs and maintenance	10%	11%
Fuel	11%	12%
Rentals and contractors	13%	8%
Ex-Mine (2)	40%	39%
Other (3)	4%	11%
Total	100%	100%

(1) Comprised of rentals, subcontracts, explosives, power, taxes, tires, licenses and other miscellaneous expenses.
(2) Comprised largely of commissions, royalties, freight and port fees.
(3) Comprised of tires, explosives, power, taxes, licences, other miscellaneous expenses and the impact of changes in coal inventory levels during the period.

In Prairie Operations, operating costs increased $1.37 per tonne to $11.62 per tonne, despite a significantly lower diesel price, due primarily to unseasonably cold weather in Saskatchewan and two unplanned dragline outages at the Boundary Dam mine, both of which required more costly mining techniques to be employed.

In Mountain Operations, operating costs per tonne increased $3.21 to $59.11, despite lower diesel prices, primarily due to an increase in costs for labour and contractors that were required to maintain a larger equipment fleet.

Production and sales

Production (millions of tonnes) For the three months ended March 31	2009	2008
Prairie Operations (100% basis)	8.5	8.8
Mountain Operations (50% basis)	0.5	0.4

Sales (millions of tonnes) For the three months ended March 31	2009	2008
Prairie Operations (100% basis)	8.5	9.1
Mountain Operations (50% basis)	0.4	0.4

In Prairie Operations, reduced sales and production volumes resulted mainly from lower volumes at the contract mines, where there were more unit outages for repairs at the generating stations that the mines supply compared to the same period last year.

In Mountain Operations, production was higher due to improved equipment availability.

Capital Spending

Capital Spending $ millions, for the three months ended March 31		2009		2008
Prairie Operations (100% basis)				
Sustaining	$	8.6	$	4.0
Growth		1.8		-
Mountain Operations (50% basis)				
Sustaining		1.2		0.6
Growth		1.2		-
Total	$	12.8	$	4.6

Prairie Operations leases the majority of its mobile equipment under long-term mine support equipment agreements entered into in 2004. In the first quarter of 2009, working capital was used to purchase $6.6 million of equipment due to limited availability of lease financing at acceptable terms.

Prairie Operations also incurred capital costs of $2.0 million for infrastructure development and capital repairs on mobile equipment, and $1.8 million (our proportionate share in the joint venture with Norit Canada Inc.) for the construction of the activated carbon plants at the Bienfait mine. Plant construction commenced in February 2009, slightly delayed due to severe weather in Saskatchewan and commissioning is now expected in early 2010.

In Mountain Operations, capital spending was higher as it included $1.2 million for the Obed mine project.

Outlook for 2009

Production volumes, royalties and capital expenditures For the three and twelve months ended	Actual 2009 March 31	Projected 2009 December 31
Production		
Prairie Operations (millions of tonnes, 100% basis)	8.5	36
Mountain Operations (millions of tonnes, 100% basis)	0.5	4.4
Royalties ($ millions)		
Coal	12.9	41
Potash	4.3	15
Capital Expenditures ($ millions)		
Prairie Operations	8.6	35
Mountain Operations (50% basis)	1.2	9
Activated carbon project (50% basis)	1.8	27
Obed mine (50% basis)	1.2	8

Annual production levels are expected to be consistent with prior years and all production has been contracted. Additional production from the Obed mine (scheduled to reopen in the third quarter) is estimated to be approximately 0.4 million tonnes for the year.

Settlement prices, based on the majority of the contracts being settled in late March and early April 2009, will be significantly lower than the record prices realized in 2008 due to market conditions. Approximately 50% of the Coal Valley mine's 2009 contract-year production will be linked to the Newcastle FOB settlement price which is expected to be approximately US$70.00 per tonne, a decrease of over 40% from last year. This will reduce the average-realized price per tonne at Mountain Operations for 2009, although the impact will be partially offset if the Canadian dollar remains weaker than last year relative to the U.S. dollar.

Sustaining capital expenditures for Prairie Operations are expected to increase as working capital or other credit facilities are used to fund capital purchases that otherwise would have been leased. Due to weather-related construction delays, the commissioning of the activated carbon plant is now expected to occur in early 2010 compared to the prior estimate of November 2009.

Review of operations – Oil and Gas

Financial data

$ millions, for the three months ended March 31		2009		2008
Revenue				
Cuba	$	44.3	$	81.7
Spain		1.5		4.3
Pakistan		0.3		0.2
Processing and other		0.5		1.3
		46.6		87.5
Operating costs		(12.7)		(11.1)
General and administrative costs		(6.7)		(8.4)
EBITDA (1)		27.2		68.0
Depletion, amortization and accretion		(27.2)		(23.7)
Operating earnings (1)	$	-	$	44.3

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

The change in operating earnings between 2009 and 2008 is detailed below.

$ millions, for the three months ended March 31	2009
Operating earnings from Block 7 in 2008	(15.8)
Continuing operations:	
Change in oil and gas prices	(36.5)
Change in depletion, amortization and accretion due to increased rates	(1.1)
Impact of stronger U.S. dollar	9.0
Other	0.1
Decrease in operating earnings, compared to 2008	(44.3)

Oil prices

Prices For the three months ended March 31		2009		2008
Average-realized prices:				
Cuba ($/barrel)	$	36.01	$	51.34
Spain ($/barrel)		55.69		97.32
Pakistan ($/boe) (1)		8.94		7.07
Reference price (U.S.$/barrel)				
Gulf Coast Fuel Oil No. 6		38.86		69.59
Brent		44.60		97.35

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

Average-realized price for net oil production in Cuba decreased by $15.33 per barrel as a result of lower worldwide oil prices, partially offset by a weaker Canadian dollar relative to the U.S. dollar. The average-realized price was $41.63 lower in Spain for the same reason.

Production and sales

Daily Production Volumes [1] [2] For the three months ended March 31	2009	2008
Gross working-interest oil production in Cuba [3] [5]	21,687	31,005
Net oil production [4]		
Cuba (heavy oil)		
Cost recovery [5]	8,180	8,045
Profit oil [5]	5,486	9,427
Total	13,666	17,472
Spain (light/ medium oil) [4]	303	495
Pakistan (natural gas) [4]	370	398
Total	14,339	18,365

(1) Production figures exclude production from wells for which commerciality has not been established.
(2) Oil production is stated in barrels per day (bpd). Natural gas production is stated in barrels of oil equivalent per day (boepd), which is converted at 6,000 cubic feet per boepd.
(3) In Cuba, Oil and Gas delivered all of its gross working-interest oil production to CUPET at the time of production. Gross working-interest oil production excludes (i) production from wells for which commerciality has not been established in accordance with production-sharing contracts; and (ii) working interests of other participants in the production-sharing contracts.
(4) Net production (equivalent to net sales volume) represents the Corporation's share of gross working-interest production. In Spain and Pakistan, net oil production volumes equal 100% of gross working-interest production volumes.
(5) For further information on gross working-interest oil production in Cuba, cost recovery, and profit oil see page 51 of the 2008 annual report.

Sherritt's joint venture partner entered into an agreement with an agency of the Cuban government which resulted in the termination of the production-sharing contract related to Block 7 in February 2009. As a result, no Block 7 production was recorded in the first quarter of 2009. Excluding Block 7, gross working-interest production in 2008 was 22,300 bpd.

Excluding Block 7, gross working-interest oil production in Cuba decreased by 613 bpd in the quarter due primarily to the temporary suspension of development drilling activity during the fourth quarter of 2008 and the first quarter of 2009.

Net production in Cuba in 2008, excluding Block 7, was 13,131 bpd including 6,930 bpd for cost recovery and 6,201 bpd for profit oil. Excluding Block 7, the cost recovery component of net production in Cuba increased by 1,250 bpd due largely to a significant decrease in oil price. The profit oil component of net production is Sherritt's share of production after the cost recovery component is subtracted from gross working-interest production. In the first quarter of 2009, Sherritt's average share of profit oil in Cuba was 41%.

Production in Spain was lower due to natural reservoir declines.

Operating costs

Unit operating costs ($/boe)[1] For the three months ended March 31		2009		2008
Cuba	$	9.03	$	6.12
Spain		55.55		30.37
Pakistan		1.32		0.94
Weighted Average	$	9.82	$	6.66

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

Components of Unit Operating Costs - Cuba (%) For the three months ended March 31	2009	2008
Cuba		
Labour	4%	10%
Maintenance	7%	34%
Treatment and transportation	46%	34%
Other [1]	43%	22%
	100%	100%

(1) Comprised mainly of chemicals, insurance, yard maintenance costs and fuel.

Unit operating costs in Cuba increased by $2.91 per barrel largely due to a retroactive adjustment to 2008 treatment and transportation rates as well as higher rates for the current quarter. Also, in 2009, $1.4 million of maintenance yard and inventory support costs, that would have previously been included in general and administrative expenditures, were classified as field operations costs as these activities are now considered to be in direct support of production. Excluding these items, first quarter 2009 unit operating costs were consistent with the 2008 full-year operating cost of $7.28 per barrel. Operating costs were also higher due to a weaker Canadian dollar relative to the U.S. dollar. Unit operating costs in Spain were higher due to lower production and higher operating costs that were driven mainly by a weaker Canadian dollar relative to the U.S. dollar

Capital Spending

Capital Spending $ millions, for the three months ended March 31		2009		2008
Development and facilities	$	10.9	$	22.7
Exploration		1.2		1.6
Total	$	12.1	$	24.3

In the first quarter of 2009 capital spending included $6.2 million for facility construction and $4.1million relating to capitalized general and administrative and other costs incurred in support future activities. Capital spending in the first quarter of 2009 was significantly lower than in the first quarter of 2008 due to the overall curtailment of activities in Cuba in response to the Corporation’s decision to suspend expansion activities as a result of delays in payment of outstanding receivables from an agency of the Cuban government. As a result, in the first quarter of 2009, no new wells were initiated or completed. In the first quarter of 2008, four development wells and one exploration well were initiated and three development wells were completed.

A loss on disposal of $79.5 million was recorded in respect of Block 7 property, plant and equipment in the first quarter of 2009 following the termination of the Block 7 production sharing contract in February 2009.

Outlook for 2009

Production volumes and capital expenditures		Actual 2009		Projected 2009
For the three and twelve months ended		March 31		December 31
Production				
Gross working-interest oil (Cuba) (bpd)		21,687		22,150
Net oil production, all operations (bpd)(1)		14,339		15,690
Capital Expenditures ($ millions)				
Cuba	$	9.7	$	122
Other		2.4	$	13

(1) Net oil production predicated on the WTI/Fuel Oil No. 6 price differential remaining consistent with historical levels.

The extent of the drilling program in 2009 will depend largely on the receipt of payments in Cuba. Controllable operating costs are targeted to be 15% lower than the prior year. Activity in Cuba includes approximately $14.4 million in expenditures for the enhanced oil recovery pilot project that is expected to be operational in early 2010. The Corporation will participate in an exploratory well in Turkey beginning in the second quarter of 2009 in partnership with a Turkish conglomerate and an international oil and gas company with experience in Turkey.

Review of operations - Power

Financial data

$ millions, for the three months ended March 31		2009		2008
Revenue				
Electricity sales	$	27.3	$	24.3
By-products and other		3.1		5.5
		30.4		29.8
Operating costs		(9.6)		(5.1)
General and administrative costs		(1.1)		(0.9)
EBITDA (1)		19.7		23.8
Depletion, amortization and accretion		(7.6)		(7.5)
Operating earnings (1)	$	12.1	$	16.3

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

The change in operating earnings between 2009 and 2008 is detailed below.

$ millions, for the three months ended March 31	2009
Higher realized electricity prices, denominated in Canadian dollars	5.3
Lower by-products prices	(2.3)
Lower electricity and by-products sales volumes	(2.1)
Higher maintenance costs	(1.8)
Higher costs related to turbine rotor overhaul	(2.7)
Other	(0.6)
Decrease in operating earnings, compared to 2008	(4.2)

Electricity Prices

Prices ($/MWh) (1) For the three months ended March 31		2009		2008
Average-realized price	$	50.46	$	40.62

(1) Megawatt hours (MWh).

The average-realized price increased $9.84 per MWh due primarily to a weaker Canadian dollar relative to the U.S. dollar.

By-product revenue decreased due to lower commodity prices which are linked to market prices for petroleum products that were lower compared to the first quarter of 2008.

Production and sales

Production/Sales For the three months ended March 31	2009	2008
Electricity sold [1] (GWh) [2]	541	597

(1) Including non-controlling interest's share.
(2) Gigawatt hours (GWh).

Electricity sales volume decreased 56 GWh due to a number of turbine failures and an increase in scheduled maintenance compared to the first quarter of 2008. The problems experienced with the turbines are being addressed and each of the turbines is expected to return to service by the end of the second quarter.

Operating costs

Unit operating costs ($/MWh) For the three months ended March 31	2009	2008
Operating cost	$ 17.78	$ 8.55

Components of Unit Operating Costs (%) For the three months ended March 31	2009	2008
Labour	30%	54%
Maintenance	63%	26%
Other [1]	7%	20%
Total	100%	100%

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

Unit operating costs were higher by $9.23 per MWh due to higher costs and lower production resulting primarily from scheduled maintenance for several gas turbines and for the completion of a major overhaul of one turbine rotor.

Capital Spending

Capital Spending $ millions, for the three months ended March 31	2009	2008
Sustaining	$ 1.3	$ 1.7
Growth	7.7	2.1
	$ 9.0	$ 3.8

Growth capital spending of $3.4 million was for construction activity and equipment purchases for the 25 MW project in Madagascar and $4.3 million for engineering and infrastructure preparation for the 150 MW combined cycle project in Cuba.

In addition to the capital expenditures above, Power made $10.3 million of progress payments for major components of the 150 MW combined cycle project in Cuba that were necessary to maintain the project option value while this project is under review. A total of $6.6 million of progress payments were made for the 25 MW project in Madagascar.

Outlook for 2009

Production volumes and capital expenditures For the three and twelve months ended		Actual 2009 March 31		Projected 2009 December 31
Production				
Electricity (GWh)		541		**1,959**
Capital Expenditures ($ millions)				
Cuba	$	5.6	**$**	**10**
Madagascar	$	3.4	**$**	**19**

Production for 2009 will be impacted by planned maintenance activity and two unplanned turbine outages that occurred in the first quarter. As a result of these events, unit operating costs for 2009 are expected to be higher than in 2008 but lower than the first quarter of 2009. The problems experienced with the turbines are being addressed and each of the turbines is expected to return to service by the end of the second quarter.

The 150 MW Boca de Jaruco Combined Cycle Project in Cuba continues to be reviewed in light of current economic conditions. Sherritt will continue with engineering and progress payments to maintain the Project option value while it is under review. Construction on the 25 MW Madagascar Thermal Power Project is nearing completion and is expected to be operational in June 2009.

Review of operations - Other

Technologies

Technologies generated $3.3 million in revenue in the first quarter of 2009 compared to $2.7 million in the same period last year.

The Clean Coal Technology Centre, which will develop processes for cleaning and upgrading western Canadian lignite and sub-bituminous coals, is on schedule to be commissioned by the end of the second quarter of 2009.

Liquidity and financial condition

Liquidity

Due to the uncertain economic environment, we are increasingly focused on managing liquidity. The primary factors affecting our liquidity and how we manage capital are described in detail in our annual MD&A for the year ended December 31, 2008. Management currently believes that the Corporation will be able to satisfy its current and long-term obligations as they come due based on its financial position and liquidity profile at March 31, 2009.

Sources and uses of cash

$ millions, for the three months ended March 31		2009		2008
Cash from operating activities				
Cash from opertating activities before change in non-cash working captial	$	87	$	130
Change in non-cash working capital		9		20
Cash (used for) provided by discontinued operation		(1)		2
Cash provided by operating activites	$	95	$	152
Cash from investing and financing				
Cash capital spending	$	(409)	$	(294)
Short-term debt borrowings		53		-
Long-term debt borrowings		92		19
Funding from Ambatovy Joint Venture partners		355		59
Issuance of common shares		-		384
Dividends paid on common shares		(11)		(8)
Change in other assets		(18)		(45)
Other		26		(15)
	$	88	$	100
Increase in cash and short-term investments	$	183	$	252
Cash, cash equivalents, and short-term investments				
Beginning of period	$	607	$	459
End of period	$	790	$	711

Factors affecting operating cash flow

Operating cash flows for the first quarter were significantly impacted by the reduction in earnings. The receipt of funds on the overdue Oil and Gas and Power receivables had a minimal impact on our overall cash position as the Corporation was required to purchase an approximately-equal amount of certificates of deposit.

During the first quarter of 2009, we received $74.1 million dollars as our share of proceeds related to the termination of the Block 7 production-sharing contract.

Capital expenditures

Total cash capital expenditures for the quarter were $409.3 million. The majority of this spending related to the development of the Ambatovy Project. In the third quarter of 2008, in response to the current economic climate, we undertook a series of measures to bring spending in line with the projected cash flows from each operation and available project-specific credit facilities in order to maintain a strong liquidity position. A discussion of capital expenditures is included in the Review of operations sections.

Available Credit Facilities

At March 31, 2009, the amount of credit available under various credit facilities, inclusive of approximately $1.2 billion (US$1.0 billion) (100% basis) available under the Ambatovy Joint Venture limited recourse project financing, remained relatively unchanged from December 31, 2008.

The following table outlines the maximum amount and amounts available to the Corporation under its credit facilities as at March 31, 2009 and December 31, 2008. A description of these facilities is provided in our 2008 annual MD&A.

$ millions, as at	2009 March 31		2008 December 31	
	Maximum	Available	Maximum	Available
Senior unsecured debentures due 2012	**$ 274**	**$ -**	$ 274	$ -
Senior unsecured debentures due 2014	**225**	**-**	225	-
Senior unsecured debentures due 2015	**275**	**-**	275	-
Loan from financial institution	**26**	**-**	31	-
Syndicated 364-day revolving term credit facility	**140**	**54**	140	89
364-day liquidity line of credit	**40**	**15**	40	15
6-month liquidity line of credit	**20**	**4**	20	4
Ambatovy Project financing (U.S.$) (100%)	**2,100**	**1,029**	2,100	1,029
Ambatovy Partners loans (U.S.$)	**236**	**101**	236	173
Senior credit facility agreement	**235**	**54**	235	52
3-year non-revolving term facility (100%)	**38**	**38**	-	-
Total Canadian Equivalent	**$ 4,216**	**$ 1,588**	$ 4,058	$ 1,633
Capital leases	**85**	**-**	87	-

On March 31, 2009, Coal Valley Resources Inc. (CVRI), a subsidiary of the Coal Valley Partnership, in which we have a 50% interest, established a new term non-revolving credit facility with a Canadian financial institution to finance certain equipment and to provide working capital in relation to the start-up of the Obed mine. The facility consists of two loans totaling $38.0 million (100% basis) and is subject to fixed interest rates. The loans are subject to equal blended monthly payments after a six-month interest-only period following the first advance. The loans are subject to the following financial covenants based on the financial condition of CVRI: debt to tangible net worth ratio not greater than 2.5:1; current ratio of not less than 1:1; and cash flow coverage ratio not less than 1.25:1. Sherritt International Corporation and its partner have each provided a $12.5 million limited guarantee in relation to these loans. On April 1, 2009, CVRI received an advance of $17.0 million under this facility with an interest rate currently at 6.25%.

Although the Corporation has diversified its sources of lease financing to reduce the financing risk associated with future acquisitions of equipment, entering into new lease financing has become more expensive as a result of the current credit environment. As a result, Coal may increasingly use its working capital or other credit facilities to fund purchases of certain equipment that it would have previously leased. In the first quarter of 2009, Coal purchased approximately $6.6 million of equipment using working capital. For the balance of the year, an additional $10.0 million of equipment that previously would have been leased may be purchased using working capital or other credit facilities.

During the quarter, the Corporation received an advance of $52.6 million on its Syndicated 364-day revolving-term credit facility.

Covenants

The Corporation and its affiliates were in compliance with their financial covenants as at March 31, 2009.

Our $140.0 million 364-day syndicated facility matures May 12, 2009. The syndicate of banks has approved commitments up to a maximum amount of $140.0 million and has agreed to extend the facility for an additional 364-day term. The amendment and extension is currently being documented and reviewed internally. We anticipate that the amendment will be effective by May 11, 2009, and mature in May, 2010. The proposed amendment provides for less restrictive financial covenants and revises the applicable interest rates to current market benchmarks. Pursuant to the terms of our $40.0 million 364-day liquidity line of credit, the less restrictive financial covenants will automatically also apply to that line of credit. In addition, the lender under our $20.0 million 6-month liquidity line of credit has agreed to enter into an amendment to such line to track the financial covenants of the 364-day syndicated facility following execution of the amendment and extension of that facility.

Based on the amendments to the financial covenants being put in place, the Corporation expects to remain in compliance with all of its financial covenants during the next twelve months, based on current market conditions. Other than the covenants required for the debt facilities, the Corporation is not subject to any externally imposed capital restrictions.

If the $140.0 million 364-day syndicated facility is not extended, the outstanding balance as at April 27, 2009 of approximately $62.0 million will be repaid from cash on hand on the maturity date. In such event, if the lenders under the liquidity lines of credit do not agree to implement the agreed-upon amendments to the financial covenants, we do not expect to be in compliance with one covenant of such lines in the second quarter of 2009. The current covenant requires the Corporation to maintain a Debt to EBITDA ratio of not more than 2.65:1.

In such event, if we are unable to negotiate some other accommodation, the Corporation may be required to repay amounts owing on such lines, which on April 27, 2009 totaled approximately $41.0 million. The Corporation does not expect any resultant reduction in liquidity to preclude the Corporation from satisfying its short and long-term liabilities as they come due.

Contractual commitments and obligations

The Corporation's significant contractual commitments and obligations and the principal repayments thereon are presented in the following table:

$ millions, as at	Total	2009	2010	2011	2012	2013	2014 and thereafter
Capital commitments	$ 1,061.7	$ 654.7	$ 406.3	$ 0.7	$ -	$ -	$ -
Long-term debt	2,611.3	17.8	18.6	14.1	503.9	121.0	1,935.9
Capital leases and other equipment financing	110.6	35.7	28.0	21.0	17.1	8.8	-
Operating leases	55.8	15.4	10.1	7.1	4.8	3.2	15.2
Pension obligations	70.1	6.7	6.7	6.9	6.9	6.7	36.2
Asset-retirement obligations	353.1	23.9	19.3	19.3	19.0	20.1	251.5
Total	$ 4,262.6	$ 754.2	$ 489.0	$ 69.1	$ 551.7	$ 159.8	$ 2,238.8

Significant commitments include:

- $1.0 billion (100% basis) related to the Ambatovy Joint Venture
- $201.8 million (100% basis) for purchases and leases of equipment, office space, vehicles, and services

Financial condition

Cash and short-term investments

Cash and cash equivalents and short-term investments at March 31, 2009 were $789.6 million, inclusive of amounts held by our joint ventures. Our policy is to invest available excess cash in highly liquid investments of the highest credit quality in a given marketplace and to limit our exposure to individual counterparties in order to minimize risks associated with these investments. Our principal guideline is to maximize our investments in Government of Canada treasury bills. The Corporation's joint venture entities maintain their own investment policies, but where possible, these policies are aligned with the Corporation. The maximum duration of any investment is one year; however, decisions regarding the length of maturities are based on our cash flow requirements, rates of return and other factors.

As at March 31, 2009, cash and cash equivalents and short-term investments were held in:

Canada: $686 million (invested primarily in Government of Canada treasury bills)

Cuba: $37 million (invested primarily in cash deposit accounts)

Other: $67 million (invested primarily in cash deposit accounts)

At March 31, 2009, included in the total cash and cash equivalents and short-term investments was $68.1 million of cash held by the Ambatovy Joint Venture and $23.9 million held by the Moa Joint Venture. These funds are for the use of each joint venture, respectively.

For accounting purposes, the Cuban CDs are not considered cash, cash equivalents or short-term investments but are recorded as long-term investments with the principal amount receivable within 12 months of March 31, 2009 classified as current on our balance sheet.

Share Capital

As at April 27, 2009, the Corporation had 293,051,276 common shares outstanding. An additional 3,818,335 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan.

An additional 2,829,830 common shares are issuable in relation to the cross-guarantees provided by certain Ambatovy Joint Venture partners. These shares are to be issued in approximately-equal amounts on each December 31 of 2009 to 2011.

The Board of Directors of the Corporation approved a quarterly dividend of $0.036 per share and was paid April 14, 2009 to shareholders of record at the close of business on March 31, 2009.

Managing risk

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

Political unrest in Madagascar

Since a transitional government led by Andry Rajoelina came to power in March 2009, it has announced that it would review the country's agreements with foreign resource companies in order to ensure the country is receiving its "fair" share of royalties from the exploitation of Malagasy resources. The Ambatovy Project was developed in accordance with Madagascar's Large Mining Investment Act (LGIM, Loi sur les Grands Investissements Miniers). To date there has been no formal announcement regarding the scope, timing or agenda for this review and no specific details regarding the nature of the discussions that will take place or which foreign companies or projects will be part of the review. The Rajoelina-led transitional government has said that it would engage third-party, independent experts to review its contracts with foreign resource companies.

It is unclear at this time if the review will have an impact on the Ambatovy Project.

Accounting policies and pronouncements

Changes in accounting policies

Goodwill and other Intangible Assets

Effective January 1, 2009 the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Handbook Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. The adoption of this new standard did not have a significant impact on our financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" which requires the Corporation to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The standard is effective for the first quarter of 2009 and is required to be applied retrospectively without restatement of prior periods. The adoption of this standard did not have an impact on the valuation of our financial assets or liabilities.

Mining Exploration Costs

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs" which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided in EIC-174 have been applied in the preparation of these financial statements and did not have an impact on the valuation of our exploration assets.

Accounting pronouncements

Convergence with International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) requires all Canadian publicly accountable entities to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The Corporation's first mandatory filing under IFRS, which will be the first quarter of 2011, will contain IFRS-compliant information on a comparative basis, as well as reconciliations for that quarter and as at the January 1, 2010 transition date. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The Corporation has developed a plan for IFRS convergence and has started the implementation process. Detailed analysis of the differences between IFRS and the Corporation's accounting policies and assessments of the various alternatives for first time adoption of IFRS are in progress. Training for key employees has begun and will continue throughout the implementation. The Corporation cannot currently determine the full impact of the anticipated changes on the consolidated financial results. The Corporation is implementing the second phase of its IFRS project. For additional information refer to the 2008 annual MD&A.

Business Combinations/Consolidated Financial Statements/Non-Controlling Interests

In January 2009, the CICA adopted sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests" which superseded current sections 1581, "Business Combinations" and 1600 "Consolidated Financial Statements". These new sections replace existing guidance on business combinations and consolidated financial statements to harmonize Canadian accounting for business combinations with IFRS. These Sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these Sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. The Corporation is currently evaluating the impact of the adoption of these changes on its consolidated financial statements.

Supplementary information

Sensitivity analysis

The following table shows the approximate impact on the Corporation's first quarter 2009 net earnings and EPS of a change in selected key variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor	Increase	Approximate change in Q1 net earnings ($ millions) Increase/(decrease)	Approximate quarterly change in basic EPS ($)
Prices			
Nickel - LME price per pound	U.S.$ 0.10	0.7	-
Cobalt - Metal Bulletin price per pound	U.S.$ 1.00	0.7	-
Thermal coal - price per tonne	$ 1.00	0.4	-
Oil -U.S. Gulf Coast Fuel Oil No. 6 price per barrel	U.S.$ 0.50	2.0	0.01
Volume			
Nickel - tonnes	1,000	0.9	-
Cobalt - tonnes	100	0.8	-
Oil - barrels per day	1,000	7.2	0.02
Electricity production - MWh	25,000	0.4	-
Exchange Rate			
US dollar per Canadian dollar	U.S.$ 0.05	8.8	0.03
Operating costs			
Natural Gas - cost per gigajoule (Metals)	$ 1.00	(1.3)	(0.01)
Sulphur - cost per tonne (Metals)	U.S.$ 10.00	(0.2)	-
Sulphuric acid - cost per tonne (Metals)	U.S.$ 10.00	(0.4)	-
Fuel - WTI oil price (Coal Mountain Operations)	U.S.$ 10.00	(0.5)	-

Non-GAAP measures

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

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

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

$ millions, for the three months ended March 31	2009	2008
Revenue	$ 349.0	$ 314.2
Operating, selling and general and administrative expenses	271.4	143.5
	77.6	170.7
Add: Depreciation included in operating expenses	19.6	5.0
EBITDA	97.2	175.7
Less:		
Depreciation included in operating expenses	19.6	5.0
Depletion, amortization and accretion	49.0	34.7
Operating earnings	28.6	136.0
Loss on disposal of property, plant and equipment and investments	79.5	-
Impairment of investment	2.2	
Net financing expense	(2.1)	(0.9)
Share of earnings of equity-accounted investment	-	(6.4)
Loss (earnings) from continuing operations before income taxes and non-controlling interests	$ (51.0)	$ 143.3

Summary of quarterly results

The following table presents a summary of the segments and consolidated operating results for each of the eight quarters from June 2007 to March 2009.

$ millions, except per share amounts, for the three months ended	2009 March 31	2008 December 31	2008 September 30	2008 June 30	2008 March 31	2007 December 31	2007 September 30	2007 June 30
Revenue								
Metals	$ 79.7	$ 96.0	$ 137.5	$ 177.7	$ 162.3	$ 176.9	$ 150.7	$ 274.1
Coal [(1)]	188.9	200.7	189.9	124.5	30.9	23.2	28.1	24.6
Oil and Gas	46.6	44.9	112.9	104.5	87.5	85.9	81.5	77.7
Power	30.4	31.8	30.9	30.3	29.8	29.9	31.6	28.3
Corporate and other	3.4	5.6	6.0	4.2	3.7	7.7	9.4	0.7
	$ 349.0	$ 379.0	$ 477.2	$ 441.2	$ 314.2	$ 323.6	$ 301.3	$ 405.4
Loss earnings from continuing operations	(42.1)	(591.6)	135.4	80.8	89.2	83.1	66.1	132.4
(Loss) earnings from discontinued operations	(0.8)	(0.5)	(2.3)	(0.5)	(0.2)	0.4	(0.7)	-
Net (loss) earnings	$ (42.9)	$ (592.1)	$ 133.1	$ 80.3	$ 89.0	$ 83.5	$ 65.4	$ 132.4
(Loss) earnings from continuing operations per share								
Basic	$ (0.15)	$ (2.03)	$ 0.46	$ 0.29	$ 0.38	$ 0.36	$ 0.28	$ 0.72
Diluted	$ (0.15)	$ (2.03)	$ 0.46	$ 0.28	$ 0.38	$ 0.36	$ 0.28	$ 0.72
(Loss) earnings from discontinued operation per share								
Basic	$ -	$ -	$ (0.01)	$ (0.01)	$ -	$ -	$ -	$ -
Diluted	$ -	$ -	$ (0.01)	$ -	$ -	$ -	$ -	$ -
(Loss) earnings per share								
Basic	$ (0.15)	$ (2.03)	$ 0.45	$ 0.28	$ 0.38	$ 0.36	$ 0.28	$ 0.72
Diluted	$ (0.15)	$ (2.03)	$ 0.45	$ 0.28	$ 0.38	$ 0.36	$ 0.28	$ 0.72

(1) Coal's results include the Corporation's 100% interest in Royal Utilities from the date of acquisition (May 2, 2008) and the Corporation's 50% proportionate interest in the Coal Valley export thermal coal mine and other coal development assets. In the periods prior to May 2, 2008, Royal Utilities was equity-accounted.

Operating results for the Corporation before the inclusion of unusual items are consistent between quarters with the exception that results are affected, primarily, by changes in commodity prices and exchange rates that impact revenue and costs. Also, during the last four quarters results included the consolidation of Royal Utilities from the date of acquisition, May 2, 2008. The Corporation was significantly impacted by a reduction in nickel and oil prices in the first quarter of 2009 and the fourth quarter of 2008. As a result of the weakened economic environment in the fourth quarter of 2008, the Corporation recognized $590.7 million in unusual costs, including the impairment of goodwill related to the Ambatovy Joint Venture and impairment of certain Cuban accounts receivable balances. In the current quarter, the Corporation recognized a loss on disposal on Block 7 assets of $79.5million ($57.4 million net of tax). Further details on the current market environment are discussed on page 5.

Transactions with related parties

During the quarter, the Company engaged in the following related-party transactions resulting in the balances at March 31, 2009 below:

$ millions, for the three months ended March 31		2009
Total value of goods and services during the period:		
Provided to joint ventures and affiliates	$	27.3
Purchased from joint ventures and affiliates		19.0

$ millions, as at March 31		2009
Accounts receivable from the joint ventures	$	6.8
Accounts payable to the joint ventures		1.5
Advances and loans receivable from certain Moa Joint Venture entities		281.5
Advances and loans payable to the Moa Joint Venture partner		146.7
Loans payable to the Ambatovy Joint Venture partners		170.9

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

Controls and Procedures

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

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

As at March 31, 2009, the CEO and CFO have certified that the controls and procedures are effective and that during the quarter ended March 31, 2009 we did not make any material changes in our internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Forward-looking statements

This discussion contains certain forward-looking statements. Forward-looking statements generally can be identified by the use of statements that include words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will”, ”could”, “should”, “suspect”, “outlook”, “projected”, “continue” or other similar words or phrases. Similarly, statements with respect to expectations concerning assets, prices, costs, dividends, foreign-exchange rates, earnings, production, market conditions, capital expenditures, commodity demand, risks, availability of regulatory approvals, the impact of investments in Master Asset Vehicles, 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, assumptions and projections about future events. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. Sherritt cautions readers of this MD&A not to place undue reliance on any forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. By their nature, forward-looking statements require Sherritt to make assumptions and are subject to inherent risks and uncertainties. Key factors that may result in material differences between actual results and developments and those contemplated by this MD&A include business and economic conditions in Canada, Cuba, Madagascar, and the principal markets for Sherritt’s products. Other such factors include, but are not limited to, uncertainties in the development and construction of large mining projects; risks related to the availability of capital to develop the Ambatovy Joint Venture; risks associated with Sherritt’s joint-venture partners; potential interruptions in transportation; Sherritt’s reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainties in oil and gas exploration; risks related to collecting accounts receivable and repatriating profits and dividends from Cuba; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; development programs; uncertainties in reserve estimates; uncertainties in asset retirement and reclamation cost estimates; Sherritt’s reliance on significant customers; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; Sherritt’s ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainties in pension liabilities; the ability of Sherritt to enforce legal rights in foreign jurisdictions; the ability of Sherritt to obtain government permits; risks associated with government regulations and environmental health and safety matters; and other factors listed from time to time in Sherritt’s continuous disclosure documents.

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

Q1

Sherritt International Corporation Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2009

Sherritt International Corporation
For the three months ended March 31, 2009

Contents

Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements

Consolidated Balance Sheets

Unaudited, $ millions, as at	2009 March 31	2008 December 31
ASSETS		
Current assets		
Cash and cash equivalents	$ 440.4	$ 500.8
Restricted cash	4.9	11.7
Short-term investments	349.2	106.5
Current portion of long-term investments (note 7)	50.7	-
Current portion of other assets (note 8)	63.8	56.2
Accounts receivable, net (note 20)	410.8	449.7
Inventories (note 5)	189.6	189.6
Prepaid expenses	13.3	12.4
Future income taxes	31.8	37.2
Assets of discontinued operation (note 3)	3.3	3.4
	1,557.8	1,367.5
Long-term receivables (note 20)	41.1	162.2
Property, plant and equipment (note 6)	7,138.7	6,703.0
Investments (note 7)	161.9	42.4
Future income taxes	15.2	95.5
Other assets (note 8)	387.7	384.2
Goodwill	307.9	307.9
Intangible assets	479.8	483.3
Assets of discontinued operation (note 3)	1.3	1.2
	$ 10,091.4	$ 9,547.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt (note 9)	$ 95.4	$ 42.9
Accounts payable and accrued liabilities	703.4	670.6
Deferred revenue	29.0	8.1
Current portion of long-term debt and other long-term liabilities (note 9)	57.0	57.4
Current portion of asset-retirement obligations (note 10)	23.0	24.0
Future income taxes	0.5	4.8
Liabilities of discontinued operation (note 3)	6.3	5.4
	914.6	813.2
Long-term debt and other long-term liabilities (note 9)	2,621.4	2,492.7
Asset-retirement obligations (note 10)	126.6	123.0
Future income taxes	632.7	721.6
Liabilities of discontinued operation (note 3)	1.3	1.2
	4,296.6	4,151.7
Non-controlling interests (note 11)	1,978.2	1,668.4
Shareholders' equity		
Capital stock (note 12)	2,758.3	2,758.3
Contributed surplus (note 13)	232.0	232.0
Retained earnings	452.4	505.8
Accumulated other comprehensive income (note 15)	373.9	231.0
	826.3	736.8
	3,816.6	3,727.1
	$ 10,091.4	$ 9,547.2

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

Consolidated Statements of Operations

Unaudited, $ millions, except per share amounts, for the three months ended March 31		2009		2008
Revenue	$	**349.0**	$	314.2
Operating, selling, general and administrative expenses [(1)]		**271.4**		143.5
Earnings before undernoted items		**77.6**		170.7
Depletion, amortization and accretion		**49.0**		34.7
Loss on disposal of property, plant and equipment (note 6)		**79.5**		-
Impairment of investment		**2.2**		-
Net financing income (note 16)		**(2.1)**		(0.9)
Share of earnings of equity-accounted investments		**-**		(6.4)
(Loss) earnings from continuing operations before income taxes and non-controlling interests		**(51.0)**		143.3
Income taxes (note 18)		**(15.0)**		47.9
Non-controlling interests (note 11)		**6.1**		6.2
(Loss) earnings from continuing operations		**(42.1)**		89.2
Loss from discontinued operation (note 3)		**(0.8)**		(0.2)
Net (loss) earnings	$	**(42.9)**	$	89.0
(Loss) earnings from continuing operations per share (note 12)				
Basic	$	**(0.15)**	$	0.38
Diluted	$	**(0.15)**	$	0.38
Net (loss) earnings per share (note 12)				
Basic	$	**(0.15)**	$	0.38
Diluted	$	**(0.15)**	$	0.38

(1) Includes depreciation on production related depreciable assets of $19.4 million and $5.0 million for the three months ended March 31, 2009 and March 31, 2008, respectively.

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

Consolidated Statements of Retained Earnings

Unaudited, $ millions, for the three months ended March 31		2009		2008
Beginning of period, as previously reported	$	**505.8**	$	833.6
Change in accounting policy		**-**		2.7
Beginning of period, as restated		**505.8**		836.3
Net (loss) earnings		**(42.9)**		89.0
Dividends on common shares		**(10.5)**		(9.3)
End of period	$	**452.4**	$	916.0

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

Consolidated Statements of Comprehensive Income

Unaudited, $ millions, for the three months ended March 31		2009		2008
Net (loss) earnings	$	**(42.9)**	$	89.0
Other comprehensive income				
Unrealized foreign currency gain on self-sustaining foreign operations		**142.9**		71.1
Comprehensive income	$	**100.0**	$	160.1

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

Consolidated Statements of Cash Flow

Unaudited, $ millions, for the three months ended March 31	2009	2008
Operating activities		
(Loss) earnings from continuing operations	$ (42.1)	$ 89.2
Add (deduct)		
Non-controlling interests (note 11)	6.1	6.2
Depletion, amortization and accretion	68.4	39.7
Stock-based compensation expense (note 14)	0.2	3.8
Share of earnings of equity-accounted investments	-	(6.4)
Loss on disposal of property, plant and equipment (note 6)	79.5	-
Impairment of investment	2.2	-
Future income taxes (note 18)	(17.5)	2.6
Unrealized foreign-exchange gain	(8.7)	(5.1)
Liabilities settled for asset-retirement obligations (note 10)	(3.4)	(0.4)
Other Items	2.0	0.4
	86.7	130.0
Net decrease in non-cash working capital (note 4)	9.3	19.9
Cash provided by continuing operations	96.0	149.9
Cash (used for) provided by discontinued operation	(0.7)	1.6
Cash provided by operating activities	95.3	151.5
Investing activities		
Capital expenditures	(416.9)	(462.2)
Advances and loans receivable	19.3	-
Restricted cash	6.8	(18.1)
Net proceeds from sale of property, plant and equipment	7.4	0.1
Short-term investments	(242.7)	103.5
Distribution from investment	-	9.7
Net change in non-cash capital expenditures	7.6	168.5
Other assets	(17.9)	(45.2)
Cash used for investing activities	(636.4)	(243.7)
Financing activities		
Short-term debt borrowings	52.5	-
Long-term debt repayment	(11.1)	(3.7)
Long-term debt borrowings	91.8	19.3
Funding from Ambatovy Joint Venture partners	354.6	58.5
Issuance of common shares	-	384.1
Dividends paid to non-controlling interest	-	(5.0)
Dividends paid on common shares	(10.5)	(8.3)
Cash provided by financing activities	477.3	444.9
Cash provided by (used for) discontinued operation	0.7	(1.8)
Cash provided by financing activities	478.0	443.1
Effect of exchange rate changes on cash and cash equivalents	2.7	4.1
Increase (decrease) in cash and cash equivalents	(60.4)	355.0
Cash and cash equivalents at beginning of period	500.8	355.7
Cash and cash equivalents at end of period	$ 440.4	$ 710.7
Cash and cash equivalents consist of:		
Cash and cash equivalents of continuing operations	$ 440.4	$ 710.5
Cash and cash equivalents of discontinued operation	-	0.2
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	$ 202.6	$ 72.4
Cash equivalents	237.8	638.3
Supplementary Cash Flow Information		
Cash received for interest	$ 5.7	$ 5.3
Cash paid for interest on debt	3.8	2.1
Cash paid for income taxes	3.1	86.2

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

Notes to the Interim Consolidated Financial Statements (Unaudited)

1. Summary of accounting policies

These interim consolidated financial statements have been prepared on a basis consistent with that followed in the consolidated financial statements of Sherritt International Corporation (the Corporation or Sherritt) for the year ended December 31, 2008, with the exception of the changes disclosed in note 2 of these interim consolidated financial statements. The disclosures contained in these interim consolidated financial statements do not include all requirements of Canadian generally accepted accounting principles for annual financial statements. Accordingly, the interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2008.

2. Change in accounting policies, accounting pronouncements

Change in accounting policies

Goodwill and other Intangible Assets

Effective January 1, 2009 the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Handbook Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. The adoption of this new standard did not have a significant impact on the financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" which requires the Corporation to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The standard is effective for the first quarter of 2009 and is required to be applied retrospectively without restatement of prior periods. The adoption of this standard did not have an impact on the valuation of financial assets or liabilities.

Mining Exploration Costs

In March 2009 the CICA issued EIC-174, "Mining Exploration Costs" which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided in EIC-174 have been applied in the preparation of these financial statements and did not have an impact on the valuation of exploration assets.

Accounting pronouncements

Convergence with International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) requires all Canadian publicly accountable entities to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The Corporation's first mandatory filing under IFRS, which will be the first quarter of 2011, will contain IFRS-compliant information on a comparative basis, as well as reconciliations for that quarter and as at the January 1, 2010 transition date. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The Corporation has developed a plan for IFRS convergence and has started the implementation process. Detailed analysis of the differences between IFRS and the Corporation's accounting policies and assessments of the various alternatives for first time adoption of IFRS are in progress. Training for key employees has begun and will continue throughout the implementation. The Corporation cannot currently determine the full impact of the anticipated changes on the consolidated financial results.

Business Combinations/Consolidated Financial Statements/Non-Controlling Interests

In January 2009, the CICA adopted sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests" which superseded current sections 1581, "Business Combinations" and 1600 "Consolidated Financial Statements". These new sections replace existing guidance on business combinations and consolidated financial statements to harmonize Canadian accounting for business combinations with IFRS. These Sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these Sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. The Corporation is currently evaluating the impact of the adoption of these changes on its consolidated financial statements.

3. Discontinued operation

At March 31, 2009, the Mineral Products division remains unsold and continues to be classified as a discontinued operation. The carrying value of the net assets related to the discontinued operation is as follows:

$ millions, as at		2009 March 31		2008 December 31
Assets				
Current assets	$	3.3	$	3.4
Other assets		1.3		1.2
		4.6		4.6
Liabilities				
Short-term debt		5.2		4.4
Other current liabilities		1.1		1.0
Asset-retirement obligations		1.3		1.2
Net (liabilities) of discontinued operation	$	(3.0)	$	(2.0)

Losses from the discontinued operation are summarized as follows:

$ millions, except per share amounts, for the three months ended March 31	2009	2008
Revenue	$ 0.6	$ 1.3
Operating, selling, general and administrative expenses	1.3	1.5
Loss before undernoted item	(0.7)	(0.2)
Depletion, amortization and accretion	0.1	-
Loss from discontinued operation	(0.8)	(0.2)
Loss from discontinued operation per share		
Basic	$ -	$ -
Diluted	$ -	$ -

4. Net decrease in non-cash working capital

$ millions, for the three months ended March 31	2009	2008
Accounts receivable	$ 3.1	$ 55.1
Inventories	2.8	(30.2)
Prepaid expenses	(0.6)	(0.2)
Accounts payable and accrued liabilities	4.0	(4.8)
	$ 9.3	$ 19.9

As described in note 7, the Corporation received US $161.1 million with respect to Oil and Gas and Power receivables. The Corporation, as required by the payment agreement, purchased Cuban certificates of deposit (CDs) of approximately the same amount. Accordingly, the reduction in accounts receivable (current and long-term) is not reflected as a change in working capital cash flow.

5. Inventories

$ millions, as at	2009 March 31	2008 December 31
Uncovered coal	$ 7.3	$ 5.6
Raw materials	25.4	23.4
Materials in process	39.1	46.8
Finished products	36.4	35.7
	108.2	111.5
Spare parts and operating materials	81.4	78.1
	$ 189.6	$ 189.6

For the three months ended March 31, 2009, the cost of inventories recognized as an expense and included in Operating, selling, general and administrative expenses was $173.1 million (March 31, 2008 - $99.4 million).

6. Property, plant and equipment

$ millions, as at	Cost	Accumulated amortization and depletion	2009 March 31 Net book value	Cost	Accumulated amortization and depletion	2008 December 31 Net book value
Metals	$ 5,833.3	$ 201.7	$ 5,631.6	$ 5,301.9	$ 192.5	$ 5,109.4
Oil and Gas	1,495.7	1,184.0	311.7	1,553.3	1,157.5	395.8
Power	608.3	169.2	439.1	595.7	162.3	433.4
Coal	927.2	198.0	729.2	932.7	199.6	733.1
Other	84.4	57.3	27.1	87.5	56.2	31.3
	$ 8,948.9	$ 1,810.2	$ 7,138.7	$ 8,471.1	$ 1,768.1	$ 6,703.0

On January 14, 2009, Sherritt's joint operating partner, Peberco Limited, entered into an agreement (the Peberco agreement) with an agency of the Cuban government in respect of the termination of the production-sharing contract for Block 7 and the settlement of outstanding accounts receivable in respect of crude oil sales, for aggregate cash consideration of US$140.0 million. As a result of the Peberco agreement, on February 11, 2009 Sherritt received $74.1 million (US$60.2 million) as its share of proceeds in respect of its interest in Block 7 which were applied against the outstanding accounts receivable.

As at December 31, 2008, the Corporation performed an impairment analysis on the Block 7 assets in accordance with the guidance prescribed in CICA Accounting Guideline 16 (AcG-16) "Oil and gas full-cost accounting". The full-cost method of accounting requires the recoverability of each cost centre to be tested at the balance sheet date by comparing the carrying value to the sum of the undiscounted expected cash flows from proved reserves of the cost centre (the Ceiling test). The standard specifies that there is one cost centre for each country in which the Corporation has oil and gas activities. This impairment analysis indicated that these assets were not impaired.

AcG-16 also requires a gain or loss to be recognized on the disposal of long-lived assets if certain conditions are met. As a result of the termination of Block 7, the Corporation met those conditions, and a loss on disposal of $79.5 million was recorded in the first quarter of 2009.

The Property, plant and equipment balance includes development and pre-production expenditures attributable to the Ambatovy Project of $3,295.8 million (December 31, 2008 - $2,831.1 million). In addition to the Ambatovy Project expenditures, above, assets under construction of $472.7 million were included in Property, plant and equipment at March 31, 2009 (December 31, 2008 - $449.0 million).

Net interest expense of $25.4 million was capitalized during the period (March 31, 2008 – $1.1 million).

7. Investments

$ millions, as at	2009 March 31	2008 December 31
Cuban certificates of deposit	$ 185.1	$ -
Master Asset Vehicles (MAV notes)		
(previously known as ABCP-restructured notes) (note 20)	21.8	21.2
Other	5.7	21.2
	212.6	42.4
Current portion of Cuban certificates of deposit	(50.7)	-
	$ 161.9	$ 42.4

In February 2009, a payment agreement was finalized with respect to the overdue 2008 Oil and Gas and Power receivables in Cuba. The $154.3 million in Oil and Gas receivables and $42.9 million in Power receivables overdue at December 31, 2008, were paid on February 20, 2009 (US$161.1 million). Subsequently, as required by the payment agreement, Sherritt purchased two Cuban certificates of deposit (CDs) in the amounts of US$124.4 million and US$34.7 million upon which principal and interest are required to be paid weekly over 5 years. These CDs were issued by a Cuban bank and bear interest at a rate of 30-day LIBOR plus 5%. Since the purchase of the CDs, the Corporation has received, and expects to continue receiving, a weekly payment of approximately US$0.6 million plus interest on the outstanding amount. In the event of default, Sherritt holds the right to receive payment from the cash flows payable by the Moa Joint Venture to its Cuban beneficiaries. $50.7 million of these CDs are classified as current. The Corporation has classified these CDs as loans and receivables, measured at amortized cost.

8. Other assets

$ millions, as at	2009 March 31	2008 December 31
Advances and loans receivable	$ 281.5	$ 287.3
Cross-guarantee fee asset	43.3	46.4
Progress payments on equipment	40.7	30.2
Notes receivable	24.2	26.1
Assets held for sale	29.7	17.8
Pension asset	5.7	5.9
Put/call option - Ambatovy Project	7.5	7.5
Deferred reclamation recoveries	4.7	4.7
Deferred items	12.6	11.7
Other	1.6	2.8
	451.5	440.4
Current portion of advances and loans receivable	(46.1)	(56.2)
Current portion of assets held-for-sale	(17.7)	-
Current portion of other assets	(63.8)	(56.2)
	$ 387.7	$ 384.2

The Corporation classified its 25% indirect interest in a hotel complex in Varadero, Cuba and its 12.5% indirect interest in a hotel complex in Havana, Cuba as held for sale (note 23). As a result of the change in classification, the Corporation recognized an impairment of $2.2 million on the hotel complex in Varadero to reflect fair value.

9. Short-term debt, long-term debt and other long-term liabilities

Short-term debt

$ millions, as at	2009 March 31	2008 December 31
Syndicated 364-day revolving-term credit facility	$ 52.6	$ -
364-day liquidity line of credit	25.0	25.0
6-month liquidity line of credit	16.0	16.0
Other	1.8	1.9
	$ 95.4	$ 42.9

Long-term debt and other long-term liabilities

$ millions, as at	2009 March 31	2008 December 31
7.875% senior unsecured debentures due 2012	$ 266.5	$ 266.0
8.25% senior unsecured debentures due 2014	221.4	221.3
7.75% senior unsecured debentures due 2015	271.7	271.6
Ambatovy Joint Venture financing	1,284.0	1,246.9
Ambatovy Joint Venture partner loans	170.9	76.2
Senior credit facility agreement	145.3	145.3
Loan from financial institution	25.9	28.6
	2,385.7	2,255.9
Advances and loans payable	146.7	137.9
Capital lease obligations	85.0	86.7
Pension liability	9.4	10.5
Other long-term liabilities	51.6	59.1
	2,678.4	2,550.1
Current portion of long-term debt and other long-term liabilities	(57.0)	(57.4)
	$ 2,621.4	$ 2,492.7

On March 31, 2009, Coal Valley Resources Inc. (CVRI), a subsidiary of the Coal Valley Partnership, in which the Corporation has a 50% interest, established a new term non-revolving credit facility with a Canadian financial institution to finance certain equipment and to provide working capital in relation to the start-up of the Obed mine. The facility consists of two loans totaling $38.0 million (100% basis) and is subject to fixed interest rates. The loans are subject to equal blended monthly payments after a six-month interest-only period following the first advance. The loans are subject to the following financial covenants based on the financial condition of CVRI: debt to tangible net worth ratio not greater than 2.5:1; current ratio of not less than 1:1; and cash flow coverage ratio not less than 1.25:1. Sherritt and its partner have each provided a $12.5 million limited guarantee in relation to these loans. On April 1, 2009, CVRI received an advance of $17.0 million under this facility at an interest rate of 6.25%.

Interest and accretion on long-term debt was $21.9 million for the three months ended March 31, 2009 (March 31, 2008 - $11.6 million).

10. Asset-retirement obligations

The following is a reconciliation of the opening and closing asset-retirement obligation balances:

$ millions	2009 For the three months ended March 31	2008 For the year ended December 31
Balance, beginning of period	$ 147.0	$ 73.4
Acquisition of Royal Utilities Income Fund	-	53.4
Additions to liabilities	3.7	14.1
Liabilities settled	(3.4)	(10.1)
Accretion expense	2.2	7.1
Change in foreign-exchange rates	0.1	9.1
Balance, end of period	149.6	147.0
Current portion	(23.0)	(24.0)
	$ 126.6	$ 123.0

11. Non-controlling interests

$ millions	2009 For the three months ended March 31	2008 For the year ended December 31
Ambatovy Joint Venture		
Balance, beginning of period	$ 1,464.0	$ 1,016.5
Share of net (loss) earnings	(1.2)	0.5
Increase in net assets	310.2	447.0
	1,773.0	1,464.0
Energas S.A.		
Balance, beginning of period	$ 204.4	$ 185.8
Share of net earnings	7.3	25.6
Dividends to non-controlling interest	(6.5)	(10.3)
Change in accounting policy	-	3.3
	205.2	204.4
Total balance, end of period	$ 1,978.2	$ 1,668.4

12. Capital stock

The Corporation's authorized share capital consists of an unlimited number of common shares. The changes in the Corporation's outstanding common shares were as follows:

	Number		Stated Capital	
$ millions, except share amounts	2009 For the three months ended March 31	2008 For the year ended December 31	2009 For the three months ended March 31	2008 For the year ended December 31
Balance, beginning of period	293,051,276	231,809,308	$ 2,758.3	$ 1,857.2
Shares issued:				
Share issuance	-	26,250,000	-	383.0
Overallotment on share issuance	-	2,276,951	-	33.3
Future tax (expense) recovery on share issue costs	-	-	-	4.2
Acquisition of Royal Utilities	-	31,438,705	-	465.0
Share purchase plan	-	79,700	-	0.9
Cross-guarantee	-	943,277	-	13.9
Stock options exercised	-	253,335	-	0.8
Balance, end of period	293,051,276	293,051,276	$ 2,758.3	$ 2,758.3

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

$ millions, except per share amounts, for the three months ended March 31	2009	2008
(Loss) earnings from continuing operations - basic and diluted	$ (42.1)	$ 89.2
Loss from discontinued operation	(0.8)	(0.2)
Net (loss) earnings - basic and diluted	(42.9)	89.0
Weighted-average number of common shares - basic	293.1	232.1
Weighted-average effect of dilutive securities: (1)		
Stock options	-	0.8
Cross-guarantee	-	3.8
Weighted-average number of common shares - diluted	293.1	236.7
(Loss) earnings from continuing operations per common share (1)		
Basic	$ (0.15)	$ 0.38
Diluted	$ (0.15)	$ 0.38
Loss from discontinued operation per common share (1)		
Basic	$ -	$ -
Diluted	$ -	$ -
Net (loss) earnings per common share (1)		
Basic	$ (0.15)	$ 0.38
Diluted	$ (0.15)	$ 0.38

(1) As there was a loss for the three months ended March 31, 2009 the Corporation has excluded from the calculation of diluted loss per share all common shares potentially issuable for the stock options and the cross-guarantee because they would be anti-dilutive.

13. Contributed surplus

$ millions	2009 For the three months ended March 31	2008 For the year ended December 31
Balance, beginning of period	$ 232.0	$ 190.3
Cross-guarantee	-	55.6
Issuance of common shares to cross-guarantors	-	(13.9)
Balance, end of period	$ 232.0	$ 232.0

14. Stock-based compensation

The following is a summary of stock option activity:

For the three months ended March 31	2009		2008	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Outstanding at beginning of period	3,978,335	$ 12.30	3,255,000	$ 11.30
Exercised for cash	-	-	(48,332)	6.28
Forfeited	(160,000)	14.84	(5,000)	10.34
Outstanding at end of period	3,818,335	12.19	3,201,668	11.32
Options exercisable, end of period	1,507,334	$ 11.22	1,166,223	$ 8.77

At March 31, 2009, 3,798,335 (March 31, 2008 – 2,936,668) options with a share appreciation right (SAR) attachment and 20,000 (March 31, 2008 – 265,000) options remained outstanding. The Corporation did not recognize a compensation expense or recovery for the three months ended March 31, 2009. The Corporation recognized a compensation expense of $2.0 million for the three months ended March 31, 2008.

The Corporation also recorded a compensation expense of $0.2 million for the three months ended March 31, 2009 for other stock-based compensation plans and compensation expense of $1.8 million for the three months ended March 31, 2008.

For the three months ended March 31		2009		2008
	SAR	**RSU/DSU**	SAR	RSU/DSU
Balance, beginning of period	**274,125**	**991,567**	549,625	636,052
Issued	**-**	**73,496**	-	13,124
Exercised	**-**	**(133,141)**	(101,500)	-
Forfeited	**-**	**(24,711)**	-	(17,249)
Outstanding at end of period	**274,125**	**907,211**	448,125	631,927
Units exercisable, end of period	**274,125**	**219,614**	448,125	162,256
Weighted-average exercise price	**$ 3.85**	**Not Applicable**	$ 3.10	Not Applicable

15. Accumulated other comprehensive income

$ millions	**2009 For the three months ended March 31**	2008 For the year ended December 31
Balance, beginning of period	**$ 231.0**	$ (231.0)
Unrealized foreign currency gain on self-sustaining foreing operations	**142.9**	462.0
Balance, end of period	**$ 373.9**	$ 231.0

16. Net financing income

$ millions, for the three months ended March 31	**2009**	2008
Interest income on cash, cash equivalents, investments and loans receivable (note 20)	**$ (13.2)**	$ (6.5)
Interest and accretion expense on debt	**21.9**	11.6
Foreign-exchange gain	**(10.4)**	(5.1)
Other	**(0.4)**	(0.9)
	$ (2.1)	$ (0.9)

During the three months ended March 31, 2009, the Corporation recognized a foreign-exchange gain of $10.4 million (March 31, 2008 – $5.1 million) mainly from revaluing U.S. dollar-denominated advances and loans receivable.

The Corporation received interest of $2.1 million up to September 1, 2008 on its asset-backed commercial paper it held prior to receiving the MAV notes on January 21, 2009. A subsequent interest payment for the period of September 2, 2008 to January 20, 2009 is expected, however the timing and amount are still to be determined. The Corporation has accrued a nominal amount of interest on the MAV notes for the period of January 21, 2009 to March 31, 2009.

17. Post-retirement benefits

The Corporation's pension expense for the three months ended March 31, 2009 was $3.3 million (March 31, 2008 - $1.8 million).

18. Income taxes

$ millions, for the three months ended March 31	2009	2008
Current	$ 2.5	$ 45.3
Future	(17.5)	2.6
	$ (15.0)	$ 47.9

19. Related-party transactions

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

$ millions, for the three months ended March 31	2009	2008
Total value of goods and services during the period:		
Provided to joint ventures and affiliates	$ 27.3	$ 24.7
Purchased from joint ventures and affiliates	19.0	15.5

$ millions, as at	2009 March 31	2008 December 31
Accounts receivable from the joint ventures	$ 6.8	$ 9.3
Accounts payable to the joint ventures	1.5	3.3
Advances and loans receivable from certain Moa Joint Venture entities	281.5	287.3
Advances and loans payable to the Moa Joint Venture partner	146.7	137.9
Loans payable to the Ambatovy Joint Venture partners	170.9	76.2

20. Financial instruments and financial risk management

Cash, cash equivalents and short-term investments

The Corporation's cash balances are deposited with major Canadian 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 $37.1 million at March 31, 2009 (December 31, 2008 – $37.1 million).

At March 31, 2009, $68.1 million of cash on the Corporation's balance sheet was held by the Ambatovy Joint Venture and $23.9 million was held by the Moa Joint Venture (December 31, 2008 – $65.7 million and $54.1 million, respectively); these funds are for the use of each joint venture, respectively.

The Corporation has $587.0 million in Government of Canada treasury bills (March 31, 2008 - $410.3 million) included in cash and cash equivalents and short-term investments.

Accounts Receivable and allowance for credit losses

The Corporation's accounts receivable are comprised of the following:

$ millions, as at		2009 March 31		2008 December 31
Trade receivables	$	290.4	$	403.4
Allowances for doubtful accounts		(2.2)		(2.2)
Other		122.6		48.5
	$	410.8	$	449.7
Long-term receivables	$	41.1	$	162.2

Of which:

$ million, as at		2009 March 31		2008 December 31
Not past due	$	387.2	$	267.4
Past due no more than 30 days		43.6		83.0
Past due for more than 30 days but no more than 60 days		14.3		24.5
Past due for more than 60 days		6.8		237.0
	$	451.9	$	611.9

Accounts receivable that are past due primarily relate to the Corporation's Oil and Gas and Power operations in Cuba.

Pursuant to the Peberco agreement described in note 6, the Corporation recognized an impairment of $65.5 million of Block 7 receivables at December 31, 2008, representing the difference between the carrying value of Block 7 receivables and Sherritt's share of proceeds received subsequent to year end as this transaction confirmed conditions that existed prior to December 31, 2008.

As described in note 7, the Corporation entered into a payment agreement with respect to overdue Oil and Gas and Power receivables in Cuba. The $154.3 million in Oil and Gas receivables and $42.9 million in Power receivables overdue at December 31, 2008, were paid on February 20, 2009 (US$161.1 million). Subsequently, as required by the payment agreement, Sherritt purchased two Cuban certificates of deposit (CDs) in the amounts of US$124.4 million and US$34.7 million upon which principal and interest are required to be paid weekly over 5 years. The CDs have been included in long-term investments with the amount due within one year classified as current.

In respect of Oil and Gas and Power receivables due in 2009, the Corporation received $62.8 million in the first quarter and $21.5 million subsequent to March 31, 2009. At March 31, 2009, $49.0 million of Oil and Gas and $0.6 million of Power receivables were overdue. The amounts outstanding are guaranteed by the National Bank of Cuba.

The Corporation and certain Cuban government agencies are currently negotiating an agreement with respect to 2009 Oil and Gas and Power receivables that would require the payment of all amounts due in 2009 to be made in approximately-equal monthly instalments.

Fair values

At March 31, 2009 the carrying value for the Cuban CDs is approximately equal to the fair value (note 7).

The Corporation recognized an upward fair-value adjustment of $0.6 million on its MAV notes. A gain on sale resulting from the exchange of the asset-backed commercial paper investments for MAV notes on January 21, 2009 of $1.1 million was partially offset by a downward fair-value adjustment at March 31, 2009 of $0.5 million due to increased credit spreads.

Financial instruments with carrying values different from their fair values include the following:

$ millions, as at	2009 March 31 Carrying Value	2009 March 31 Fair Value	2008 December 31 Carrying Value	2008 December 31 Fair Value
7.875% senior unsecured debentures due 2012	$ 266.5	$ 195.2	$ 266.0	$ 208.1
8.25% senior unsecured debentures due 2014	221.4	140.5	221.3	162.7
7.75% senior unsecured debentures due 2015	271.7	180.3	271.6	193.5
Short-term investments	349.2	349.2	106.5	106.7

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:

$ millions, as at	2009 March 31	2008 December 31
Cash	$ 29.0	$ 30.3
Accounts receivable, net	216.7	432.8
Advances and loans receivable	807.4	802.8
Cuban certificates of deposit	158.3	-
	$ 1,211.4	$ 1,265.9

The table above reflects the Corporation's maximum credit exposure to Cuban counterparties; however, certain loan balances are eliminated in the consolidated results in accordance with accounting principles for subsidiaries and joint ventures.

Contractual commitments and obligations

The Corporation's significant contractual commitments and obligations and the principal repayments thereon are presented in the following table:

$ millions, as at	Total	2009	2010	2011	2012	2013	2014 and thereafter
Capital commitments	$1,061.7	$654.7	$406.3	$ 0.7	$ -	$ -	$ -
Long-term debt	2,611.3	17.8	18.6	14.1	503.9	121.0	1,935.9
Capital leases and other equipment financing	110.6	35.7	28.0	21.0	17.1	8.8	-
Operating leases	55.8	15.4	10.1	7.1	4.8	3.2	15.2
Pension obligations	70.1	6.7	6.7	6.9	6.9	6.7	36.2
Asset-retirement obligations	353.1	23.9	19.3	19.3	19.0	20.1	251.5
Total	$4,262.6	$754.2	$489.0	$ 69.1	$ 551.7	$ 159.8	$ 2,238.8

Significant commitments include:

- $1.0 billion related to capital for the Ambatovy Joint Venture (December 31, 2008 - $1.3 billion)
- $201.8 million for purchases and leases of equipment, office space, vehicles, and services (December 31, 2008 - $280.1 million)

Foreign Exchange Sensitivity

For the first quarter of 2009, 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 $11.6 million on net earnings.

Interest Rate Sensitivity

Based on the short-term and long-term debt at March 31, 2009, excluding interest capitalized to project costs, a 1.0% increase or decrease in the market interest rate could impact the Corporation's annual interest expense by approximately $2.7 million.

21. Capital disclosures

The Corporation and its affiliates were in compliance with their financial covenants as at March 31, 2009.

The Corporation's $140.0 million 364-day syndicated facility matures May 12, 2009. The syndicate of banks has approved commitments up to a maximum amount of $140.0 million and has agreed to extend the facility for an additional 364-day term. The amendment and extension is currently being documented and reviewed internally. The Corporation anticipates that the amendment will be effective by May 11, 2009, and mature in May, 2010. The proposed amendment provides for less restrictive financial covenants and revises the applicable interest rates to current market benchmarks. Pursuant to the terms of Corporation's $40.0 million 364-day liquidity line of credit, the less restrictive financial covenants will automatically also apply to that line of credit. In addition, the lender under the Corporation's $20.0 million 6-month liquidity line of credit has agreed to enter into an amendment to such line to track the financial covenants of the 364-day syndicated facility following execution of the amendment and extension of that facility.

Based on the amendments to the financial covenants being put in place, the Corporation expects to remain in compliance with all of its financial covenants during the next twelve months, based on current market conditions. Other than the covenants required for the debt facilities, the Corporation is not subject to any externally imposed capital restrictions.

If the $140.0 million 364-day syndicated facility is not extended, the outstanding balance as at April 27, 2009 of approximately $62.0 million will be repaid from cash on hand on the maturity date. In such event, if the lenders under the liquidity lines of credit do not agree to implement the agreed-upon amendments to the financial covenants, the Corporation does not expect to be in compliance with one covenant of such lines in the second quarter of 2009. The current covenant requires the Corporation to maintain a Debt to EBITDA ratio of not more than 2.65:1.

In such event, if the Corporation is unable to negotiate some other accommodation, it may be required to repay amounts owing on such lines, which on April 27, 2009 totaled approximately $41.0 million. The Corporation does not expect any resultant reduction in liquidity to preclude it from satisfying its short and long-term liabilities as they come due.

22. Segmented information

Reference should be made to Sherritt's annual audited consolidated financial statements for the year ended December 31, 2008 for a full description of operating segments.

Business Segments

2009 For the three months ended March 31

$ millions	Metals	Coal (1)	Oil and Gas	Power	Corporate and Other	Consolidated
Revenue	$ 79.7	$ 188.9	$ 46.6	$ 30.4	$ 3.4	$ 349.0
Operating, selling, general and administrative expenses (2)	85.6	144.0	19.4	10.7	11.7	271.4
Earnings (loss) before before undernoted items	(5.9)	44.9	27.2	19.7	(8.3)	77.6
Depletion, amortization and accretion (2)	(2.9)	(10.1)	(27.2)	(7.6)	(1.2)	(49.0)
Loss on disposal of property, plant and equipment			(79.5)			(79.5)
Impairment of investment					(2.2)	(2.2)
Net financing expense						2.1
Income taxes						15.0
Non-controlling interests						(6.1)
Loss from continuing operations						(42.1)
Loss from discontinued operation						(0.8)
Net loss						(42.9)
Capital expenditures	382.4	12.8	12.1	9.0	0.6	416.9
Goodwill and intangible assets	-	761.2	-	19.0	7.5	787.7
Total Assets (3)	$ 6,042.5	$ 1,846.9	$771.9	$ 619.1	$ 811.0	$ 10,091.4

2008 For the three months ended March 31

$ millions	Metals	Coal (1)	Oil and Gas	Power	Corporate and Other	Consolidated
Revenue	$ 162.3	$ 30.9	$ 87.5	$ 29.8	$ 3.7	$ 314.2
Operating, selling, general and administrative expenses (2)	76.2	27.5	19.5	6.0	14.3	143.5
Earnings (loss) before before undernoted items	86.1	3.4	68.0	23.8	(10.6)	170.7
Depletion, amortization and accretion (2)	(1.8)	(0.3)	(23.7)	(7.5)	(1.4)	(34.7)
Net financing income						0.9
Income taxes						(47.9)
Non-controlling interests						(6.2)
Share of earnings of equity-accounted investments		6.4				6.4
Earnings from continuing operations						89.2
Loss from discontinued operation						(0.2)
Net earnings						89.0
Capital expenditures	433.2	0.6	24.3	3.8	0.3	462.2
Goodwill and intangible assets	388.9	-	-	21.1	8.4	418.4
Total Assets (3)	$ 3,760.3	$ 444.6	$800.3	$ 571.0	$ 842.7	$ 6,418.9

(1) The Coal segment includes the Corporation's 50% proportionate interest in Mountain Operations and coal development assets and 100% of the results of Royal Utilities from the date of acquisition, May 2, 2008, onwards. Up to May 2, 2008 the Corporation equity accounted for its interest in the earnings of Royal Utilities.

(2) Operating expenses include depreciation expense in the amount of $4.5 million in Metals and $14.9 million in Coal (March 31, 2008 - $3.1 million in Metals and $1.9 million in Coal)

(3) Total assets include $4.6 million from the discontinued operation included in Corporate and Other (March 31, 2008 – $5.2 million).

Geographic Segments

$ millions	2009 For the three months ended March 31 Goodwill and Intangible Assets	Revenue	Property, Plant, and Equipment	2008 For the three months ended March 31 Goodwill and Intangible Assets	Revenue	Property, Plant, and Equipment
Canada	$ 768.7	$ 161.0	$ 986.7	$ 8.4	$ 20.2	$ 307.7
Cuba	19.0	75.6	1,197.0	21.1	113.9	998.2
Madagascar	-	-	4,943.4	388.9	-	2,526.1
Europe	-	37.1	4.7	-	72.3	5.6
Asia	-	65.5	6.8	-	92.2	6.7
Other foreign countries	-	9.8	0.1	-	15.6	0.1
	$ 787.7	$ 349.0	$ 7,138.7	$ 418.4	$ 314.2	$ 3,844.4

23. Subsequent event

Subsequent to March 31, 2009, the Corporation entered into revised agreements to sell its 25% indirect interest in a hotel complex in Varadero, Cuba and its 12.5% indirect interest in a hotel complex in Havana, Cuba. The combined proceeds from the sales of the interests are approximately equal to the aggregate carrying amount recorded. The sale is subject to certain conditions precedent and is expected to close in the second quarter of 2009.

In the three months ended March 31, 2009, the Corporation recognized an impairment of $2.2 million on the hotel complex in Varadero to reflect its fair value. Upon completion of the sale of the interest in the hotel complex in Havana, the Corporation expects to realize a gain of approximately $2.0 million.

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