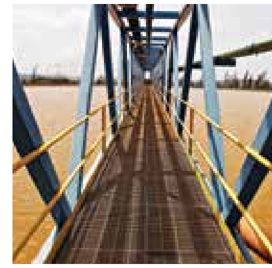
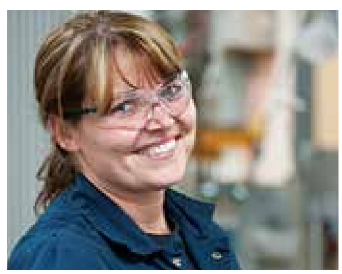
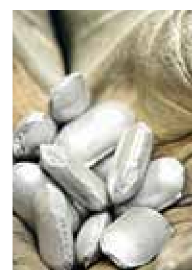






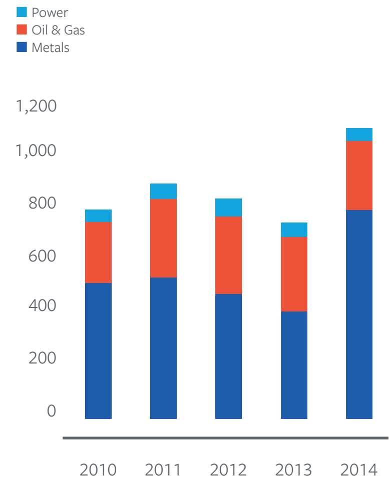
THE NAME IN NICKEL

SHERRITT 2014 ANNUAL REPORT

Sherritt is a world leader in the mining and refining of nickel from lateritic ores with operations in Canada, Cuba and Madagascar. The Corporation is the largest independent energy producer in Cuba, with extensive oil and power operations across the island. Sherritt licenses its proprietary technologies and provides metallurgical services to commercial metals operations worldwide. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "S".

Combined Revenue by Division[1]

($ millions)



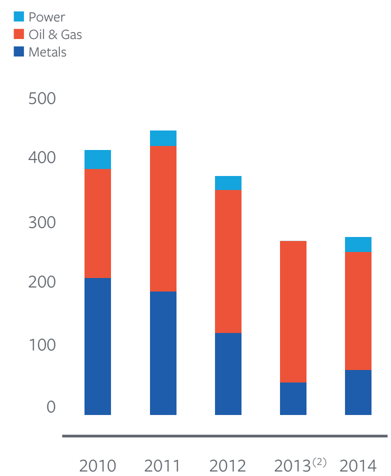
Financial Highlights

($ millions, except per share data, as at December 31)	**2014**	2013
Combined revenue	**$ 1,136.3**	$ 783.4
Adjusted EBITDA[1]	**253.2**	216.7
Adjusted continuing operating cash flow[1]	**75.4**	46.7
Loss from continuing operations	**(318.5)**	(158.5)
Net loss for the year	**(290.0)**	(660.3)
Net loss from continuing operations per share	**(1.07)**	(0.53)
Net loss per share	**(0.97)**	(2.23)
Cash, cash equivalents and short-term investments	**476.2**	651.8
Total loans and borrowings	**1,859.9**	2,489.8
Total assets	**5,283.2**	6,457.8
Weighted average number of shares (millions) Basic and diluted	**297.0**	296.7

(1) Adjusted EBITDA and Adjusted continuing operating cash flow are non-GAAP measures. For additional information, see the Non-GAAP measures section of the MD&A.

Adjusted EBITDA by Division[1]

($ millions, excluding corporate costs)



(1) Adjusted EBITDA and Adjusted continuing operating cash flow are non-GAAP measures.

(2) In 2013, Adjusted EBITDA for Power was negative $1.6 million.

CONTENTS

THE NAME IN NICKEL

We are a nickel-focused mining company with two world-class lateritic nickel operations.

At the Moa Joint Venture, we have been successfully operating a high-pressure acid leach operation in Cuba and Alberta for two decades. We are using this proven expertise to ramp up the Ambatovy Joint Venture in Madagascar, which is the largest facility in the world that produces finished nickel from nickel laterite.

Our more than 60 years of operating experience and proprietary hydrometallurgical technology uniquely position us to remain a leading low-cost producer in the global nickel market.

"We said we would focus our business on nickel production, we would ramp up Ambatovy, we would extend the life of our Cuban Energy business and we would improve our debt profile and reduce costs. Over the last 12 months we have made great and visible changes to accomplish all of these objectives."

David V. Pathe

President and Chief Executive Officer

While 2014 was certainly a challenging year for miners and energy producers, at Sherritt we made strong progress in narrowing our strategic focus to what we do best, producing nickel and operating in Cuba. At the beginning of the year we made specific commitments to you, our shareholders, on how we would change our business. We said we would focus our business on nickel production, we would ramp up Ambatovy, we would extend the life of our Cuban Energy business and we would improve our debt profile and reduce costs. Over the last 12 months we have made great and visible changes to accomplish all of these objectives.

In April, we completed the previously announced sale of our Canadian Coal business for total consideration of $946 million, including $814 million of cash with net post-closing adjustments. This divestiture and the cash it generated allowed us to concentrate on our nickel business and advance our Cuban Oil business, all while strengthening our balance sheet.

Ramping up our operations at Ambatovy remains our priority and we significantly improved performance at the facility throughout 2014. In January 2014, Ambatovy achieved commercial production, meeting the required 70% of ore throughput of nameplate capacity. We finished the year in December with record ore throughput in the PAL circuit of 417,412 tonnes or approximately 83% of nameplate capacity for the month. For the full year, we produced 37,053 tonnes of finished nickel, a 47% increase over the prior year. The results are encouraging as we are currently working towards reaching a production rate of 54,000 tonnes of nickel on an annualized basis, or 90% of nameplate capacity during the first six months of 2015.

This year in Cuba, we have been actively working to extend the life of our Oil business. In May, we executed an agreement to extend an existing production-sharing contract (PSC) on new well drills until March 2028. In December, we announced the signing of two additional PSCs, each with a 25-year term, for new blocks encompassing more than 1,200 square kilometres combined.

While we have been busy improving our operations, we also achieved our financial performance objectives of strengthening our balance sheet and reducing costs. In October, we entered into a series of debt transactions that reduced our outstanding debt by $425 million and refinanced a series of debentures that were to come due in 2015. This, combined with prior payments of $365 million, represents a total of $790 million in debt reduction, and we now do not face a debt maturity until 2018. Cost reduction remains a constant focus and in the final quarter of the year we implemented a restructuring plan that impacted approximately 10% of our salaried workforce, excluding Ambatovy, and entered into an agreement to sell our corporate office.

Looking forward, I am confident in our future and I would like to thank our employees for all of their hard work in helping us redefine and grow our business throughout the year. I would also like to thank our Board and you, our shareholders, for your ongoing confidence as we look to build on our accomplishments in the coming year.

David V. Pathe
President and Chief Executive Officer
Sherritt International Corporation

Our Purpose and Our Promises

Our Purpose: To be a low-cost nickel producer that creates sustainable prosperity for our employees, investors and communities.

Our Promises:	Employees	Investors	Communities
INTEGRITY	Build trust and treat people with respect	Operate our business ethically, openly and with discipline	Respect the community, embrace their culture and honour our commitments
AGILITY	Embrace change and swiftly implement decisions to build a stronger company	Apply our entrepreneurial spirit to act decisively on opportunities that create value	Actively engage with the community to be responsive to their needs
SAFETY AND SUSTAINABILITY	Place people's health and well-being above all else	Manage environmental, social and governance risks to grow shareholder value	Keep the community safe and respect the surrounding environment
LEARNING AND INNOVATION	Be innovative, eager to learn and driven to be our best	Learn from our history and leverage our expertise to optimize productivity and profitability	Share our experience with the community and learn from their wisdom
SHARED PROSPERITY	Achieve success as a team	Deliver long-term, superior returns to investors and business partners	Create lasting economic benefits for the community

Nickel is everywhere. Nickel is used to produce alloys including stainless steel. It provides strength and flexibility; corrosion and high temperature resistance; and helps store energy. Nickel is used in a range of items – from common products like cars, kitchen appliances, electronics and batteries to highly specialized ones like airplane engines and medical equipment.

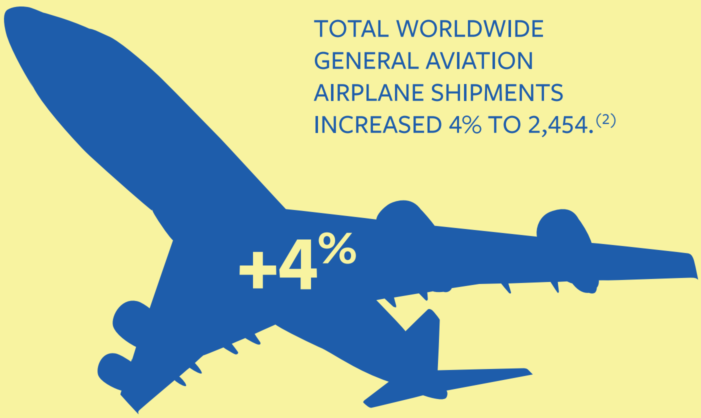
Nickel supply is contracting. In 2014, the global supply of nickel fell approximately 0.5% in response to the Indonesian ore export ban and lack of meaningful new production, and is expected to fall another 5% in 2015, pushing the market into deficit in the second half of the year.

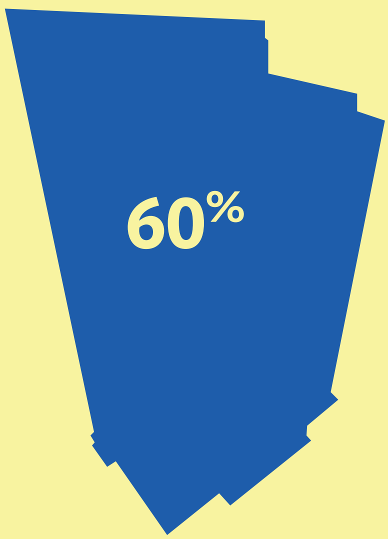
Nickel demand is growing. Global demand for nickel is expected to grow by approximately 3% to 4% in 2015, driven by nickel consumption in China, the world's largest producer of stainless steel.

Source: *Nickel Market Outlook January 2015*; CRU International; Nickel Institute fact sheet.

NICKEL IS USED IN HYBRID CARS WHICH EMIT UP TO 50% LESS POLLUTANTS AND GREENHOUSE GAS EMISSIONS THAN COMPARABLE GASOLINE CARS.[1]

TOTAL WORLDWIDE GENERAL AVIATION AIRPLANE SHIPMENTS INCREASED 4% TO 2,454.[2]





NICKEL IS USED IN THE CONSTRUCTION OF BUILDINGS. BY 2020, OVER 60% OF THE WORLD'S POPULATION WILL LIVE IN CITIES, CREATING THE NEED FOR EFFICIENT INFRASTRUCTURE AND HOUSING.[3]

[1] Nickel Institute; [2] *2014 General Aviation Statistical Databook & 2015 Industry Outlook*; General Aviation Manufacturers Association (GAMA); [3] *Nickel in Tomorrow's World.*

Sherritt's history is in nickel. For more than 60 years, the mining and processing of nickel has been the core of what we do and we continue that tradition today.

Sherritt is one of the world's largest nickel producers. Combined, Moa and Ambatovy have the capacity to produce 94,000 tonnes of nickel and make us one of the 10 largest nickel producers in the world.

Sherritt is a low-cost producer with a proven track record. With a 20-year history, Moa has the proven ability to remain profitable throughout the nickel price cycle. Upon completion, Ambatovy is estimated to generate operating costs similar to or better than those of Moa.

Sherritt has superior technical capabilities. We are an internationally recognized leader in the development, application and commercialization of hydrometallurgical technologies for the recovery of nickel and other metals. This proprietary technology uniquely positions us to remain a leading low-cost producer in the global nickel market.

In 2014, we introduced five strategic priorities designed to guide the overall growth of the company, inform our decision-making processes, align the activities of our talented and diverse employee base and clearly articulate our plans to our investors.

STRATEGY

Strategic Priorities	2014 Accomplishments	2015 Targets
FOCUSING ON OUR CORE NICKEL BUSINESS **1**	Divested our Coal business for total consideration of $946 million Achieved total finished nickel production of 69,962 tonnes Achieved finished nickel production of 32,909 tonnes at the Moa Joint Venture (100% basis)	Sustaining production and lowering costs at Moa Advancing the acid plant project at Moa
CONTINUING TO RAMP UP AMBATOVY **2**	Achieved commercial production in January Undertook major planned maintenance and de-bottlenecked counter current decantation (CCD) and raw liquor neutralization circuits Reached record finished nickel production of 37,053 tonnes (100% basis) and achieved guidance at Ambatovy	Targeting a production rate of 90% of nameplate capacity over a 90-day period within the first half of 2015
EXTENDING THE LIFE OF OUR CUBAN ENERGY BUSINESS **3**	Secured two new 25-year PSCs Extended the Puerto Escondido/Yumurí PSC for an additional 10 years to March 2028 Produced 19,456 gross working-interest barrels of oil per day, including our two hundred millionth barrel of oil from Cuban operations Successfully commissioned the Boca de Jaruco plant, resulting in strong increases in production and Adjusted EBITDA Generated 847 GWh of electricity	Securing two additional exploration PSCs Commencing drilling on extended Puerto Escondido/Yumurí PSC
BUILDING BALANCE SHEET STRENGTH **4**	Reduced debt by $790 million and extended the debt maturity profile with principal maturities of $250 million in each of 2018, 2020 and 2022 Initiated a normal course issuer bid and purchased 3,960,300 shares for cancellation	Maintaining a strong balance sheet and liquidity
REDUCING COSTS **5**	Restructured workforce, impacting approximately 10% of our salaried staff, excluding Ambatovy Sold our corporate office building to redeploy capital	Optimizing operating and administrative costs

Sherritt operates two successful lateritic nickel operations with the capacity to produce 94,000 tonnes of nickel annually.

69,962

TONNES OF FINISHED NICKEL

19%

INCREASE IN FINISHED NICKEL

Sherritt is one of the top 10 producers of nickel and cobalt in the world.

Operations Overview

Our focus is on nickel. Sherritt is an industry leader in the mining, processing and refining of lateritic nickel and cobalt and is an internationally recognized leader in the development, application and commercialization of pressure hydrometallurgical technologies for the recovery of metals.

Our company has significant facilities in two joint ventures: the Moa Joint Venture with operations in Cuba and Alberta, and the Ambatovy Joint Venture with operations in Madagascar. These assets position Sherritt to grow into one of the world's leading nickel producers. On a 100% basis, full-year finished nickel production from these two joint ventures was up 19% over the previous year, as ramp-up at Ambatovy continued. Finished nickel production increased to 69,962 tonnes (32,909 tonnes Moa Joint Venture and 37,053 tonnes Ambatovy Joint Venture on a 100% basis) and finished cobalt production increased to 6,125 tonnes (3,210 tonnes Moa Joint Venture and 2,915 tonnes Ambatovy Joint Venture on a 100% basis).

Our two decades of history and experience in Cuba has provided us with the opportunity to augment our core nickel business with Oil & Gas and Power operations. These profitable and cash-flow positive local Energy businesses are important to the local economy and make Sherritt Cuba's largest foreign investor.

In line with our renewed focus on nickel, in April, Sherritt completed the sale of its Canadian Coal business for total consideration of $946 million, including $814 million of cash including net post-closing adjustments.

Metals

In 2014, Sherritt celebrated two important milestones in our Metals division: our 60th anniversary at the Fort Saskatchewan facility and our 20th anniversary of the Moa Joint Venture.

Moa Joint Venture

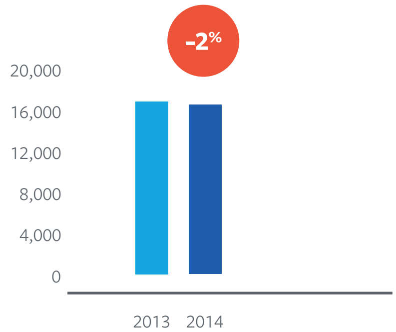
The Moa Joint Venture is a vertically integrated lateritic nickel enterprise that produces class I finished nickel and cobalt between Sherritt (50%) and General Nickel Company S.A. (GNC) of Cuba (50%). The Joint Venture has a proud history in Cuba and celebrated its 20th anniversary this year.

This year, the Moa Joint Venture produced 32,909 tonnes (100% basis) of finished nickel and 3,210 tonnes (100% basis) of finished cobalt. Its net direct cash costs (NDCC) of US$4.99 per pound were in the bottom half of global nickel production costs, providing strong profit margins even during periods of depressed nickel prices.

The refining for Moa's metals is completed at the Fort Saskatchewan refinery in Alberta, which celebrated a milestone anniversary in 2014, having been operational for 60 years. In addition, Sherritt also has wholly-owned fertilizer, sulphuric acid and utilities operations and storage facilities in Fort Saskatchewan.

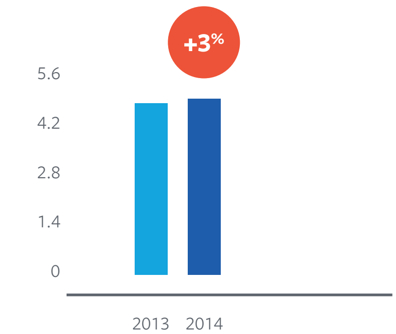
Finished Nickel Production[1]

(tonnes)



Net Direct Cash Costs

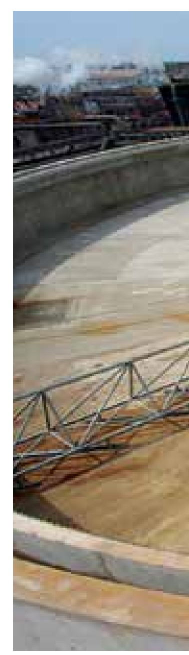
(US$/lb)



(1) Sherritt's attributable share: 50%

TONNES OF FINISHED NICKEL PRODUCED AT MOA

As part of a longer-term cost-reduction program, the operation is pursuing the construction of a third acid plant that will produce 2,000 tonnes of sulphuric acid per day. This additional acid plant will allow Sherritt to eliminate the need to import acid into Cuba and is expected to significantly reduce the net direct cash cost of nickel. Construction is expected to be completed in the second quarter of 2016.



Ambatovy Joint Venture

The Ambatovy Joint Venture is the world's largest vertically integrated finished lateritic nickel and cobalt facility in the world. Located in Madagascar, Ambatovy produces class I finished nickel. Sherritt operates this facility, which is owned by Sherritt (40%), Sumitomo (27.5%), Korea Resources (27.5%) and SNC-Lavalin (5%).

Currently in ramp-up, Ambatovy is working towards achieving a production rate of 54,000 tonnes of nickel on an annualized basis, or 90% of nameplate capacity, for 90 days over a 100-day period. This year, Ambatovy produced 37,053 tonnes (100% basis) of finished nickel and 2,915 tonnes (100% basis) of finished cobalt, which was in line with the 2014 guidance range. Net direct cash costs for nickel were US$7.04 per pound.

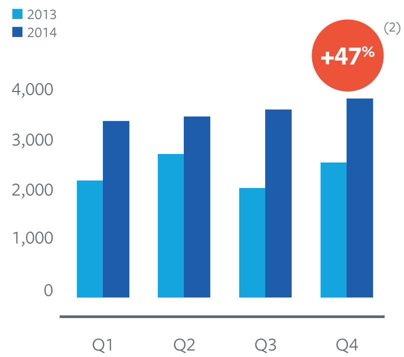
The design at Ambatovy is based on Sherritt's hydrometallurgical process, which has been commercially proven at the Moa Joint Venture as well as at other international commercial operations that have implemented our technology.

The ramp-up at Ambatovy is Sherritt's primary focus as we transform into a global, long-term nickel-focused operating company. Ambatovy is a long-life nickel asset in our portfolio that will provide almost three decades of production, delivering strong cash flows and profitability over the long term. The following notable events occurred this year:

- In January, Ambatovy met the requirements for commercial production or the ability to maintain average production of 70% of ore throughput of nameplate capacity (60,000 tonnes) over a 30-day period.
- In the second half of 2014, a major planned maintenance program was completed that included four PAL autoclaves and two acid plants. At the same time, Sherritt initiated the Performance Enhancement Initiative

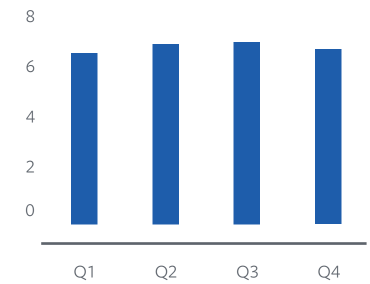
Finished Nickel Production[1]

(tonnes)



Net Direct Cash Costs[3]

(US$/lb)



(1) Sherritt's attributable share: 40%.
(2) Percent increase applies to year-over-year results.
(3) Ambatovy began calculating NDCC after achieving commercial production in January; therefore, no year-over-year metric is available.

TONNES OF PROVEN AND PROBABLE RESERVES AT AMBATOVY (in millions)

INCREASE IN FINISHED NICKEL PRODUCTION AT AMBATOVY

(PEI) to help optimize plant performance. The PEI team consists of experts drawn from operations in Sherritt's Metals and Technologies business units and external partners. During the year, technical issues in the counter current decantation and raw liquor neutralization processes were solved, improving overall nickel product quality to London Metal Exchange (LME) standards and increasing metal recoveries.

- In April, Ambatovy received its ISO 9001 certification based on a number of quality management principles including a strong customer focus, the motivation of management, the process approach and continual improvement.
- In September, Sherritt filed an updated technical report or National Instrument 43-101. Compared to the previous technical report filed in October 2011, overall estimated metal content is higher and the average grade is lower. It also showed the estimated life of the operation is still approximately 30 years.
- In the fourth quarter, Sherritt completed the construction of a second ore thickener, designed to increase the density of solids of plant feed slurry and ultimately increase recoveries.
- For the month of December, ore throughput in the PAL circuit was a record 417,412 tonnes (100% basis) and finished nickel production represented approximately 64% of nameplate capacity.

Ambatovy is currently working towards the key milestone of reaching 90% capacity (54,000 tonnes) for 90 days over a 100-day period. The target is to achieve this within the first half of 2015. This milestone is part of a series of 10 completion certificates that the operation must obtain by September 2015 under the Ambatovy Project financing agreements. Five are currently completed.

Sherritt is the largest independent oil producer in Cuba. The company has 56 producing heavy oil wells that have contributed over $191 million to the company's adjusted EBITDA.

GROSS WORKING-INTEREST BARRELS OF OIL PER DAY IN CUBA

Oil & Gas

In the third quarter of 2014, Sherritt celebrated the milestone of producing its two hundred millionth barrel of oil.

Sherritt is the largest independent oil producer in Cuba, producing oil from near-shore reservoirs off the island's northern coast. During its 20-year history, Sherritt has proven its ability to find, develop and produce oil in Cuba's complex fold and thrust belt reservoir.

Over time, Sherritt has introduced many new technologies into Cuba, including the drilling of directional wells, allowing for the cost-effective exploration and development of reservoirs located off the Cuban shoreline. We currently operate three commercial oil fields in Cuba – Puerto Escondido, Yumurí and Varadero West – under two separate PSCs. All the wells are directionally drilled and are located along the northern coast between Havana and Cárdenas.

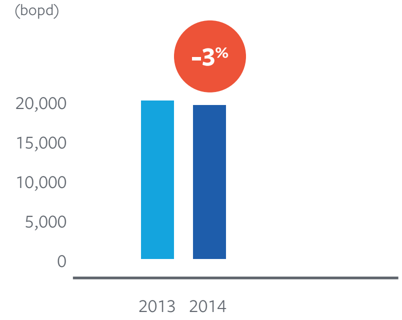
For 2014, Sherritt produced 19,456 gross working-interest barrels of oil per day in Cuba. Total revenue from Oil & Gas for the year was $269.3 million, with $250.6 million generated in Cuba. Adjusted EBITDA attributable to Sherritt's Oil business was $191.7 million in 2014. The average realized price in Cuba was US$66.21 per barrel.

Consistent with Sherritt's overall strategy, we are a low-cost producer of Cuban oil. For 2014, unit operating costs in Cuba were $8.56 per barrel of oil, a 26% increase over the prior year. Cost increases were driven by $7.0 million in workover costs for the year due to efforts to re-establish production from a well in the Yumurí area, which had lost production due to a mechanical failure, as well as the depreciation of the Canadian dollar and reduced production.

Oil Production

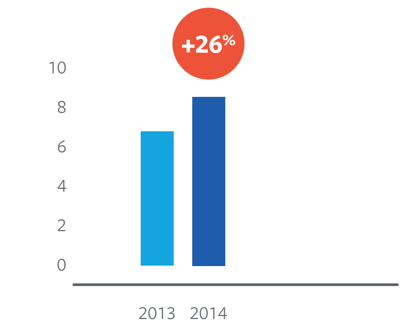
TOTAL GROSS WORKING-INTEREST

(bopd)



Unit Operating Costs

($ per gross boe)



WELLS PRODUCING IN CUBA

NEW PRODUCTION-SHARING CONTRACTS SECURED

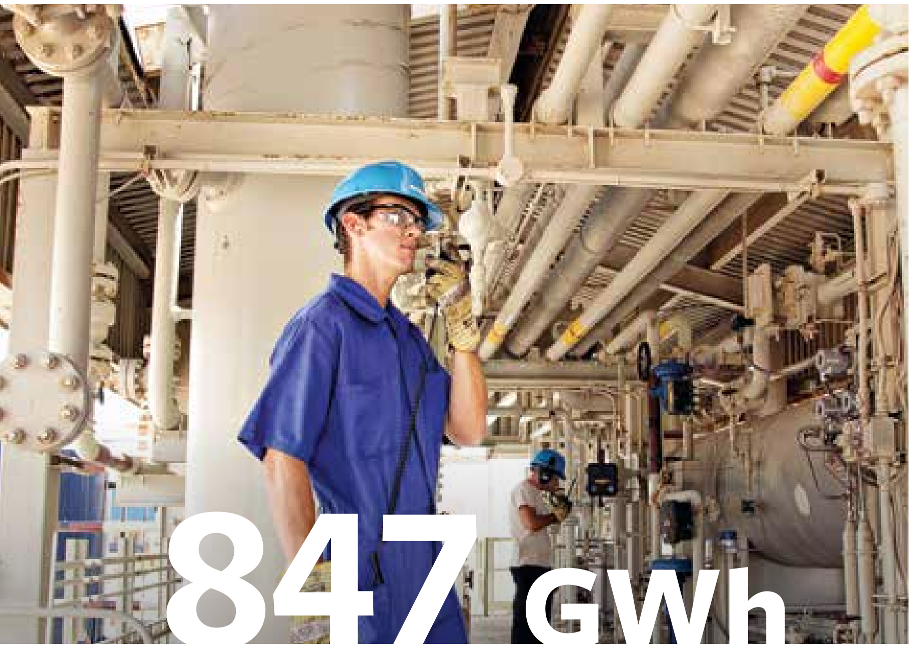
Extending the Life of Our Cuban Oil & Gas Business

As part of its oil strategy, Sherritt believes its greatest opportunity for long-term success is leveraging its years of experience in Cuba to produce low-cost oil for years to come. Sherritt has both the technical and operational expertise for exploring and developing oil and gas pools in this geological setting, which is characterized by complex folded and thrusted carbonate reservoirs.

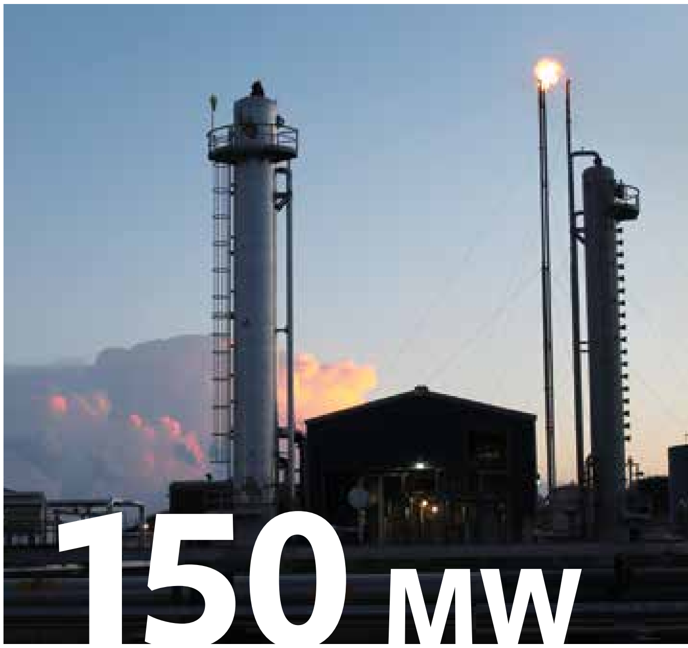
This year was a success in building a foundation for future oil development. In May, Sherritt executed an agreement with the Government of Cuba to amend an existing PSC for an additional 10-year extension to March 2028. This amended agreement applies to all new wells drilled in the Puerto Escondido/Yumurí PSC. In the third quarter of 2014, Sherritt commenced a development drilling program on these extension lands and completed three of the seven commitment wells required as part of the agreement.

In December, Sherritt signed two new PSCs with the Government of Cuba. The new blocks, 8A and 10, are located in central and northern Cuba and encompass areas of 967 square kilometres and 261 square kilometres, respectively. The PSCs have a 25-year term and include commitments that primarily include reprocessing existing seismic data and acquiring new seismic data within a two-year period.

Sherritt also successfully mobilized a second drilling rig to support its target of increased drilling on existing and extension acreage. Over the course of the year, Sherritt has drilled six development wells, all of which are currently producing.



OF ELECTRICITY PRODUCED



INCREASE IN ADDITIONAL CAPACITY COMMISSIONED

Power

The 150 MW Boca de Jaruco Combined Cycle Project was substantially completed in late 2013 and became fully operational in early February 2014, increasing Energas' electrical generating capacity to 506 MW.

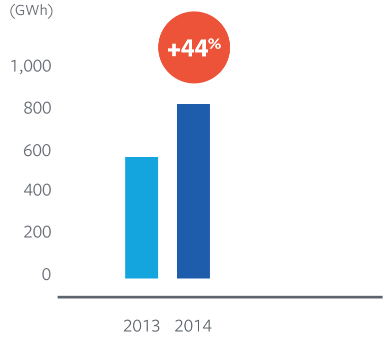
Sherritt's Power business continues to focus on increasing the performance of our facilities in the production of electricity. Power operates in Cuba through its one-third interest in Energas S.A. The remaining two-thirds interest in Energas is held equally by two Cuban agencies, Union Cubapetroleo (CUPET) and Union Electrica (UNE). Energas processes natural gas from oil fields along the northern coast of Cuba and utilizes the clean gas to generate electricity as well as to produce by-products such as condensate and liquefied petroleum gas.

In 2014, Energas produced 2,541 GWh of electricity (100% basis), a 44% increase over the prior year. This represented 14% of Cuba's electricity consumption in 2014 and was a result of our investment in the new 150 MW Boca de Jaruco Combined Cycle Project.

The Boca de Jaruco Combined Cycle Project is already producing immediate benefits: It is increasing the efficiency of fuel utilization from 29% to 46% by recovering energy released into the atmosphere from hot gas turbine exhausts and it is reducing fuel consumption for every megawatt hour generated. Further, overall unit operating costs decreased 31% to $17.25 per MWh (Sherritt's attributable share) for 2014 over the prior year and Adjusted EBITDA of $24.8 million in 2014 was a significant improvement over the prior year's loss of $1.6 million.

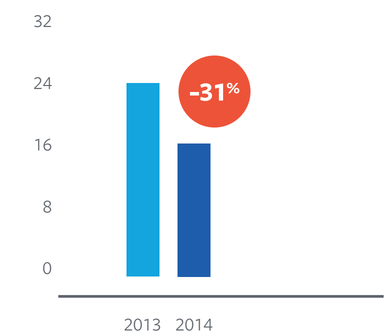
Electricity Production Volumes[1]

(GWh)



Unit Operating Costs

($ per MWh)



(1) Sherritt's attributable share: 33 1/3%

Sherritt's Power business is the operator of Energas S.A., which produced approximately 14% of Cuba's electricity consumption in 2014 and provides employment to 273 workers.

CONTRIBUTION TO ADJUSTED EBITDA (in millions)

Sustainability

Operating responsibly and sustainably is a top priority for Sherritt. To achieve this, we are committed to providing a safe and rewarding workplace, operating ethically, demonstrating environmental responsibility, engaging stakeholders and benefitting the communities where we work.

We meet or exceed the standards where we operate and continuously improve performance. Our Sustainability Framework, introduced in 2013, provides that direction and addresses the issues most material to the achievement of Sherritt's strategic priorities and future business needs. An overview of our achievements and challenges follows.

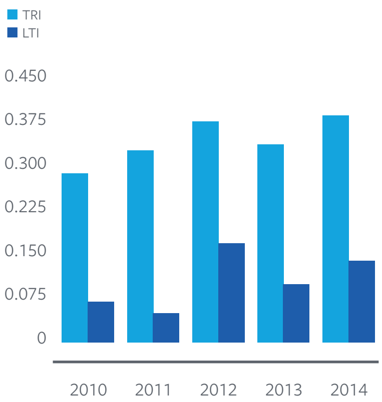
Safe and Rewarding Workplace

Sherritt provides a safe and rewarding workplace through strong health and safety practices, maintaining public safety around its sites and offering a workplace that engages and develops the Corporation's workforce.

Sherritt sets an annual target of zero for Lost Time Injury (LTI) index and less than 0.55 for Total Recordable Incidents (TRI) index. This year, the rolling averages were 0.14 for LTI and 0.39 for TRI. While we are disappointed that there is a year-over-year increase, when compared with peers, we demonstrate leading performance. Ambatovy had a particularly strong record, achieving 18 million hours worked without an LTI. We will continue to strive for excellence in this area through a focus on safety behaviour and leadership, supported by strengthened management systems.

TRI and LTI Index[1][2]

(as at December 31, 2014)



[1] The TRI index is calculated by multiplying the number of TRIs by 200,000 and then dividing by the total exposure hours. This index provides a measure that is comparable across industries and businesses of varying size.

[2] The LTI index is calculated by multiplying the number of LTIs by 200,000 and then dividing by the total exposure hours. This index provides a measure that is comparable across industries and businesses of varying size.

During the year, Sherritt also developed a new employee Health and Safety Policy, which aligns with the commitments articulated in the company's Sustainability Framework. The policy will be rolled out in 2015.

Ethical Operations

Sherritt is committed to conducting its business activities ethically and in a way that respects human rights as set out in the Universal Declaration of Human Rights.

Through our policies and practices, Sherritt fosters a culture that supports and requires ethical conduct. All employees are required to review and comply with Sherritt's Business Ethics Policy and the recently updated Anti-Corruption Policy. We also conduct audits of corruption-related risks and provide culturally appropriate training and awareness building for our employees around the world.

In November, Sherritt was admitted to the Voluntary Principles on Security and Human Rights (VPSHR) Initiative as a corporate participant, demonstrating its commitment to proactively address human rights-related risks. This year, the company completed security and human rights risk assessments across its operations, and in 2015, Sherritt will begin to refine its management systems to better align with the VPSHRs.

Environmental Responsibility

Sherritt seeks to minimize its environmental impact through effective tailings management, biodiversity conservation, and responsible water and energy management. This year, Sherritt benchmarked its tailings management systems relative to best practices established in guidance documents produced by the Mining Association of Canada. We are using these results to further strengthen our management systems at each of our operations with tailings facilities.

Though Sherritt is no longer the owner of the Obed Mountain mine in Alberta, we continue to work closely with Coal Valley Resources and its new owner on remediation activities following the breach of a water containment structure that occurred in October 2013.

$6.5+M

INVESTED IN SUPPORTING INITIATIVES IN THE COMMUNITIES IN WHICH WE ARE PRESENT (in millions)

In Madagascar, Ambatovy was recognized for our efforts in fighting HIV/AIDS with a Good Practice Award, delivered by Mr. Michel Sidibé, Executive Director of UNAIDS and Deputy Secretary General of the United Nations. We are committed to implementing the national policy on HIV/AIDS and fighting stigma and discrimination in the workplace, along with providing education, facilitating testing and prevention, raising awareness and sharing the lessons we have learned.

With respect to biodiversity, Sherritt is committed to achieving no net loss, or preferably a net gain, at each of its greenfield projects and significant expansions. Our achievements in this area are most visible at Ambatovy where we are implementing a comprehensive biodiversity action plan aligned with the International Finance Corporation's Performance Standards. Sherritt was awarded the Nedbank Capital Sustainable Business Award in the Resources and Non-renewable Energy category for Ambatovy's biodiversity program.

Stakeholder and Community Engagement

Stakeholder engagement is a priority for Sherritt and we work proactively to engage with stakeholders early on and throughout the asset lifecycle to develop enduring relationships based on mutual trust, respect and transparency.

This regular engagement helps ensure we operate in accordance with our stakeholders' expectations and contributes lasting improvements in the quality of life of our neighbouring communities.

For instance, Ambatovy's community grievance and response system ensures we understand and can respond to community concerns and complaints in a timely, predictable and professional manner. This year, there were zero community-related work stoppages across the company.

Recognizing the importance of sharing accurate information within the communities in which we operate, we became a supporting company of the Extractive Industries Transparency Initiative (EITI), a reporting standard that publishes payments to government, to support Madagascar's EITI candidacy and Ambatovy's commitment to transparency. Both Sherritt and Ambatovy also publish sustainability reports each year.

By engaging with communities, local governments and non-governmental organizations, Sherritt can identify local needs and priorities and target its community investment accordingly. In Cuba, Sherritt regularly engages with municipal authorities in the company's areas of impact to identify community development priorities that Sherritt could support through its longstanding community investment program on the island. In 2014, community investments in Cuba supported transportation infrastructure, healthcare facilities and educational institutions.

In Madagascar, Sherritt volunteered to assist in the decommissioning of a government-owned obsolete ammonia storage facility in Toamasina, eliminating significant risk to the community.

Sherritt also contributes to local communities and economies through programs designed to support local hiring and procurement. In recognition of its efforts in this area, Sherritt won the Excellence in Corporate Responsibility Award in the Social Enterprise Creation category for the Ambatovy Local Business Initiative (ALBI) in Madagascar.

18M

HOURS WORKED WITHOUT AN LTI AT AMBATOVY (in millions)

3

SUSTAINABILITY AWARDS WON

"Sherritt has a long history of operating ethically, demonstrating environmental responsibility, engaging stakeholders and benefitting the communities in which we operate."

In 2014, Sherritt's Board of Directors and management team worked together to bring greater focus and discipline to Sherritt's businesses and to deliver solid financial results in a very difficult business environment. Commodity markets were poor in 2014. While nickel prices were up slightly from the low prices of the previous year, they remained weak. The second half of last year saw significant price declines in the oil market related to increased global supply. In a low price environment, it is especially valuable to operate as a low-cost producer, a fundamental strategy of Sherritt. Production at Ambatovy is expected to continue to increase in the coming year, building on the improvement in 2014. The production increase will position Sherritt extremely well in a period of higher nickel prices. In 2015, we also expect to continue to improve our long-life low-cost nickel and energy businesses in Cuba.

Over the year, we were unwavering in our financial discipline, completing a refinancing of our debentures and paying down a sizable portion of our debt. We also implemented a normal course issuer bid in October to purchase Sherritt shares for cancellation, and by December 31, 2014, we had purchased and cancelled 3,960,300 shares under this program.

Sherritt has a long history of operating ethically, demonstrating environmental responsibility, engaging stakeholders and benefitting the communities in which we operate. In 2014, we received the Excellence in Corporate Responsibility Award for the Ambatovy Local Business Initiative, the Good Practice Award from the United Nations for our work in Madagascar, as well as the prestigious Nedbank Capital Sustainable Business Award for Ambatovy's biodiversity program. These awards showcase Sherritt's commitment to its surrounding communities.

Sherritt has a strong and independent Board which is committed to the highest standards of corporate governance. This year we were pleased to welcome Tim Baker as a new director. Tim has significant experience in the mining sector, with more than 30 years of operational and board experience spanning several continents. Tim's addition is the most recent in this period of board renewal; we have added five new directors to Sherritt's Board over the last three years. John R. Moses stepped down from our Board this year, after serving for four years. I would like to thank John for his guidance during a period of significant change and wish him well.

We look forward to reporting to you on the company's continued successes through 2015.

Harold (Hap) Stephen
Chairman
Sherritt International Corporation

BOARD OF **DIRECTORS**

HAROLD (HAP) STEPHEN [4]
Chairman
Sherritt International Corporation
Toronto, Canada
Harold (Hap) Stephen (appointed May 2012) currently serves as a Director of TD Mutual Funds Corporate Class Ltd. and Algoma Central Corporation. Mr. Stephen is the Chairman and CEO of Stonecrest Capital Inc.

DAVID V. PATHE
President and Chief Executive Officer
Sherritt International Corporation
Toronto, Canada
David Pathe (appointed January 2012) became President and CEO of the Corporation on January 1, 2012. Since joining Sherritt in June 2007, Mr. Pathe held various roles, including Senior Vice President, CFO, General Counsel and Corporate Secretary.

TIM BAKER [3, 4, 5]
Corporate Director
Toronto, Canada
Timothy Baker (appointed May 2014) is a geologist and currently serves as a Director of Antofagasta PLC. He is also Chairman of Golden Star Resources Ltd. and was previously Executive Vice President and COO of Kinross Gold Corporation.

R. PETER GILLIN [1, 2, 3, 4]
Corporate Director
Toronto, Canada
Peter Gillin (appointed January 2010) is a CFA and is currently a Director of Silver Wheaton Corp., Dundee Precious Metals Inc., TD Mutual Funds Corporate Class Ltd. and Turquoise Hill Resources Ltd. (formerly Ivanhoe Mines Inc.).

SIR RICHARD LAPTHORNE [1, 4, 5]
Corporate Director
London, England
Sir Richard Lapthorne (appointed September 2011) is currently Chairman of Cable & Wireless Communications PLC and PWC's UK Public Interest Body. With 30 years of experience, he has served as a Finance Director or Chairman of various FTSE 100 companies, including Courtaulds PLC and Amersham International PLC.

ADRIAN LOADER [2, 4, 5]
Corporate Director
London, England
Adrian Loader (appointed July 2013) has extensive international experience from Royal Dutch Shell in energy management, projects, strategy, business development and new market entry. Mr. Loader also serves on the boards of Holcim, Oracle Coalfields and Alderon Iron Ore.

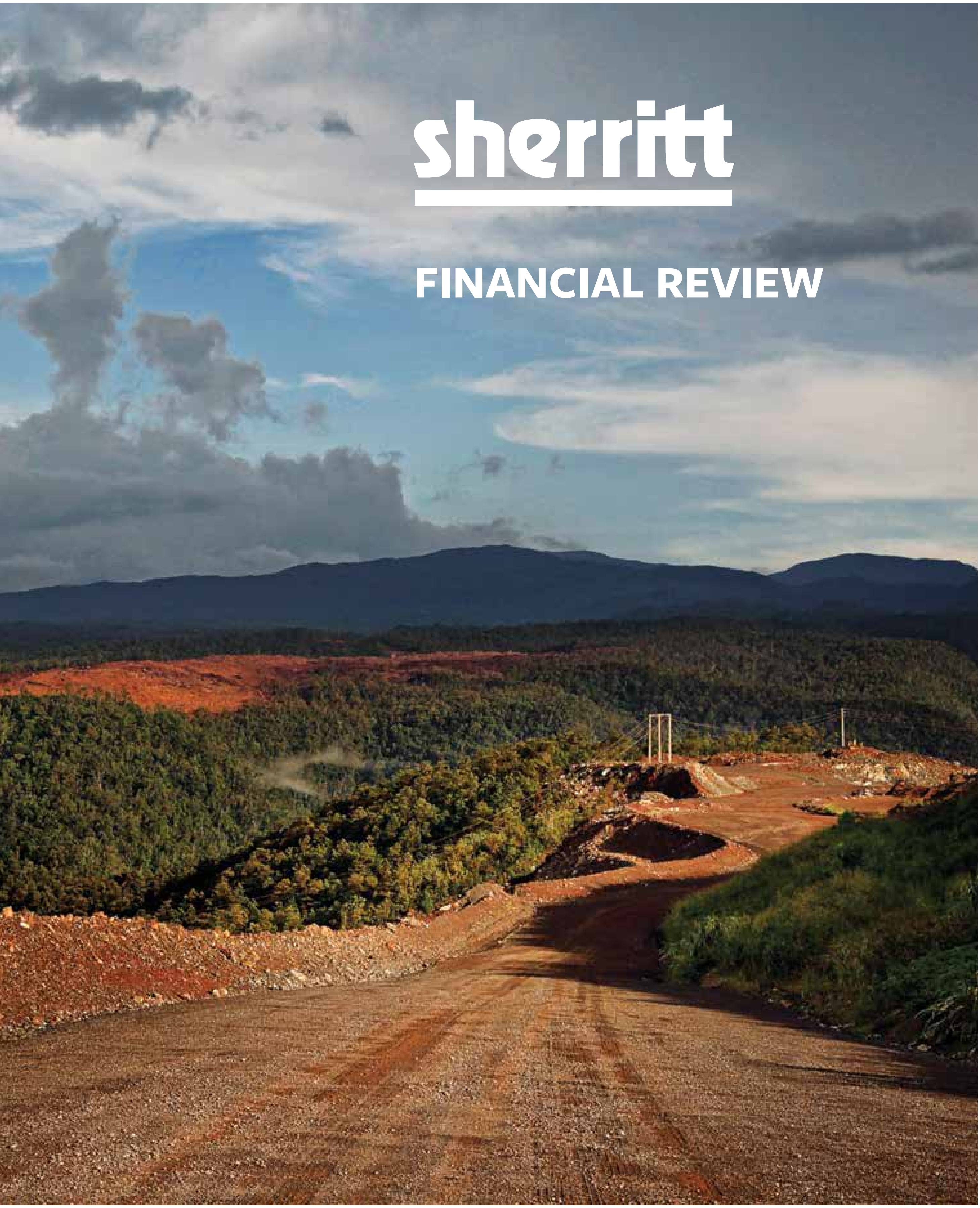
EDYTHE (DEE) A. MARCOUX [2, 3, 4]
Corporate Director
Gibsons, Canada
Edythe (Dee) Marcoux (appointed May 2006) is an MBA and a metallurgical engineer. She is a retired executive, with over 30 years of experience in the energy industry and five years of experience in the mineral industry.

BERNARD MICHEL [4, 5]
Corporate Director
Canmore, Canada
Bernard Michel (appointed August 2007) was Chairman of Bruce Power Inc. for over a decade and has served on the boards of Ipsco Ltd., the Mosaic Company and was formerly Chairman and CEO of Cameco Corp.

LISA PANKRATZ [1, 3, 4]
Corporate Director
Vancouver, Canada
Lisa Pankratz (appointed November 2013) is a CPA, FCA and CFA, and has over 28 years of experience in the investment industry and capital markets in both executive and advisory capacities working with multinational and international companies.

1 Audit Committee
2 Human Resources Committee
3 Environment, Health, Safety and Sustainability Committee
4 Nominating and Corporate Governance Committee
5 Reserves and Projects Committee

(l-r) Harold (Hap) Stephen, David V. Pathe, Tim Baker, R. Peter Gillin, Sir Richard Lapthorne, Adrian Loader, Edythe (Dee) A. Marcoux, Bernard Michel, Lisa Pankratz


sherritt
FINANCIAL REVIEW

2014 Financial review

Management's discussion and analysis

For the year ended December 31, 2014

This Management's Discussion and Analysis (MD&A) is intended to help the reader understand Sherritt International Corporation's operations, financial performance and the present and future business environment. This MD&A, which has been prepared as of February 11, 2015, should be read in conjunction with Sherritt's audited consolidated financial statements for the year ended December 31, 2014. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's website at www.sherritt.com.

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

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

Overview of the business

Sherritt is a leader in the mining and refining of nickel and cobalt from lateritic ores with projects and operations in Canada, Cuba and Madagascar. The Corporation is the largest independent energy producer in Cuba, with extensive oil and power operations on the island. Sherritt licenses its proprietary technologies and provides metallurgical services to mining and refining operations worldwide. The common shares of the Corporation are listed on the Toronto Stock Exchange, trading under the symbol "S".

SHERRITT INTERNATIONAL CORPORATION

Metals	**Oil & Gas**	**Power**	**Corporate**
Nickel and cobalt mining, processing and refining	Oil and gas exploration and production	Power generation	Technology group, development projects and head office

METALS

Sherritt is an industry leader in mining, processing and refining nickel and cobalt from lateritic ore bodies. Sherritt has a 50/50 partnership with General Nickel Company S.A. (GNC) of Cuba (the Moa Joint Venture) and a 40% interest in the Ambatovy Joint Venture that owns a significant nickel operation in Madagascar. In addition, Sherritt has wholly-owned fertilizer, sulphuric acid, utilities and storage facilities in Fort Saskatchewan, Alberta, Canada (Fort Site) that provides additional sources of income.

The Moa Joint Venture mines, processes and refines nickel and cobalt for sale worldwide (except in the United States). The Moa Joint Venture has mining operations and associated processing facilities in Moa, Cuba; and refining facilities in Fort Saskatchewan, Alberta. Continuous optimization of production facilities, combined with the implementation of innovative technologies at the Moa Joint Venture assists Metals in continuing to be one of the world's lower-cost producers of nickel and cobalt from lateritic ore. Moa Joint Venture's experienced and knowledgeable workforce and management team, combined with consistently high on-stream time and equipment reliability, have been the key to the safe and responsible utilization of production assets.

Ambatovy is one of the world's largest nickel mining, processing and refining operations utilizing lateritic ore. Sherritt is the operator of the mine and refining facilities, and has as its partners Sumitomo Corporation, Korea Resources Corporation and SNC-Lavalin Inc. (collectively referred to as the Ambatovy Partners). Ambatovy has two nickel deposits located near Moramanga (eastern central Madagascar) which are planned to be mined over a 20-year period. Additionally, reclamation of low-grade ore stockpiles is expected to extend project life by nine years. The ore from these deposits is initially processed at the mine site and then delivered as slurry to the processing plant and refinery located near the Port of Toamasina. Ambatovy has an estimated annual nameplate capacity of 60,000 tonnes (100% basis) of nickel and 5,600 tonnes (100% basis) of cobalt. Ambatovy declared commercial production in February 2014.

OIL AND GAS

Sherritt explores for and produces oil and gas, primarily from fields situated in Cuba. All of Sherritt's oil sales in Cuba in 2014 were to an agency of the Government of Cuba. Under the terms of its production-sharing contracts, Sherritt's net production is made up of an allocation from gross working-interest production (cost recovery oil) to allow recovery of all approved costs in addition to a negotiated percentage of the remaining production (profit oil). The pricing for oil produced by Sherritt in Cuba is based on a discount to Gulf Coast Fuel Oil Number 6 reference prices.

Oil and Gas has developed expertise in the exploration and development of fold-and-thrust geological plays along the north coast of Cuba. Reservoirs are located offshore, but in close proximity to the coastline. As a result, specialized long reach directional drilling methods have been developed to economically exploit the reserves from land-based drilling locations. In 2014, Sherritt executed an agreement with the Government of Cuba to extend an existing production-sharing contract as well as signed two new exploration blocks in Cuba. The Corporation is awaiting final approval for two additional exploration blocks, pending authorization from the Cuban state.

In addition, Sherritt holds working-interests in several oil fields located in the Gulf of Valencia in Spain, an interest in the related production platform, and a working-interest in a natural gas field in Pakistan.

POWER

Sherritt's primary power generating assets are located in Cuba at Varadero, Boca de Jaruco and Puerto Escondido. These assets are held by Sherritt through its one-third interest in Energas S.A. (Energas), which is a Cuban joint arrangement established to process raw natural gas and generate electricity for sale to the Cuban national electrical grid. Cuban government agencies Union Electrica (UNE) and Unión Cuba Petróleo (CUPET) hold the remaining two-thirds interest in Energas.

Raw natural gas that would otherwise be flared is supplied to Energas by CUPET free of charge. The processing of raw natural gas produces clean natural gas, used to generate electricity, as well as by-products such as condensate and liquefied petroleum gas. All of Energas' electrical generation is purchased by UNE under long-term fixed-price contracts while the by-products are purchased by CUPET at market based prices. Sherritt provides the financing for the construction of the Energas facilities and is repaid from the cash flows generated by the facilities.

The Energas facilities comprising the two combined cycle plants at Varadero and Boca de Jaruco, produce electricity using steam generated from the waste heat captured from the gas turbines. The Boca de Jaruco Combined Cycle Project was fully operational in early February 2014, increasing Energas' electrical generating capacity by 150 MW to 506 MW.

CORPORATE AND OTHER

Technologies

Sherritt Technologies provides technical support to Sherritt's operating divisions and identifies opportunities for the Corporation as a result of the division's international and R&D activities. Technologies specializes in evaluating, developing and commercializing process technologies for natural resource based industries, in particular for the hydrometallurgical recovery of non-ferrous metals. Technologies' process development is conducted in laboratory and pilot plant facilities where new technologies are developed, tested and demonstrated.

ACCOUNTING SUMMARY

The Corporation carries on business in a variety of legal structures which result in differing accounting treatments. The following information will assist the reader in understanding the Corporation's disclosure:

- For financial statement purposes, the Moa Joint Venture and Ambatovy Joint Venture are accounted for using the equity method of accounting which recognizes the Corporation's share of earnings (loss) from joint venture and associate, respectively. The Financial results and Review of operations sections in this MD&A present amounts by reporting segment, based on the Corporation's economic or ownership interest which is consistent with how senior management assess the operations. As a result, Metal's operating results include the Corporation's 50% interest in the Moa Joint Venture, 100% interest in the utility and fertilizer operations in Fort Saskatchewan (Fort Site), 40% interest in the Ambatovy Joint Venture, and 100% interest in a wholly-owned subsidiary established to buy, market and sell certain Ambatovy nickel production. Amounts presented in the MD&A can be reconciled to note 5 of the audited consolidated financial statements for the year ended December 31, 2014.
- On January 22, 2014, Ambatovy achieved the requirements for commercial production. As a result, effective February 1, 2014, Ambatovy ceased capitalizing project costs and began recognizing revenues and costs within the statement of comprehensive income (loss). Financial results, including sales volumes, unit operating costs and average-realized prices, are presented in this MD&A for the post-commercial production periods.
- On April 28, 2014, the Corporation sold its Coal operations. As such, the operating results of Coal for the current and prior year are classified as earnings (loss) from discontinued operation and cash provided (used) by Coal, prior to disposal, is reported in cash provided (used) by discontinued operations for the current and prior year.

Strategic priorities 2015

With 2014's achievements in mind, Sherritt has established its 2015 strategic priorities that include the following:

1. Focusing on our core nickel business:
- Sustain production and lowering costs at Moa.
- Successful progression of the acid plant project at Moa.

2. Continuing to ramp up at Ambatovy:
- Targeting a production rate of 90% of nameplate capacity over a 90 day period within the first half of 2015.

3. Extending the life our Cuban Energy business:
- Securing two additional exploration PSCs and commencing drilling on extended Puerto Escondido/Yumurí PSC.

4. Maintaining a strong balance sheet and liquidity:
- Optimizing operating and administrative costs.

Highlights

AMBATOVY OPERATIONS UPDATE

In January 2014, Ambatovy met the requirements for commercial production, defined as 70% of ore throughput of nameplate capacity in the Pressure Acid Leach (PAL) circuit on average over a thirty-day period. As such, effective February 1, 2014, Ambatovy ceased capitalizing project costs and commenced recognizing operating revenues and costs for accounting purposes. Production in the fourth quarter was impacted by a major planned maintenance program with maintenance undertaken in several areas, including two PAL autoclaves, one acid plant, and numerous vessels in the refinery. The maintenance was scheduled in the fourth quarter in order to position the facility to target completion under the Ambatovy Joint Venture financing arrangement (financial completion) within the first half of 2015.

SALE OF COAL

As part of the Corporation's plan to focus on its base metals business, on April 28, 2014 the Corporation completed the sale of its Coal operations receiving net proceeds from sale, net of cash disposed, of $804.3 million. Concurrent with the sale, the Coal revolving credit facility was repaid and terminated.

EXTENSION AND AWARD OF NEW PRODUCTION-SHARING CONTRACT AGREEMENTS

On May 29, 2014, the Corporation executed an agreement with the Government of Cuba to amend the production-sharing contract (PSC) covering the Puerto Escondido/Yumurí oil fields for a ten year extension of the term to March 2028. The extension of the PSC applies to new wells drilled in the development area. The PSC will terminate with respect to existing wells as of its original expiry date of March 2018. Under the terms of the amendment Sherritt is required to drill a minimum of seven new wells in the development area, three of which were drilled and completed in 2014. The remaining commitment wells will be drilled in 2015.

In addition, on December 18, 2014, the Corporation signed two new PSCs with the Government of Cuba covering Block 8A in Central Cuba and Block 10 in the Bay of Cárdenas on the north coast of Cuba. The new blocks encompass areas of 967 and 261 square kilometres, respectively. The PSCs have 25-year terms. The initial exploration commitments for the two new PSCs include primarily the review and re-processing of existing seismic data and the acquisition and processing of new seismic data. In each case, upon completion of the initial phase of the exploration commitments, the Corporation may elect to proceed to the exploratory drilling phase or to relinquish the PSC in question. The Corporation is awaiting final approval of the PSCs for two additional exploration blocks.

DEBT REFINANCING

In early October, the Corporation completed a series of transactions that consisted of the redemption of $400 million of senior unsecured public debentures due in 2018 and 2020, the redemption of the entire $275 million principal amount of the October 15, 2015 senior unsecured debentures and the issuance of $250 million principal amount of 7.875% senior unsecured notes due October 11, 2022. The completion of these transactions reduced the Corporation's outstanding debt by $425 million, extended its debt maturity profile and results in its debt profile having principal maturities of $250 million in each of 2018, 2020, and 2022.

COST REDUCTION STRATEGY

In line with its cost reduction strategy, on October 28, 2014 the Corporation initiated a restructuring plan that impacted approximately 10% of its salaried workforce, excluding Ambatovy. As a result, in the fourth quarter of 2014, the Corporation recognized a restructuring charge of approximately $9 million and expects to achieve estimated annual savings of approximately $10 million going forward.

In addition, the Corporation reached an agreement in the fourth quarter of 2014 to sell its corporate office. The sale is in line with the Corporation's near-term cost reduction strategy to sell certain non-operating assets. The sale is expected to be completed in the second quarter of 2015 for a sales price of $21.5 million, at which time the Corporation expects to record a gain of approximately $19 million.

Financial results

$ millions, except as otherwise noted		For the three months ended 2014 December 31		2013 December 31	Change		For the years ended 2014 December 31		2013 December 31	Change
FINANCIAL HIGHLIGHTS										
Revenue	**$**	**101.6**	$	108.6	(6%)	**$**	**455.6**	$	448.5	2%
Combined revenue[1]		**278.3**		189.1	47%		**1,136.3**		783.4	45%
Adjusted EBITDA[1]		**31.4**		42.8	(27%)		**253.2**		216.7	17%
(Loss) earnings from operations, associate and joint venture		**(74.9)**		(37.7)	(99%)		**(111.9)**		34.5	(424%)
Loss from continuing operations		**(147.7)**		(142.6)	(4%)		**(318.5)**		(158.5)	(101%)
(Loss) earnings from discontinued operations, net of tax		**(12.7)**		(531.2)	98%		**28.5**		(501.8)	106%
Net loss for the period		**(160.4)**		(673.8)	76%		**(290.0)**		(660.3)	56%
(Loss) earnings per common share (basic and diluted) ($ per share):										
Net loss from continuing operations		**(0.50)**		(0.48)	(4%)		**(1.07)**		(0.53)	(102%)
Net loss for the period		**(0.54)**		(2.27)	76%		**(0.97)**		(2.23)	57%
CASH FLOW										
Cash provided by continuing operating activities	**$**	**39.4**	$	27.1	45%	**$**	**109.6**	$	100.0	10%
Adjusted continuing operating cash flow per share ($ per share)[1]		**(0.08)**		(0.15)	48%		**0.25**		0.16	62%
OPERATIONAL DATA										
SPENDING ON CAPITAL AND INTANGIBLE ASSETS[2]	**$**	**56.1**	$	40.7	38%	**$**	**150.5**	$	126.9	19%
PRODUCTION VOLUMES										
Finished nickel (tonnes)										
Moa Joint Venture (50% basis)		**4,332**		4,428	(2%)		**16,455**		16,771	(2%)
Ambatovy Joint Venture (40% basis)		**3,964**		2,690	47%		**14,821**		10,059	47%
Finished cobalt (tonnes)										
Moa Joint Venture (50% basis)		**436**		435	–		**1,605**		1,660	(3%)
Ambatovy Joint Venture (40% basis)		**277**		206	34%		**1,166**		833	40%
Oil (boepd, net working-interest production)[3]		**10,369**		11,555	(10%)		**10,960**		11,331	(3%)
Electricity (gigawatt hours) (33⅓% basis)		**214**		146	47%		**847**		589	44%
AVERAGE-REALIZED PRICES[1]										
Nickel ($ per pound)	**$**	**7.89**	$	6.42	23%	**$**	**8.29**	$	6.86	21%
Cobalt ($ per pound)		**15.34**		12.33	24%		**15.10**		12.50	21%
Oil ($ per net boe)[3]		**49.58**		69.06	(28%)		**65.69**		68.98	(5%)
Electricity ($ per megawatt hour)		**48.38**		43.08	12%		**46.81**		42.63	10%
UNIT OPERATING COSTS[1]										
Nickel (US$ per pound)										
Moa Joint Venture	**$**	**4.44**	$	4.98	(11%)	**$**	**4.99**	$	4.86	3%
Ambatovy Joint Venture		**6.98**		–	–		**7.04**		–	–
Oil ($ per gross boe)[3]		**12.25**		7.86	56%		**9.45**		7.09	33%
Electricity ($ per megawatt hour)		**22.82**		25.42	(10%)		**17.25**		25.08	(31%)

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

(2) Spending on capital and intangible assets includes accruals and does not include spending on service concession arrangements.

(3) Barrels of oil equivalent per day (boepd); barrel of oil equivalent (boe).

REVENUE

$ millions	For the three months ended 2014 December 31	2013 December 31	Change	For the years ended 2014 December 31	2013 December 31	Change
REVENUE BY SEGMENT						
Metals	**$ 216.5**	$ 101.6	113%	**$ 813.8**	$ 430.7	89%
Oil and Gas	**49.6**	74.9	(34%)	**269.3**	291.4	(8%)
Power	**11.7**	10.6	10%	**49.0**	54.8	(11%)
Corporate and Other	**0.5**	2.0	(75%)	**4.2**	6.5	(35%)
Combined revenue[1]	**278.3**	189.1	47%	**1,136.3**	783.4	45%
Adjust joint venture and associate	**(176.7)**	(80.5)		**(680.7)**	(334.9)	
Financial statement revenue	**101.6**	108.6	(6%)	**455.6**	448.5	2%

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

Combined revenue for the three and twelve months ended December 31, 2014 was higher compared to the same periods in the prior year due to higher metal sales volumes, primarily as a result of Ambatovy declaring commercial production in February 2014, higher realized nickel and cobalt prices at Metals compared to the prior-year periods, and higher electricity volumes due to increased production at the Boca de Jaruco Combined Cycle Project. These increases were partly offset by lower Oil and Gas revenues as a result of lower oil prices and lower production due to a mechanical failure at a well in the Yumurí area which occurred in the second quarter of 2014, that was subsequently shut-in, and due to natural reservoir declines.

COST OF SALES

$ millions	For the three months ended 2014 December 31	2013 December 31	Change	For the years ended 2014 December 31	2013 December 31	Change
COST OF SALES BY SEGMENT						
Metals	**$ 244.7**	$ 135.3	81%	**$ 894.5**	$ 444.9	101%
Oil and Gas	**52.9**	29.7	78%	**150.0**	119.6	25%
Power	**10.3**	30.1	(66%)	**37.1**	83.7	(56%)
Corporate and other	**1.5**	3.1	(52%)	**9.5**	23.1	(59%)
Combined cost of sales[1]	**309.4**	198.2	56%	**1,091.1**	671.3	63%
Adjust joint venture and associate	**(209.3)**	(109.7)		**(773.1)**	(359.4)	
Financial statement cost of sales	**100.1**	88.5	13%	**318.0**	311.9	2%

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

Combined cost of sales for the three and twelve months ended December 31, 2014 was higher compared to the same periods in the prior year primarily due to the recognition of cost of sales at Ambatovy as a result of declaring commercial production, higher workover costs recognized at Oil and Gas related to wells in Cuba and Spain, and the impairment of North Sea and Alboran Sea oil and gas licenses, partly offset by lower operating costs at Power as a result of recognizing an impairment on the Boca de Jaruco power facility in the prior year. In addition, for the twelve months ended December 31, 2014, higher combined cost of sales were also offset by lower operating costs at Power as a result of recognizing a provision on receivables and an impairment on an electricity generation facility related to Madagascar assets in the prior year and a reduction in exploration expenses at Corporate as a result of terminating its interest in the Sulawesi Project.

ADMINISTRATIVE EXPENSES

	For the three months ended			For the years ended		
$ millions, except per share amounts	**2014 December 31**	2013 December 31	Change	**2014 December 31**	2013 December 31	Change
ADMINISTRATIVE EXPENSES BY SEGMENT						
Metals	**$ 11.3**	$ 3.6	214%	**$ 35.7**	$ 10.1	253%
Oil and Gas	**0.8**	2.0	(60%)	**7.8**	8.5	(8%)
Power	**1.2**	8.2	(85%)	**7.3**	12.0	(39%)
Corporate and other	**9.7**	22.5	(57%)	**43.6**	52.1	(16%)
Combined administrative expenses[1]	**23.0**	36.3	(37%)	**94.4**	82.7	14%
Adjust joint venture and associate	**(10.0)**	(1.7)		**(31.0)**	(4.8)	
Financial statement administrative expenses	**13.0**	34.6	(62%)	**63.4**	77.9	(19%)

[1] For additional information see the Non-GAAP measures section.

Combined administrative expenses for the three months ended December 31, 2014 was lower than the same period in the prior year primarily due to higher prior-year period administrative expenses recognized at Corporate related to the sale of the Corporation's Coal operations and expenses recognized at Power related to the construction of the Boca de Jaruco Combined Cycle Project partly offset by the recognition of administrative expenses at Ambatovy since declaring commercial production in the current year.

Combined administrative expenses for the twelve months ended December 31, 2014 was higher than the prior year due to the recognition of administrative expenses at Ambatovy since declaring commercial production in the current year partly offset by higher prior-year administrative expenses recognized at Corporate and Power as discussed above.

NET FINANCE EXPENSE

	For the three months ended			For the years ended		
$ millions, except per share amounts	**2014 December 31**	2013 December 31	Change	**2014 December 31**	2013 December 31	Change
Financial statement net finance expense	**71.9**	42.9	68%	**161.2**	121.2	33%
Moa Joint Venture net finance expense	**3.4**	2.3	48%	**12.0**	10.5	14%
Ambatovy Joint Venture net finance expense	**19.8**	(1.2)	1,750%	**68.7**	(0.6)	11,550%
Combined net finance expense[1]	**95.1**	44.0	116%	**241.9**	131.1	85%

[1] For additional information see the Non-GAAP measures section.

Combined net finance expense for the three and twelve months ended December 31, 2014 was higher compared to the same periods in the prior year primarily due to $33.6 million incurred on the repurchase and redemption of the Corporation's 2015, 2018, and 2020 Debentures in the fourth quarter of 2014, unrealized foreign exchange losses recognized in 2014 compared to unrealized foreign exchange gains recognized in the prior-year periods, higher interest expense and accretion on loans and borrowings, partly offset by higher interest income. For the three and twelve months ended December 31, 2014, the Corporation also recorded a reduction in the fair value of the Ambatovy Call Option of $4.6 million and $8.5 million, respectively, compared to a decrease of $13.6 million and $1.2 million, respectively, in the prior-year periods.

Combined net finance expense was also impacted by higher Ambatovy Joint Venture net finance expenses for the three and twelve months ended December 31, 2014 compared to the same periods in the prior-year primarily due to Ambatovy declaring commercial production in early 2014. Ambatovy's net finance expenses for the three and twelve months ended December 31, 2014 primarily related to recognizing $17.8 million and $61.1 million, respectively, of interest expense and accretion on loans and borrowings, a provision related to overdue VAT of $3.7 million and $12.7 million, respectively, partly offset by net foreign exchange gains of $3.0 million and $8.8 million, respectively. Prior to declaring commercial production, these expenses and gains were capitalized.

INCOME TAXES

$ millions, except per share amounts	For the three months ended **2014 December 31**	2013 December 31	Change	For the years ended **2014 December 31**	2013 December 31	Change
INCOME TAXES BY SEGMENT						
Metals	**$ (6.3)**	$ (8.8)	28%	**$ (9.1)**	$ (15.0)	39%
Oil and Gas	**2.1**	13.4	(84%)	**44.1**	48.6	(9%)
Power	**(1.1)**	0.3	(467%)	**(0.5)**	2.0	(125%)
Corporate and other	**(0.1)**	48.3	(100%)	**1.8**	21.2	(92%)
Combined income taxes(1)	**(5.4)**	53.2	(110%)	**36.3**	56.8	(36%)
Adjust joint venture and associate	**6.3**	8.8		**9.1**	15.0	
Financial statement income taxes	**0.9**	62.0	(99%)	**45.4**	71.8	(37%)

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

Combined tax expense for the three and twelve months ended December 31, 2014 was lower than the prior year largely due to Corporate and Oil & Gas. The lower expense at Corporate was the result of the prior-year de-recognition of deferred tax assets relating to the sale of the Corporation's Coal operations. Income tax expense at Oil & Gas was lower due to lower earnings partly offset by higher non-deductible foreign exchange losses and other non-deductible items in 2014.

At the Metals operations, the net tax recovery for the three and twelve months ended December 31, 2014 was lower than the prior year as the Moa Joint Venture moved to a taxable income position in 2014 due to higher operating earnings, compared to a taxable loss position in 2013. In 2014, the tax expense at the Moa Joint Venture is offset by a tax recovery at the Ambatovy Joint Venture which was recorded this year upon declaration of commercial production to recognize deferred tax assets.

CHANGE IN NET EARNINGS

The change in net earnings between 2014 and 2013 is detailed below:

$ millions	For the three months ended 2014 December 31	For the year ended 2014 December 31
Loss from operations – Ambatovy Joint Venture	$ (51.6)	$ (157.4)
Higher metals prices	10.2	36.2
Higher (lower) fertilizer prices	0.7	(13.2)
Lower oil and gas prices	(21.9)	(29.0)
Higher electricity volumes	3.5	12.7
Higher metals and fertilizer sales volumes	4.5	3.8
Lower Oil and Gas gross working-interest volumes	(3.3)	(7.6)
Higher mining, processing and refining, third-party feed and fertilizer unit costs	(1.7)	(0.6)
Higher Oil and Gas cost of sales	(6.4)	(14.0)
Lower Oil and Gas, Power, and Corporate administrative expenses, net	21.0	13.9
Higher Oil & Gas and Power depletion, depreciation and amortization, net	(4.9)	(6.7)
Weaker Canadian dollar relative to the U.S. dollar	3.3	19.5
Higher combined net finance expense	(51.1)	(110.8)
Lower combined income tax expense	58.4	20.5
Other	(8.1)	1.2
	$ (47.4)	$ (231.5)
Gain on arbitration settlement	1.3	14.1
Gain on sale of Corporate assets	3.3	3.3
Restructuring expense	(7.5)	(7.5)
Impairments recorded in 2014	(13.6)	(14.4)
Impairments recorded in 2013	58.8	76.0
Loss from discontinued operations	518.5	530.3
Non-recurring changes in net loss, compared to 2013	$ 560.8	$ 601.8
Change in net loss, compared to 2013	$ 513.4	$ 370.3

Consolidated financial position

The following table summarizes the significant items as derived from the audited consolidated statements of financial position:

$ millions, except as otherwise noted, as at December 31	2014	2013	Change
Current assets	**$ 855.1**	$ 1,036.2	(17%)
Current liabilities	**193.6**	554.4	(65%)
Working capital	**661.5**	481.8	37%
Current ratio	**4.42:1**	1.87:1	136%
Cash, cash equivalents and short-term investments	**$ 476.2**	$ 651.8	(27%)
Non-current advances, loans receivable and other financial assets	**1,922.4**	1,549.2	24%
Investment in an associate	**1,548.5**	1,652.5	(6%)
Investment in a joint venture	**380.1**	352.0	8%
Property, plant and equipment	**422.1**	392.8	7%
Total assets	**5,283.2**	6,457.8	(18%)
Non-current loans and borrowings	**1,858.3**	2,124.6	(13%)
Non-current provisions	**108.8**	88.2	23%
Total liabilities	**2,224.5**	3,350.6	(34%)
Retained (deficit) earnings	**(259.9)**	40.2	(747%)
Shareholders' equity	**3,058.7**	3,107.2	(2%)

The significant changes in working capital from 2013 to 2014 are described below:

- Cash, cash equivalents and short-term investments decreased by $175.6 million primarily due to the Corporation redeeming $675.0 million of debentures and incurring fees and interest of $40.7 million, the repayment of $300.0 million related to the Coal revolving credit facility, funding the Ambatovy Joint Venture $191.2 million in loans partly offset by receiving net proceeds of $239.0 million from the issuance of new senior subordinated notes due in 2022 and $804.3 million in net cash proceeds received from the sale of Coal.
- The current portion of loans and borrowings decreased by $363.6 million primarily due to the Corporation repaying $300.0 million related to the Coal revolving credit facility and repaying $65 million towards other credit facilities and lines of credit.

For additional information see the Liquidity and capital resources – Sources and uses of cash section.

In addition to the changes in working capital, above, the significant changes in assets, liabilities and shareholders' equity from 2013 to 2014 are discussed below:

- Non-current advances, loans receivable and other financial assets increased by $373.2 million primarily due to $191.2 million of loans provided to the Ambatovy Joint Venture to meet the Corporation's funding obligations and $191.8 million of accrued interest receivable related to the Ambatovy subordinated loan;
- Investment in an associate decreased by $104.0 million primarily as a result of recognizing losses of $205.4 million in the current year partly offset by foreign exchange adjustments;
- Property, plant and equipment increased by $29.3 million primarily as a result of normal course capital spending partly offset by depletion, depreciation and amortization. A discussion of spending on capital is included in the Review of operations sections for each division;
- Non-current provisions increased primarily as a result of an increase in the Corporation's environmental rehabilitation provision due to lower government bond yields; and,
- Retained earnings decreased by $300.1 million reflecting the impact of losses recognized in the year. In addition, the Corporation paid dividends of $21.9 million during the year.

Outlook

Production volumes and spending on capital	Final projection 2014 December 31	**Actual 2014 December 31**	Projected 2015 December 31
PRODUCTION VOLUMES			
Mixed sulphides (tonnes, Ni+Co contained, 100% basis)			
Moa Joint Venture	37,000	**36,410**	36,500–38,000
Ambatovy Joint Venture	39,000–44,000	**40,267**	50,500–56,000
Total	76,000–81,000	**76,677**	87,000–94,000
Nickel, finished (tonnes, 100% basis)			
Moa Joint Venture	33,500	**32,909**	33,000–34,000
Ambatovy Joint Venture	37,000–41,000	**37,053**	47,000–52,000
Total	70,500–74,500	**69,962**	80,000–86,000
Cobalt, finished (tonnes, 100% basis)			
Moa Joint Venture	3,350	**3,210**	3,500–4,000
Ambatovy Joint Venture	2,700–3,100	**2,915**	3,500–4,000
Total	6,050–6,450	**6,125**	7,000–8,000
Oil – Cuba (gross working-interest, bopd)	19,000	**19,456**	20,000
Oil and Gas – All operations (net working-interest, boepd)	11,200	**10,960**	12,000
Electricity (GWh, 33⅓% basis)	750	**847**	850
SPENDING ON CAPITAL ($ millions)			
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis)	55	**43**	80
Metals – Ambatovy Joint Venture (40% basis)	34	**38**	40
Oil and Gas	94	**65**	107
Power (33⅓% basis)	4	**4**	4
Spending on capital (excluding Corporate)	187	**150**	231

PRODUCTION VOLUMES

Production guidance for 2015 is expected to reflect an 18% increase, at the mid-point of the guidance range, in nickel production due to higher production estimated from Ambatovy as ramp-up progresses and stable production from Moa.

Gross working-interest production in the Oil and Gas business is estimated to reflect a slight improvement in 2015 as Sherritt plans to more than offset natural reservoir declines with an increase in drilling.

Production in the Power business is expected to be similar to 2014.

CAPITAL SPENDING

Sustaining capital of $100 million in the Metals business includes mobile equipment purchases in Moa and infrastructure investment in Fort Saskatchewan coinciding with a major planned maintenance cycle, and $20 million of growth capital towards the construction of a third acid plant in Moa that will be funded by a local Cuban financial institution.

Capital of $107 million in the Oil and Gas business primarily reflects increased drilling related to the start-up of a second drilling rig in the second half of 2014, as well as spending on equipment and facilities. Increased drilling activity will continue in 2015 in relation to the extended Yumurí/Puerto Escondido PSC.

Significant factors influencing operations

As a commodity-based, geographically diverse company, Sherritt's operating results are influenced by many factors, the most significant of which are: commodity prices and foreign exchange rates.

COMMODITY PRICES

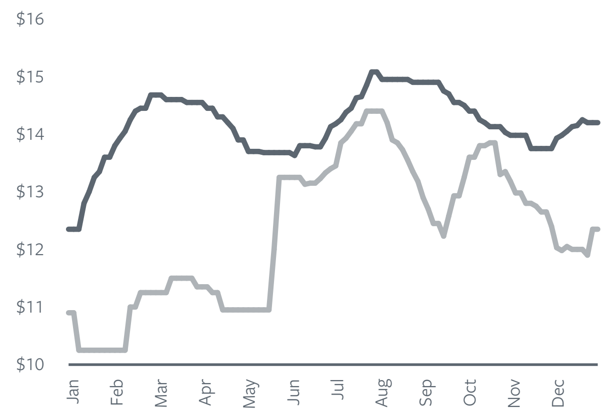
Operating results for the year ended December 31, 2014 were significantly impacted by market-driven commodity prices for nickel, cobalt, oil and gas. A significant portion of electricity prices are established at the beginning of a negotiated supply contract period and are, therefore, less susceptible to commodity price fluctuations during the term of the agreement.

Nickel Prices
(US$/lb)

■ 2014
■ 2013

Cobalt Prices
(US$/lb)

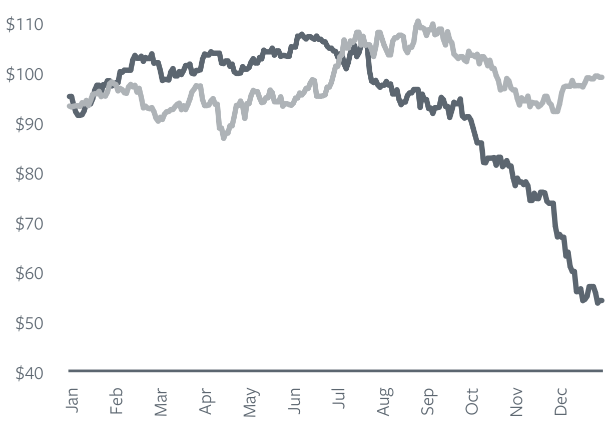
■ 2014
■ 2013



The average reference price for nickel increased in 2014 compared to the prior year as global nickel markets anticipated future shortages as a result of the Indonesian mineral export ban on raw ore exports. Nickel prices remained under pressure as London Metal Exchange inventories continued to climb, fueled by strong supply and destocking from China. The strengthening of the U.S. dollar in the fourth quarter also contributed to the decrease in nickel prices, which impacted all commodities. The average reference price for cobalt increased in 2014 compared to the same periods in the prior year reflecting continued strength in cobalt demand.

WTI Prices
(US$/bbl)

■ 2014
■ 2013



Fuel Oil #6 Prices
(US$/bbl)

■ 2014
■ 2013

The average reference price for oil decreased in 2014, particularly in the fourth quarter, compared to the prior year due to concerns over potential softening in global demand and an oversupply of oil in the market that has not yet shown any significant production reductions.

A sensitivity analysis of 2014 earnings to changes in significant commodity prices is provided in the Supplementary information – Sensitivity analysis section.

FOREIGN EXCHANGE RATE

As Sherritt reports its results in Canadian dollars, the fluctuation in foreign exchange rates has the potential to cause significant volatility in those results. Most commodity prices are quoted in U.S. dollars. In addition, many of Sherritt's trade accounts receivable, accounts payable and loans payable are denominated in U.S. dollars. A significant appreciation or depreciation in the exchange rate can have a significant impact on earnings and on the statement of financial position. During 2014, the Canadian dollar weakened relative to the U.S. dollar such that the average annual Canadian dollar cost to purchase one U.S. dollar increased to $1.10, compared to $1.03 in 2013.

For the year ended December 31, 2014, a strengthening or weakening of the Canadian dollar relative to the U.S. dollar of $0.05 would have increased or decreased 2014 annual net earnings by approximately $10 million, respectively. The majority of this decrease (increase) is related to the net impact of foreign exchange on commodity prices at the divisions. In addition, the Corporation's operating results are impacted by foreign exchange losses (gains) arising from the revaluation of U.S. dollar denominated advances and loans receivable offset by foreign exchange gains (losses) arising from the revaluation of U.S. dollar denominated loans payable.

Review of operations

METALS

Financial Review

$ millions, for the three months ended December 31				2014				2013	
	Moa JV and Fort Site	**Ambatovy JV**	**Other(1)**	**Total**	Moa JV and Fort Site	Ambatovy JV	Other(1)	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 127.3**	**$ 73.4**	**$ 15.8**	**$ 216.5**	$ 93.2	$ –	$ 8.4	$ 101.6	113%
Earnings (loss) from operations	**9.9**	**(51.6)**	**0.5**	**(41.2)**	(37.9)	0.2	0.4	(37.3)	(10%)
Adjusted EBITDA(2)	**21.2**	**(7.5)**	**(0.1)**	**13.6**	8.9	0.2	1.7	10.8	26%
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**4,589**	**4,312**	**–**	**8,901**	4,494	3,644	–	8,138	9%
Finished Nickel	**4,332**	**3,964**	**–**	**8,296**	4,428	2,690	–	7,118	17%
Finished Cobalt	**436**	**277**	**–**	**713**	435	206	–	641	11%
Fertilizer	**69,996**	**10,942**	**–**	**80,938**	68,088	5,005	–	73,093	11%
NICKEL RECOVERY (%)	**84%**	**87%**			85%	87%			
SALES VOLUMES (tonnes)									
Finished Nickel	**4,401**	**3,658**	**–**	**8,059**	4,316	–	–	4,316	87%
Finished Cobalt	**435**	**257**	**–**	**692**	411	–	–	411	68%
Fertilizer	**78,134**	**9,080**	**–**	**87,214**	40,525	–	–	40,525	115%
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				**$ 7.17**				$ 6.31	14%
Cobalt(3)				**14.07**				12.60	12%
AVERAGE-REALIZED PRICES(2)									
Nickel ($ per pound)				**$ 7.89**				$ 6.42	23%
Cobalt ($ per pound)				**15.34**				12.33	24%
Fertilizer ($ per tonne)	**$ 391**	**$ 187**	**$ –**	**$ 370**	$ 395	$ –	$ –	$ 395	(6%)
UNIT OPERATING COSTS(2) (US$ per pound)									
Nickel – net direct cash cost	**$ 4.44**	**$ 6.98**			$ 4.98	$ –			
SPENDING ON CAPITAL									
Sustaining	**$ 18.6**	**$ 12.4**	**$ –**	**$ 31.0**	$ 14.2	$ 6.1	$ –	$ 20.3	53%
Expansion	**2.8**	**–**	**–**	**2.8**	0.3	–	–	0.3	833%
	$ 21.4	**$ 12.4**	**$ –**	**$ 33.8**	$ 14.5	$ 6.1	$ –	$ 20.6	64%

(1) "Other" primarily consists of revenue and costs by a subsidiary of the Corporation established to buy, market and sell certain Ambatovy nickel production. The metals marketing company is reimbursed by Ambatovy for administration and selling costs.

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

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

$ millions, for the years ended December 31	**2014**				2013				
	Moa JV and Fort Site	**Ambatovy JV**[1]	**Other**[2]	**Total**	Moa JV and Fort Site	Ambatovy JV	Other[2]	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 457.4**	**$ 291.8**	**$ 64.6**	**$ 813.8**	$ 397.7	$ –	$ 33.0	$ 430.7	89%
Earnings (loss) from operations	**39.0**	**(158.4)**	**1.3**	**(118.1)**	(24.3)	(1.0)	1.0	(24.3)	(386%)
Adjusted EBITDA[3]	**78.1**	**(5.5)**	**0.7**	**73.3**	50.6	(1.0)	4.3	53.9	36%
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**18,205**	**16,107**	**–**	**34,312**	18,187	11,699	–	29,886	15%
Finished Nickel	**16,455**	**14,821**	**–**	**31,276**	16,771	10,059	–	26,830	17%
Finished Cobalt	**1,605**	**1,166**	**–**	**2,771**	1,660	833	–	2,493	11%
Fertilizer	**263,423**	**39,112**	**–**	**302,535**	259,167	26,164	–	285,331	6%
NICKEL RECOVERY (%)	**87%**	**86%**			85%	–			
SALES VOLUMES (tonnes)									
Finished Nickel	**16,604**	**13,559**	**–**	**30,163**	16,717	–	–	16,717	80%
Finished Cobalt	**1,623**	**1,071**	**–**	**2,694**	1,671	–	–	1,671	61%
Fertilizer	**214,271**	**36,841**	**–**	**251,112**	170,092	–	–	170,092	48%
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				**$ 7.65**				$ 6.81	12%
Cobalt[4]				**14.16**				12.77	11%
AVERAGE-REALIZED PRICES[3]									
Nickel ($ per pound)				**$ 8.29**				$ 6.86	21%
Cobalt ($ per pound)				**15.10**				12.50	21%
Fertilizer ($ per tonne)	**$ 392**	**$ 168**	**$ –**	**$ 359**	$ 460	$ –	$ –	$ 460	(22%)
UNIT OPERATING COSTS[3] (US$ per pound)									
Nickel – net direct cash cost	**$ 4.99**	**$ 7.04**			$ 4.86	$ –			
SPENDING ON CAPITAL									
Sustaining	**$ 36.6**	**$ 37.5**	**$ –**	**$ 74.1**	$ 35.3	$ 25.2	$ –	$ 60.5	22%
Expansion	**6.0**	**–**	**–**	**6.0**	0.8	–	–	0.8	650%
	$ 42.6	**$ 37.5**	**$ –**	**$ 80.1**	$ 36.1	$ 25.2	$ –	$ 61.3	31%

(1) Represents the post-commercial production period except for production volumes and nickel recovery.

(2) "Other" primarily consists of revenue and costs by a subsidiary of the Corporation established to buy, market and sell certain Ambatovy nickel production. The metals marketing company is reimbursed by Ambatovy for administration and selling costs.

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

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

Moa Joint Venture and Fort Site

Revenue is composed of the following:

$ millions	For the three months ended **2014 December 31**	2013 December 31	Change	For the years ended **2014 December 31**	2013 December 31	Change
Nickel	**$ 77.0**	$ 61.1	26%	**$ 301.4**	$ 252.6	19%
Cobalt	**14.9**	11.2	33%	**54.4**	46.1	18%
Fertilizers	**33.5**	18.5	81%	**95.6**	90.6	6%
Other	**1.9**	2.4	(21%)	**6.0**	8.4	(29%)
	$ 127.3	$ 93.2	37%	**$ 457.4**	$ 397.7	15%

The change in earnings from operations between 2014 and 2013 is detailed below:

$ millions	For the three months ended 2014 December 31	For the year ended 2014 December 31
Higher U.S. dollar denominated realized nickel prices	**$ 8.4**	**$ 30.1**
Higher U.S. dollar denominated realized cobalt prices	**1.8**	**6.1**
Higher (lower) fertilizer prices	**0.7**	**(13.2)**
Higher (lower) metals sales volumes	**0.7**	**(1.2)**
Higher fertilizer sales volumes	**3.8**	**5.0**
Higher mining, processing and refining, third-party feed and fertilizer unit costs	**(1.7)**	**(0.6)**
Weaker Canadian dollar relative to the U.S. dollar	**2.2**	**7.7**
2013 Impairment of property, plant and equipment	**36.7**	**36.7**
Other	**(4.8)**	**(7.3)**
Change in earnings from operations, compared to 2013	**$ 47.8**	**$ 63.3**

The average-realized prices of nickel and cobalt for the three and twelve months ended December 31, 2014 increased compared to the same periods in the prior year due to overall higher reference prices combined with a weaker Canadian dollar relative to the U.S. dollar.

Production of contained mixed sulphides for the three and twelve months ended December 31, 2014 was comparable with the same periods in the prior year.

Finished nickel production for the three months ended December 31, 2014 was marginally lower than the same period in the prior year primarily as refinery feed availability was restricted by the timing of mixed sulphide shipments from Moa and availability of third-party feed. Finished nickel production for the twelve months ended December 31, 2014 was lower than the same period in the prior year primarily due to lower mixed sulphide availability in the first quarter of 2014 when poor ore characteristics and a failure of one of the HPAL trains restricted production. Overall finished nickel recovery from ore feed to the PAL process for the three and twelve months ended December 31, 2014 was approximately 84% and 87%, respectively, compared to 85% in the same periods in the prior year.

Finished cobalt production for the three and twelve months ended December 31, 2014 was relatively unchanged from the prior-year periods.

Finished nickel sales volumes were higher in the fourth quarter of 2014 compared to the prior-year period, reflecting timing of shipments. Finished nickel sales were lower for the twelve months ended December 31, 2014 compared to the prior year as sales were in line with production. Finished cobalt sales volumes for the three and twelve months ended were in line with the same periods in the prior year reflecting consistent production levels. Fertilizer sales volumes were higher for the three and twelve months of 2014 compared to the same periods in the prior year reflecting strong seasonal sales demand and increased fourth quarter sales ahead of the spring 2015 season.

Cost of sales[1] is composed of the following:

	For the three months ended			For the years ended		
$ millions	**2014 December 31**	2013 December 31	Change	**2014 December 31**	2013 December 31	Change
Mining, processing and refining	**$ 67.5**	$ 62.3	8%	**$ 256.2**	$ 252.1	2%
Third-party feed costs	**3.4**	1.5	127%	**14.6**	6.5	125%
Fertilizers	**24.5**	13.4	83%	**69.8**	56.4	24%
Selling costs	**4.4**	4.2	5%	**16.9**	16.0	6%
Impairment of property, plant and equipment	**–**	36.7	(100%)	**–**	36.7	(100%)
Other	**2.1**	0.4	425%	**11.5**	7.8	47%
	$ 101.9	$ 118.5	(14%)	**$ 369.0**	$ 375.5	(2%)

(1) Excludes depletion, depreciation and amortization

Net direct cash cost[(1)] is composed of the following:

	For the three months ended			For the years ended		
	2014 December 31	2013 December 31	Change	**2014 December 31**	2013 December 31	Change
Mining, processing and refining costs	**$ 6.00**	$ 6.19	(3%)	**$ 6.24**	$ 6.57	(5%)
Third-party feed costs	**0.31**	0.15	107%	**0.36**	0.17	112%
Cobalt by-product credits	**(1.35)**	(1.12)	(21%)	**(1.34)**	(1.21)	(11%)
Other[(2)]	**(0.52)**	(0.24)	(117%)	**(0.27)**	(0.67)	60%
Net direct cash cost (US$ per pound of nickel)	**$ 4.44**	$ 4.98	(11%)	**$ 4.99**	$ 4.86	3%

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

(2) Includes the Moa Joint Venture and Fort Site refinery fertilizer by-product profit or loss and marketing costs, discounts, and other by-product credits. Fort Site refinery by-product fertilizer profit was US$0.63 and US$0.51 for the three and twelve months ended December 31, 2014, respectively (2013 – US$0.44 and US$0.66, respectively). The Corporation commenced including Fort Site refinery by-product fertilizer profit or loss in net direct cash cost effective January 1, 2014. The comparative periods have been adjusted accordingly.

Net direct cash cost of nickel in the fourth quarter of 2014 decreased compared to the same period in the prior year due to higher fertilizer sales volumes, higher cobalt by-product credits, and lower mining, processing, and refining costs partly offset by higher third-party feed costs. Lower mining, processing and refining costs primarily reflect lower fuel oil prices. Net direct cash cost of nickel increased for the year ended December 31, 2014 compared to the prior year reflecting lower fertilizer profitability and higher third-party feed costs partly offset by lower mining and processing costs and higher cobalt by-product credits. Lower fertilizer profitability largely reflected lower fertilizer prices in Western Canada and higher natural gas prices, partly offset by higher fertilizer sales volumes. Lower mining and processing costs reflect lower fuel oil, sulphur, and sulphuric acid prices.

Capital spending for the Moa Joint Venture was higher in 2014 than in the prior year primarily due to higher expansion capital. Expansion capital for three and twelve months ended December 31, 2014 included the mobilization of resources for the construction of the 2,000 tonnes per day acid plant at Moa. During the fourth quarter, mobilization activities continued with construction scheduled to commence in the first quarter of 2015.

Ambatovy

In January 2014 Ambatovy met the requirements for commercial production, defined as 70% of ore throughput of nameplate capacity in the Pressure Acid Leach (PAL) circuit on average over a thirty-day period. The Corporation remains focused on the ramp-up of production at Ambatovy and is currently working towards the key milestone of reaching a production rate equivalent to 54,000 tonnes of nickel on an annualized basis (approximately 90% of nameplate capacity) to meet financial completion requirements. The production rate is measured over 90 days in a 100 day continuous period and the target to achieve this milestone is within the first half of 2015.

Revenue is composed of the following:

$ millions	**For the three months ended 2014 December 31**	**For the year ended 2014 December 31**[(1)]
Nickel	**$ 63.2**	**$ 249.9**
Cobalt	**8.4**	**35.2**
Fertilizers	**1.7**	**6.2**
Other	**0.1**	**0.5**
	$ 73.4	**$ 291.8**

(1) Excludes revenue for January of approximately $17 million, which was capitalized for accounting purposes.

Production of nickel and cobalt was higher for the three and twelve months ended December 31, 2014 compared to the prior-year periods due to continued ramp-up of operations. Ore throughput capability improved in the second half of the year, as improved process control and operation in the countercurrent decantation and raw liquor neutralization circuits eliminated plant bottlenecks and enabled higher volumetric flows while maintaining plant stability and process solution quality. Production in the fourth quarter was impacted by a major planned maintenance program with maintenance undertaken in several areas, including two PAL autoclaves, one acid plant, and numerous vessels in the refinery. The maintenance was scheduled in the fourth quarter in order to position the facility to achieve financial completion within the first half of 2015.

Sales of nickel and cobalt for the three and twelve months of 2014 were in line with production.

The average ore throughput in the PAL circuit for the three and twelve months ended December 31, 2014 was 74% and 66% of nameplate capacity, respectively. Autoclave operating hours during the fourth quarter of 2014 were 7,470 hours, compared to 6,988 in the third quarter, reflecting the improved performance of downstream circuits and increased mechanical reliability of the autoclaves, partly offset by planned autoclave maintenance in November. Nickel recovery during the fourth quarter was 87% compared to 88% during the third quarter of 2014.

Cost of sales[(1)] is composed of the following:

$ millions	For the three months ended 2014 December 31	For the year ended 2014 December 31[(2)]
Mining, processing and refining	$ 70.1	$ 257.4
Selling costs	2.6	10.6
Other	–	3.8
	$ 72.7	$ 271.8

(1) Excludes depletion, depreciation and amortization.

(2) Excludes cost of sales for January of approximately $27 million, which were capitalized for accounting purposes.

Net direct cash cost[(1)] is composed of the following:

	For the three months ended 2014 December 31	For the year ended 2014 December 31[(2)]
Mining, processing and refining costs	$ 7.52	$ 7.82
Cobalt by-product credits	(0.97)	(1.09)
Other[(3)]	0.43	0.31
Net direct cash cost (US$ per pound of nickel)	$ 6.98	$ 7.04

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

(2) Represents the post-commercial production period.

(3) Includes selling costs, discounts, and other by-product credits.

Net direct cash cost of nickel for the three and twelve months of 2014 was consistent with expectation for the facility when operating at its current ore throughput levels. Mining, processing and refining costs per pound in the quarter were higher than the third quarter of 2014 due largely to planned maintenance activities at the plant site and refinery.

Capital spending for Ambatovy is focused on sustaining activities and construction of Phase II of the Tailings Management Facility. Construction of the second ore thickener project was completed, and commissioning activities commenced in December 2014.

For the three and twelve months ended December 31, 2014, total funding of US$160.0 million (100% basis) and US$429.0 million (100% basis), respectively, was provided by the Joint Venture partners. Sherritt's 40% share of funding for the three and twelve months ended December 31, 2014 was US$64.0 million ($73.2 million) and US$171.6 million ($191.2 million), respectively, sourced from cash on hand.

OIL AND GAS

Financial review

$ millions, except as otherwise noted	For the three months ended 2014 December 31	2013 December 31	Change	For the years ended 2014 December 31	2013 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 49.6**	$ 74.9	(34%)	**$ 269.3**	$ 291.4	(8%)
(Loss) earnings from operations	**(4.9)**	43.2	(111%)	**110.7**	163.3	(32%)
Adjusted EBITDA[1]	**26.3**	57.7	(54%)	**191.7**	229.2	(16%)
PRODUCTION AND SALES[2]						
Gross working-interest – Cuba	**18,701**	19,741	(5%)	**19,456**	20,042	(3%)
Total net working-interest	**10,369**	11,555	(10%)	**10,960**	11,331	(3%)
AVERAGE REFERENCE PRICES (US$ per barrel)						
Gulf Coast Fuel Oil No. 6	**$ 61.98**	$ 91.22	(32%)	**$ 82.55**	$ 92.99	(11%)
Brent	**76.80**	109.78	(30%)	**99.35**	109.52	(9%)
AVERAGE-REALIZED PRICES[1]						
Cuba ($ per barrel)	**$ 49.93**	$ 69.64	(28%)	**$ 66.21**	$ 69.66	(5%)
Spain ($ per barrel)	**84.61**	114.16	(26%)	**109.08**	111.33	(2%)
Pakistan ($ per boe)[2]	**9.38**	8.65	8%	**9.05**	8.39	8%
Weighted-average	**49.58**	69.06	(28%)	**65.69**	68.98	(5%)
UNIT OPERATING COSTS[1][2] ($ per gross working-interest boe)						
Cuba	**$ 9.94**	$ 7.51	32%	**$ 8.56**	$ 6.81	26%
Spain	**185.59**	30.80	503%	**72.80**	26.21	178%
Pakistan	**6.36**	6.80	(6%)	**6.45**	5.85	10%
Weighted-average	**12.25**	7.86	56%	**9.45**	7.09	33%
SPENDING ON CAPITAL						
Development, facilities and other	**$ 20.2**	$ 16.8	20%	**$ 64.8**	$ 49.6	31%
Exploration	**–**	0.2	(100%)	**0.6**	5.2	(88%)
	$ 20.2	$ 17.0	19%	**$ 65.4**	$ 54.8	19%

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

(2) Oil production is stated in barrels of oil per day (bopd). Natural gas production is stated in barrels of oil equivalent (boe), which is converted at 6,000 cubic feet per barrel. Collectively, oil and natural gas production are stated in barrels of oil equivalent per day (boepd).

Extension and Award of New Production-Sharing Contracts

On May 29, 2014, the Corporation executed an agreement with the Government of Cuba to amend the production-sharing contract (PSC) covering the Puerto Escondido/Yumurí oil fields for a ten year extension of the term to March 2028. The extension of the PSC applies to new wells drilled in the development area. The PSC will terminate with respect to existing wells as of its original expiry date of March 2018. Under the terms of the amendment Sherritt is required to drill a minimum of seven new wells in the development area, three of which were drilled and completed in 2014. The remaining commitment wells will be drilled in 2015.

In addition, on December 18, 2014, the Corporation signed two new PSCs with the Government of Cuba covering Block 8A in Central Cuba and Block 10 covering the Bay of Cárdenas on the north coast of Cuba. The new blocks encompass areas of 967 and 261 square kilometres, respectively. The PSCs have 25-year terms. The initial exploration commitments for the two new PSCs include primarily the review and re-processing of existing seismic data and the acquisition and processing of new seismic data. In each case, upon completion of the initial phase of the exploration commitments, the Corporation may elect to proceed to the exploratory drilling phase or to relinquish the PSC in question. The Corporation is awaiting final approval of the PSCs for two additional exploration blocks.

Oil and Gas revenue is composed of the following:

$ millions	For the three months ended 2014 December 31	2013 December 31	Change	For the years ended 2014 December 31	2013 December 31	Change
Cuba	**$ 45.0**	$ 70.1	(36%)	**$ 250.6**	$ 272.0	(8%)
Spain	**2.0**	3.1	(35%)	**11.2**	12.3	(9%)
Pakistan	**0.2**	0.2	–	**1.0**	1.0	–
Processing	**2.4**	1.5	60%	**6.5**	6.1	7%
	$ 49.6	$ 74.9	(34%)	**$ 269.3**	$ 291.4	(8%)

The change in earnings from operations between 2014 and 2013 is detailed below:

$ millions	**For the three months ended 2014 December 31**	**For the year ended 2014 December 31**
Lower realized oil and gas prices, denominated in U.S. dollars	**$ (21.9)**	**$ (29.0)**
Lower gross working-interest volumes	**(3.3)**	**(7.6)**
Lower cost recovery revenue	**(3.0)**	**(1.8)**
Higher operating costs	**(6.4)**	**(14.0)**
Higher impairment losses	**(13.6)**	**(14.4)**
Lower (higher) administrative costs	**0.5**	**(0.1)**
(Higher) lower depletion, depreciation and amortization	**(1.7)**	**3.9**
Weaker Canadian dollar relative to the U.S. dollar	**0.2**	**9.4**
Other	**1.1**	**1.0**
Change in earnings from operations, compared to 2013	**$ (48.1)**	**$ (52.6)**

The average-realized price for oil produced in Cuba and Spain decreased in the three and twelve months ended December 31, 2014 compared to the same periods in the prior year primarily due to lower reference prices particularly in the fourth quarter of 2014, partly offset by a weaker Canadian dollar relative to the U.S. dollar.

In 2014, the Corporation moved forward with its strategy to focus its oil exploration activities on further developing its Cuban operations. This focus includes a decision to discontinue exploration activities in the United Kingdom's North Sea and in Spain's Alboran Sea. As a result, the Corporation recorded impairments of $12.3 million in the fourth quarter of 2014 relating to exiting these operations.

Production and sales volumes were as follows:

Daily production volumes[1]	For the three months ended 2014 December 31	2013 December 31	Change	For the years ended 2014 December 31	2013 December 31	Change
GROSS WORKING-INTEREST OIL PRODUCTION IN CUBA	**18,701**	19,741	(5%)	**19,456**	20,042	(3%)
NET WORKING-INTEREST OIL PRODUCTION						
Cuba (heavy oil)						
Cost recovery	**4,311**	3,690	17%	**3,395**	3,043	12%
Profit oil	**5,493**	7,241	(24%)	**6,975**	7,654	(9%)
Total	**9,804**	10,931	(10%)	**10,370**	10,697	(3%)
Spain (light oil)	**257**	297	(13%)	**280**	303	(8%)
Pakistan (natural gas)	**308**	327	(6%)	**310**	331	(6%)
	10,369	11,555	(10%)	**10,960**	11,331	(3%)

(1) Refer to Oil and Gas production and sales volume on page 65 for further detail.

Gross working interest (GWI) oil production in Cuba decreased in the three and twelve months ended December 31, 2014 compared to the same periods in the prior year primarily due to a mechanical failure at a well in the Yumurí area which occurred in the second quarter of 2014. The loss of production from this well accounted for a decrease of 559 bopd in the fourth quarter and of 416 bopd in the year ended December 31, 2014 compared to the same periods in the prior year. The well was subsequently shut-in during the fourth quarter after workover attempts did not result in a return to production. The remaining decrease in production in the three and twelve months ended December 31, 2014 compared to the same periods in the prior year was due to natural reservoir declines.

Cost-recovery oil production in Cuba for the three and twelve months ended December 31, 2014 increased compared to the same periods in the prior year primarily due to higher recoverable spending and lower oil prices. For the twelve months ended December 31, 2014, higher cost-recovery oil was partly offset by higher oil prices realized earlier in the year. Profit oil production, which represents Sherritt's share of production after cost recovery volumes are deducted from GWI volumes, decreased as a result of higher cost recoveries recognized.

Unit operating cost in Cuba increased in the three and twelve months ended December 31, 2014 compared to the same periods in the prior year primarily as a result of $2.0 million and $7.0 million in major workover costs, respectively, incurred in an attempt to re-establish production from the Yumurí well as previously noted, as well as lower production volumes. These major workover costs accounted for an increase of $1.16 per barrel and $0.98 per barrel for the three and twelve months ended December 31, 2014.

Unit operating cost in Spain increased in the three and twelve months ended December 31, 2014 compared to the same periods in the prior year primarily as a result of $3.4 million in major workover costs incurred in the fourth quarter of 2014 and production platform maintenance. In addition, unit operating cost for the twelve months ended was higher due to a weaker Canadian dollar relative to the Euro. Workover costs accounted for an increase of $144.49 per barrel and $33.39 per barrel for the three and twelve months ended December 31, 2014. Unit operating costs were also impacted in the twelve months ended December 31, 2014 by the effect of an adjustment in the first quarter of 2013 related to 2012 costs. Lower production also contributed to the increase in unit operating cost in each of the current year periods.

Overall, spending on capital was composed primarily of development drilling activities, equipment purchases, and facility improvements. The increase in spending in the fourth quarter of 2014 and for the year ended December 31, 2014 was primarily related to equipment purchases and development drilling attributable to the start-up of the second rig in the second half of 2014. The majority of the equipment purchases were related to the start-up of the second drilling rig and a related drilling camp, and the purchase of a service rig.

In relation to capital spending, in the fourth quarter of 2014, three oil development wells were drilled and completed in Cuba, which are all producing oil. For the twelve months ended December 31, 2014, six oil development wells were drilled and completed in Cuba, all of which are currently producing oil. Two additional development wells were started in the fourth quarter of 2014 and are expected to be completed in the first quarter of 2015.

POWER

Financial review

$ millions (33⅓% basis), except as otherwise noted	For the three months ended 2014 December 31	2013 December 31	Change	For the years ended 2014 December 31	2013 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 11.7**	$ 10.6	10%	**$ 49.0**	$ 54.8	(11%)
(Loss) earnings from operations	**(0.1)**	(27.7)	100%	**4.3**	(40.9)	111%
Adjusted EBITDA[1]	**5.4**	(3.3)	264%	**24.8**	(1.6)	1,650%
PRODUCTION AND SALES						
Electricity (GWh[2])	**214**	146	47%	**847**	589	44%
AVERAGE-REALIZED PRICES[1]						
Electricity (per MWh[2])	**$ 48.38**	$ 43.08	12%	**$ 46.81**	$ 42.63	10%
UNIT OPERATING COSTS[1] (per MWh)						
Base[3]	**$ 19.21**	$ 20.67	(7%)	**$ 15.18**	$ 18.96	(20%)
Non-base[4]	**3.61**	4.75	(24%)	**2.07**	6.12	(66%)
	22.82	25.42	(10%)	**17.25**	25.08	(31%)
SPENDING ON CAPITAL AND SERVICE CONCESSION ARRANGEMENTS						
Sustaining	**$ 2.3**	$ 1.4	64%	**$ 3.7**	$ 2.3	61%
Growth	**–**	1.6	(100%)	**0.7**	7.1	(90%)
Capital	**$ 2.3**	$ 3.0	(23%)	**$ 4.4**	$ 9.4	(53%)
Service concession arrangements	**–**	2.0	(100%)	**2.1**	19.8	(89%)
	$ 2.3	$ 5.0	(54%)	**$ 6.5**	$ 29.2	(78%)

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

(2) Gigawatt hours (GWh), Megawatt hours (MWh).

(3) Excludes the impact of impairment of receivables and property, plant and equipment in 2013.

(4) Costs incurred at the Boca de Jaruco and Puerto Escondido facilities that otherwise would have been capitalized if these facilities were not accounted for as service concession arrangements.

Power revenue is composed of the following:

$ millions (33⅓% basis)	For the three months ended 2014 December 31	2013 December 31	Change	For the years ended 2014 December 31	2013 December 31	Change
Electricity sales	**$ 10.3**	$ 6.3	63%	**$ 39.6**	$ 25.1	58%
By-products and other	**1.4**	2.3	(39%)	**7.3**	9.9	(26%)
Construction activity[1]	**–**	2.0	(100%)	**2.1**	19.8	(89%)
	$ 11.7	$ 10.6	10%	**$ 49.0**	$ 54.8	(11%)

(1) Value of construction, enhancement or upgrading activity of the Boca de Jaruco and Puerto Escondido facilities. The contractual arrangements related to the activities of these facilities are treated as service concession arrangements for accounting purposes. Construction activity revenue is offset equally by construction activity expenses recorded in cost of goods sold.

The change in earnings from operations between 2014 and 2013 is detailed below:

$ millions (33⅓% basis)	For the three months ended 2014 December 31	For the year ended 2014 December 31
Higher electricity volumes	$ 3.5	$ 12.7
Lower realized by-product prices	(0.4)	(0.2)
2013 provision on receivables and impairment on Madagascar assets	–	17.2
2013 Impairment of Boca de Jaruco and Puerto Escondido assets	22.1	22.1
Lower administrative expenses	6.7	4.4
Higher depletion, depreciation and amortization	(3.2)	(10.6)
Weaker Canadian dollar relative to the U.S. dollar	0.9	2.4
Other	(2.0)	(2.8)
Change in earnings from operations, compared to 2013	$ 27.6	$ 45.2

Production increased for the three and twelve months ended December 31, 2014 compared to the prior-year periods primarily due to the start-up of the Boca de Jaruco Combined Cycle Project on February 2, 2014 and a decrease in scheduled maintenance. Construction costs associated with this project are included in revenues as construction revenue and entirely offset in cost of goods sold as construction expenses. Revenue, excluding construction revenue, is $3.1 million higher for the quarter and $11.9 million higher for the year largely as a result of increased electricity volumes due to the start-up of the Boca de Jaruco Combined Cycle and an increase in gas supply.

The average-realized price of electricity was higher for the three and twelve months ended December 31, 2014 compared to the prior-year periods primarily due to a weaker Canadian dollar relative to the U.S. dollar.

Administrative expenses were lower for the three and twelve months ended December 31, 2014 compared to the same periods in the prior-year periods primarily due to higher expenses recognized during the construction of the Boca de Jaruco Combined Cycle Project in the prior-year periods. Depletion, depreciation and amortization was higher in the three and twelve months ended December 31, 2014 compared to the same periods in the prior year due to the Boca de Jaruco Combined Cycle Project becoming operational.

Unit operating cost decreased for the three and twelve months ended December 31, 2014 compared to the same periods in the prior year mainly due to the effect of higher production relative to fixed costs which reduced base unit operating costs. For the twelve months ended December 31, 2014, unit operating costs also decreased due to lower scheduled turbine maintenance costs. Non-base unit operating costs were higher in the fourth quarter of 2014 compared to the prior year primarily due to higher maintenance activities at Boca de Jaruco. Non-base unit operating costs were lower for the year ended December 31, 2014 compared to the prior year primarily due to the absence of scheduled maintenance activities at Boca de Jaruco, which accounted for $3.29 per MWh in the prior year.

Sustaining capital expenditures were primarily related to routine maintenance and the purchases of equipment.

Service concession arrangement expenditures are primarily related to the 150 MW Boca de Jaruco Combined Cycle Project, which was fully operational on February 2, 2014.

Liquidity and capital resources

Total available liquidity at December 31, 2014 was $529.2 million which includes cash and cash equivalents and short term investments of $476.2 million and available credit facilities of $53.0 million.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table provides a summary of consolidated significant liquidity and capital commitments based on existing commitments and debt obligations (including accrued interest):

Canadian $ millions, as at December 31, 2014	Total	Falling due within 1 year	Falling due between 1–2 years	Falling due between 2–3 years	Falling due between 3–4 years	Falling due between 4–5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ 131.6	$ 131.6	$ –	$ –	$ –	$ –	$ –
Income taxes payable	22.0	22.0	–	–	–	–	–
Loans and borrowings[(1)]	3,290.2	59.7	105.9	152.7	413.5	154.7	2,403.7
Provisions	179.5	19.2	5.1	3.0	0.8	–	151.4
Operating leases	25.4	2.5	2.9	2.9	3.0	3.0	11.1
Capital commitments	29.9	23.7	6.2	–	–	–	–
Total	$ 3,678.6	$ 258.7	$ 120.1	$ 158.6	$ 417.3	$ 157.7	$ 2,566.2

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

OTHER COMMITMENTS

The following commitments are not reflected in the table above:

Moa Joint Venture

As a result of the Corporation's 50% interest in the Moa Joint Venture, its proportionate share of significant commitments of the Joint Venture includes the following:

- Environmental rehabilitation commitments of $64.1 million, with no significant repayments due in the next four years;
- Advances and loans payable of $159.7 million; and
- Other commitments of $1.5 million.

Ambatovy Joint Venture

As a result of the Corporation's 40% interest in the Ambatovy Joint Venture, its proportionate share of significant commitments of the Joint Venture includes the following:

- Environmental rehabilitation commitments of $201.6 million, with no significant repayments due in the next four years;
- Other contractual commitments of $33.8 million; and
- Ambatovy Joint Venture senior debt financing of US$715.8 million ($830.4 million). On an undiscounted basis, principal and interest repayments are $955.2 million.

INVESTMENT LIQUIDITY

At December 31, 2014 cash and cash equivalents and investments were located in the following countries:

$ millions, as at December 31, 2014	Cash	Cash equivalents and short-term investments	Total
Canada	$ 15.7	$ 428.4	$ 444.1
Cuba	11.7	–	11.7
Other	20.4	–	20.4
	$ 47.8	$ 428.4	$ 476.2

Cash and short-term investments

The Corporation's cash balances are deposited with major financial institutions rated A or higher by Standard & Poor's, except for institutions located in Spain (BBB) and Madagascar (BB or higher) and with banks in Cuba that are not rated.

At December 31, 2014 cash equivalents included $112.8 million in Government of Canada treasury bills having original maturity dates of less than three months and short-term investments included $315.6 million in Government of Canada treasury bills having original maturity dates of greater than three months and less than one year.

The table above does not include cash and cash equivalents of $48.3 million (100% basis) held by the Moa Joint Venture, nor $47.7 million (100% basis) held by the Ambatovy Joint Venture. The Corporation's share is included as part of the investment in a joint venture and associate balances in the consolidated statement of financial position. The cash and short-term investments amounts are deposited with or issued by financial institutions whose parent company is rated A- or higher by Standard & Poor's.

Loans and Borrowings

Loans and borrowings is composed primarily of $750 million in unsecured debentures and notes having interest rates between 7.50% and 8.00% and maturities in 2018, 2020 and 2022 and $1.1 billion in two loans provided by the Ambatovy Joint Venture partners to finance Sherritt's portion of funding requirements of the Joint Venture bearing interest of six-month LIBOR plus a margin of 7.0% and 1.125%, respectively. The following is a summary of significant changes in the Corporation's credit facilities during 2014.

Refinancing of Debentures

On October 10, 2014 the Corporation completed the purchase of $150.0 million of 8.00% senior unsecured debentures due November 15, 2018 and $250.0 million of 7.50% senior unsecured debentures due September 24, 2020. Net of deferred financing costs, the Corporation's outstanding 2018 Debentures decreased by $147.8 million and the outstanding 2020 Debentures decreased by $245.8 million. The tender of the 2018 Debentures and 2020 Debentures and the receipt of consents required the Corporation to pay tender, consent and dealer fees of $19.0 million plus accrued interest to the date of repurchase of $5.6 million in October 2014.

Additionally, on October 10, 2014, the Corporation completed an issuance of $250.0 million of 7.875% senior unsecured notes due in 2022. The net proceeds of approximately $239.0 million (after the deduction of expenses and discounts) were used with cash on hand to fund the repurchase and redemption of the Corporation's outstanding 7.75% senior unsecured debentures due October 15, 2015. In connection with the repurchase and redemption of the 2015 Debentures, the Corporation was required to pay an early redemption premium on the principal amount of $14.6 million plus accrued interest of $1.5 million.

During the third quarter the Corporation received consent to amend the Corporation's indentures. Under the new indenture agreement the Corporation is subject to certain covenants, including financial covenants which, if exceeded, limit or prohibit the incurrence of indebtedness and the ability to make certain distributions. The financial covenants are as follows: earnings before interest, taxes, depreciation and amortization (EBITDA)-to-interest expense ratio of no less than 2:1 and total indebtedness-to-EBITDA ratio not to exceed 3:1. The amendments were adopted for all outstanding debentures of the Corporation on October 10, 2014.

Coal revolving credit facility

The Coal revolving credit facility was fully repaid and terminated on April 28, 2014, the closing date of the sale of the Coal operations.

Syndicated 364-day revolving-term credit facility

In November 2014, the Corporation amended the terms of the syndicated 364-day revolving-term credit facility to extend the maturity date to November 30, 2015. The facility is subject to the following financial covenants: net financial debt-to-EBITDA covenant of 3.75:1, financial debt-to-equity covenant of 0.55:1 and EBITDA-to-interest expense covenant of not less than 3:1. The maximum credit available under the facility is $90.0 million and the total available draw is based on eligible receivables and inventory. The interest rate on the syndicated 364-day revolving-term credit facility is prime plus 2.25% per annum or bankers' acceptances plus 3.25%.

Line of credit

In November 2014, the Corporation extended the maturity date of the $20.0 million line of credit to November 30, 2015. This facility is subject to the same financial covenants as the syndicated 364-day revolving-term credit facility.

CAPITAL STRUCTURE

$ millions, except as otherwise noted	**2014 December 31**	2013 December 31	Change
Current portion of loans and borrowings[1]	**$ 1.6**	$ 365.2	(100%)
Non-current loans and borrowings[1]	**1,858.3**	2,124.6	(13%)
Other financial and non-financial liabilities[2]	**7.4**	7.2	3%
Total debt[2]	**$ 1,867.3**	$ 2,497.0	(25%)
Shareholders' equity	**3,058.7**	3,107.2	(2%)
Total debt-to-capital[3]	**38%**	45%	(15%)
Common shares outstanding	**293,271,191**	296,939,426	(1%)
Stock options outstanding	**5,518,752**	4,868,249	13%
Dividend payout ratio[4]	**(4%)**	(8%)	47%

(1) Loans and borrowings for the year ended December 31, 2013 include amounts at Coal as these did not form part of the liabilities to be sold as part of the Coal sale transaction.

(2) Excludes deferred revenue.

(3) Calculated as total debt divided by the sum of total debt and shareholders' equity.

(4) Calculated as annual dividends paid per common share divided by basic earnings per common share.

AVAILABLE CREDIT FACILITIES

At December 31, 2014, the Corporation and its divisions had borrowed $1.9 billion under available credit facilities and through the issuance of debentures.

The following table outlines the maximum amounts available to the Corporation for credit facilities that had amounts undrawn at December 31, 2014 and December 31, 2013. A detailed description of these facilities is provided in the Loans, borrowings and other liabilities note in the Corporation's audited consolidated financial statements for the year ended December 31, 2014.

$ millions, as at			**2014 December 31**			2013 December 31
	Maximum	**Undrawn**	**Available[1]**	Maximum	Undrawn	Available[1]
SHORT-TERM						
Syndicated 364-day revolving-term credit facility[2]	**$ 90**	**$ 33**	**$ 33**	$ 90	$ 9	$ –
Line of credit[3]	**20**	**20**	**20**	20	–	–
LONG-TERM						
Ambatovy Joint Venture partner loans (US$)[4]	**–**	**–**	**–**	213	127	–
Coal revolving credit facility[5]	**–**	**–**	**–**	525	66	–
Total Canadian equivalent	**$ 110**	**$ 53**	**$ 53**	$ 848	$ 211	$ –

(1) The Corporation's credit facilities are available to the extent amounts are undrawn and financial covenants or restrictions have not been exceeded.

(2) Established for general corporate purposes. Total available draw is based on eligible receivables and inventory. At December 31, 2014, the Corporation had $56.6 million of letters of credit outstanding on this facility. The change in the undrawn amount at December 31, 2014 from December 31, 2013 is due to repayment of $45.0 million in principal amounts outstanding in the second quarter of 2014 and foreign exchange translation on outstanding letters of credit.

(3) The change in the undrawn amount at December 31, 2014 from December 31, 2013 is due to repayment of $20.0 million in principal amounts outstanding in the second quarter of 2014.

(4) Established to fund Sherritt's contributions to the Ambatovy Joint Venture. The Corporation's ability to draw on the facility expired on August 22, 2014.

(5) As a result of completing the sale of the Coal's operations, the Coal revolving credit facility was fully repaid and terminated on April 28, 2014.

Coal sale transaction

On April 28, 2014, the Corporation completed the sale of its Coal operations, receiving net proceeds from the sale, net of cash disposed, of $804.3 million. Coal's revolving credit facility was repaid and terminated, immediately prior to closing, and outstanding letters of credit were replaced by the purchaser following the transaction close.

Covenants

Certain of the Corporation's credit facilities, loans and debentures have financial tests and other covenants with which the Corporation and its affiliates must comply. Non-compliance with such covenants could result in accelerated repayment of the related debt or credit facilities and classification of the amounts to current. The Corporation monitors its covenants on an ongoing basis and reports on its compliance with the covenants to its lenders on a quarterly basis.

During the third quarter of 2014 the Corporation received consent to amend the Corporation's indentures. Under the new indenture agreement the Corporation is subject to certain covenants, including financial covenants which if exceeded limit or prohibit the incurrence of indebtedness and the ability to make certain distributions. The financial covenants are as follows: EBITDA-to-interest expense ratio of no less than 2:1 and total indebtedness-to-EBITDA ratio not to exceed 3:1. The amendments were adopted for all outstanding debentures of the Corporation on October 10, 2014.

At December 31, 2014, there are no events of default on the Corporation's borrowings or debentures.

SOURCES AND USES OF CASH

The Corporation's cash flows from operating, investing and financing activities are summarized in the following table as derived from Sherritt's consolidated statements of cash flow[(1)].

$ millions	For the three months ended **2014 December 31**	2013 December 31	Change	For the years ended **2014 December 31**	2013 December 31	Change
CASH PROVIDED BY OPERATING ACTIVITIES						
Cash provided by continuing operating activities before change in non-cash working capital	**$ (24)**	$ (45)	47%	**$ 75**	$ 47	60%
Change in non-cash working capital	**63**	72	(13%)	**34**	53	(36%)
Cash provided by continuing operations	**39**	27	46%	**109**	100	9%
Cash provided by discontinued operations	**–**	4	(100%)	**19**	105	(82%)
	$ 39	$ 31	26%	**$ 128**	$ 205	(38%)
CASH (USED) PROVIDED BY INVESTING AND FINANCING ACTIVITIES						
Property, plant, equipment and intangible expenditures	**(25)**	(21)	(19%)	**(82)**	(80)	(3%)
(Repayment) increase of loans, borrowings and other financial liabilities	**–**	360	(100%)	**(365)**	322	(213%)
Repayment of debentures	**(675)**	–	–	**(675)**	–	–
Issuance of notes, net of finance costs	**239**	–	–	**239**	–	–
Loans to an associate	**(73)**	–	–	**(191)**	(65)	(194%)
Investment in an associate	**–**	(78)	100%	**–**	(155)	100%
Receipt from investments	**–**	7	(100%)	**6**	28	(79%)
Dividends paid on common shares	**(3)**	(13)	77%	**(22)**	(50)	56%
Cash used by discontinued operations	**–**	(13)	100%	**(23)**	(53)	57%
Net proceeds from sale of Coal (net of cash disposed)	**–**	–	–	**804**	–	–
Other	**(6)**	8	(175%)	**5**	(3)	267%
	$ (543)	$ 250	(317%)	**$ (304)**	$ (56)	(443%)
	(504)	281	(279%)	**(176)**	149	(218%)
CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:						
Beginning of the period	**980**	371	164%	**652**	503	30%
End of the period	**$ 476**	$ 652	(27%)	**$ 476**	$ 652	(27%)

(1) As a result of disposing the Coal operations on April 28, 2014, cash provided (used) by Coal, prior to disposal, is reported in cash provided (used) by discontinued operations for the current and prior-year period.

The significant items affecting the sources and uses of cash during the three and twelve months ended December 31, 2014 are described below:

- Cash from continuing operating activities before change in non-cash working capital for the three months ended December 31, 2014 was higher compared to the same period in the prior year as a result of lower income tax paid at Oil and Gas in the current quarter due to timing of payments partly offset by the premium paid on the repurchase and redemption of debentures. For the twelve months ended December 31, 2014, cash from continuing operating activities before change in non-cash working capital was higher than the same period in the prior year primarily due to lower cash interest and income tax paid partly offset by the premium paid on the repurchase and redemption of debentures;
- The change in non-cash working capital in the three and twelve months ended December 31, 2014 is unfavourable compared to the prior-year periods primarily as a result of timing related to the settlement of receivables and payables at Oil and Gas and Metals. Additionally, for the twelve months ended December 31, 2014, the change in non-cash working capital was impacted by the reduction in deferred revenue due to the timing of fertilizer sales;
- The net repayment of loans and borrowings for the twelve months ended December 31, 2014 relates to the repayment of the Coal revolving credit facility ($300.0 million), the syndicated 364-day revolving-term credit facility ($45.0 million) and the line of credit ($20.0 million) during the second quarter of 2014;
- The repayment of unsecured debentures for the three and twelve months ended December 31, 2014 relates to the Corporation redeeming $675.0 million of 2015, 2018, and 2022 debentures in the fourth quarter of 2014;
- The issuance of notes for the three and twelve months ended December 31, 2014 relates to the Corporation issuing $239.0 million of senior unsecured notes, net of financing costs, in the fourth quarter of 2014;
- A total of $73.2 million (US$64.0 million) and $191.2 million (US$171.6 million) was provided in cash to the Ambatovy Joint Venture as Sherritt's share of funding requirements for the three and twelve months ended December 31, 2014, respectively. This funding was provided as a loan; and,
- Net proceeds from the sale of Coal operations included the proceeds of $814.4 million (including closing adjustments) offset by the cash disposed on the sale of $10.1 million, recognized in the second quarter of 2014.

COMMON SHARES

As at February 11, 2015, the Corporation had 293,558,591 common shares outstanding. An additional 5,320,552 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan.

On November 12, 2014, the Corporation's Board of Directors approved a quarterly dividend of $0.01 per common share, paid on January 14, 2014 to shareholders of record as of the close of business on December 31, 2014.

On February 11, 2015, the Corporation's Board of Directors approved a quarterly dividend of $0.01 per common share, paid on April 14, 2015 to shareholders of record as of the close of business on March 31, 2015.

Normal Course Issuer Bid

On October 29, 2014, the Corporation received approval from the TSX to commence a normal course issuer bid (NCIB) to purchase for cancellation up to 14,875,944 common shares, representing approximately 5% of its issued and outstanding common shares until November 2, 2015. Based on the average daily trading volumes, daily purchases will be limited to 300,404 common shares, other than block purchase exceptions.

For the year ended December 31, 2014, the Corporation purchased and cancelled 3,960,300 common shares under the NCIB at an average cost of $2.52 per share for an aggregate cost of $10.0 million. As the stated value of the common shares was greater than the purchase price, $37.5 million was allocated to capital stock and a credit of $27.5 million was allocated to reserves.

Managing risk

Sherritt manages a number of risks in each of its businesses in order to achieve an acceptable level of risk without appreciably hindering its ability to maximize returns. Management has procedures to identify and manage significant operational and financial risks. Outlined below are the Corporation's significant business risks. Further detail of these and other risks and the strategies designed to manage them can be found in the Corporation's Annual Information Form.

- Market conditions
  - Commodity risk
  - Market fluctuations and share price volatility
- Project development
  - Capital and operating cost estimates
  - Ambatovy Joint Venture
  - Moa Joint Venture expansion
- Transportation
- Restrictions in debt instruments
- Access to additional capital
- Reliance on key personnel and skilled workers
- Equipment failure and other unexpected failures
- Mining, processing and refining risks
- Exploration and development risks
  - Oil and Gas
  - Metals
- Uncertainty of gas supply to Energas
- Uncertainty of reserve estimates and resources
- Environmental rehabilitation provisions
- Reliance on partners
- Risks related to Sherritt's corporate structure
- Political, economic, and other risks of foreign operations
- Risks related to Sherritt's operations in Madagascar
- Risks related to Sherritt's operations in Cuba
- Risks related to U.S. Government policy towards Cuba
  - The U.S. Embargo
  - The Helms-Burton Act
- Significant customers
- Foreign exchange and pricing risks
- Environment, health and safety
- Climate change/greenhouse gas emissions
- Community relations and social license to grow and operate
- Credit risk
- Shortage of equipment and supplies
- Competition in product markets
- Future market access
- Interest rate changes
- Insurable risk
- Labour relations
- Pension liabilities
- Aboriginal rights
- Legal rights
- Legal contingencies
- Accounting policies
- Risks associated with future acquisitions
- Government permits
- Government regulations
- Management of growth

Critical accounting estimates and judgments

The preparation of financial statements requires the Corporation's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Corporation's reported financial results. Estimates are deemed critical when the Corporation's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period.

By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the consolidated financial statements of future periods.

CRITICAL ACCOUNTING ESTIMATES

Environmental rehabilitation provisions

The Corporation's operations are subject to environmental regulations in Canada, Cuba, Madagascar and other countries in which the Corporation operates. Many factors such as future changes to environmental laws and regulations, life of mine estimates, the cost and time it will take to rehabilitate the property and discount rates, all affect the carrying amount of environmental rehabilitation provisions. As a result, the actual cost of environmental rehabilitation could be higher than the amounts the Corporation has estimated. For certain operations, actual costs will ultimately be determined after site closure in agreement with predecessor companies.

The environmental rehabilitation provision is assessed quarterly and measured by discounting the expected cash flows. The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates. The actual rate depends on a number of factors, including the timing of rehabilitation activities that can extend decades into the future and the location of the property.

Reserves for mining and oil and gas properties

Reserves are estimates of the amount of product that can be economically and legally extracted from the Corporation's mining and oil and gas properties. Reserve estimates are an integral component in the determination of the commercial viability of a site, depletion amounts charged to the cost of sales and any impairment analysis.

In calculating reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, production decline rates, recovery rates, production costs, commodity demand, commodity prices and exchange rates. In addition, future changes in regulatory environments, including government levies or changes in the Corporation's rights to exploit the resource imposed over the producing life of the reserves may also significantly impact estimates.

Nickel, cobalt, and fertilizer estimates are based on information compiled by or under supervision of a qualified person as defined under National Instrument 43-101, Standards of Disclosure for Mineral Projects within Canada. All of the oil and gas reserves have been evaluated in accordance with National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities.

Property, plant and equipment

Property, plant and equipment is the largest component of the Corporation's assets and as such the capitalization of costs, the determination of estimated recoverable amounts and the depletion and depreciation of these assets have a significant impact on the Corporation's financial results.

Certain assets are depreciated using a units-of-production basis which involves the estimation of recoverable reserves in determining the depletion and/or depreciation rates of the specific assets. Each item's life, which is assessed annually, is assessed for both its physical life limitations and the economic recoverable reserves of the property at which the asset is located.

For those assets depreciated on a straight-line basis, management estimates the useful life of the assets and their components, which in certain cases may be based on an estimate of the producing life of the property. These assessments require the use of estimates and assumptions including market conditions at the end of the asset's useful life, costs of decommissioning the asset and the amount of recoverable reserves.

Asset useful lives and residual values are re-evaluated at each reporting date.

Income taxes

The Corporation operates in a number of industries in several tax jurisdictions and, consequently, its income is subject to various rates and rules of taxation. As a result, the Corporation's effective tax rate may vary significantly from the Canadian statutory tax rate depending upon the profitability of operations in the different jurisdictions.

The Corporation calculates deferred income taxes based upon temporary differences between the assets and liabilities that are reported in its consolidated financial statements and their tax bases as determined under applicable tax legislation. The Corporation records deferred income tax assets when it determines that it is probable that such assets will be realized.

The future realization of deferred tax assets can be affected by many factors, including current and future economic conditions, net realizable sale prices, production rates and production costs, and can either be increased or decreased where, in the view of management, such change is warranted.

Measurement of unquoted financial instruments

The Corporation has estimated the fair value of the Ambatovy call option. The fair value of the Ambatovy call option is determined by applying the Black-Scholes model, which requires estimates and assumptions such as future commodity prices, equity volatilities and interest rates.

CRITICAL ACCOUNTING JUDGMENTS

Interests in other entities

As part of its process in determining the classification of its interests in other entities, the Corporation applies judgment in interpreting these interests such as: (i) the determination of the level of control or significant influence held by the Corporation; (ii) the applicability of relevant IFRS standards to the operations; (iii) the legal structure and contractual terms of the arrangement; (iv) concluding whether the Corporation has rights to assets and liabilities or to net assets of the arrangement; and (v) when relevant, other facts and circumstances. The Corporation has determined that Energas S.A. and its Oil and Gas production-sharing contracts represent joint operations while the Moa Joint Venture represents a joint venture as described in IFRS 11, "Joint Arrangements". The Corporation has concluded that the Ambatovy Joint Venture represents an investment in associate as described in IAS 28, "Investments in Associates and Joint Ventures". All other interests in other entities have been determined to be subsidiaries as described in IFRS 10, "Consolidated Financial Statements".

Aggregation of Segments

The Corporation applies judgment in aggregating operating segments into a reportable segment. Aggregation occurs when the operating segments have similar economic characteristics, and have similar (a) products and services; (b) production processes; (c) type or class of customer for their products and services; (d) methods used to distribute their products or provide their services; and (e) nature of the regulatory environment, if applicable. The Corporation determined the Ambatovy Joint Venture operating segment, including a wholly-owned subsidiary established to buy, market and sell certain Ambatovy nickel production, and the Moa Joint Venture operating segment, including operations in Fort Saskatchewan, represent a reportable segment because they produce, sell, and distribute nickel and cobalt and have similar economic characteristics in determining revenues and operating costs.

Property, plant and equipment

Management uses the best available information to determine when a development project reaches commercial viability which is generally based on management's assessment of when economic quantities of proven and/or probable reserves are determined to exist and the point at which future costs incurred to develop a mine on the property are capitalized. Management also uses the best available information to determine when a project achieves commercial production, the stage at which pre-production costs cease to be capitalized. Commercial production at the Ambatovy Joint Venture was defined as 70% of ore throughput of nameplate capacity in the Pressure Acid Leach (PAL) circuit on average over a thirty-day period. The Corporation declared commercial production at the Ambatovy Joint Venture in January 2014 and began recognizing its share of earnings (losses) from Ambatovy beginning February 1, 2014.

For assets under construction, management assesses the stage of each construction project to determine when a project is commercially viable. The criteria used to assess commercial viability are dependent upon the nature of each construction project and include factors such as the asset purpose, complexity of a project and its location, the level of capital expenditure compared to the construction cost estimates, completion of a reasonable period of testing of the mine plant and equipment, ability to produce the commodity in saleable form (within specifications), and ability to sustain ongoing production of the commodity.

Asset impairment

The Corporation assesses the carrying amount of non-financial assets including investment in a joint venture, property, plant and equipment and intangible assets subject to depreciation and amortization at each reporting date to determine whether there are any indicators that the carrying amount of the assets may be impaired or require a reversal of impairment. Goodwill is tested for impairment annually. Impairment is assessed at the CGU level and the determination of CGUs is an area of judgment.

For purposes of determining fair value, management assesses the recoverable amount of the asset using the net present value of expected future cash flows. Projections of future cash flows are based on factors relevant to the asset and could include estimated recoverable production, commodity or contracted prices, foreign exchange rates, production levels, cash costs of production, capital and reclamation costs. Projections inherently require assumptions and judgments to be made about each of the factors affecting future cash flows. Changes in any of these assumptions or judgments could result in a significant difference between the carrying amount and fair value of these assets. Where necessary, management engages qualified third-party professionals to assist in the determination of fair values.

Measuring the fair value of the Corporation's interest in the Ambatovy Joint Venture

The Corporation accounts for its interest in the Ambatovy Joint Venture using the equity method. The Corporation assesses the carrying amount of its investment at each reporting date to determine whether there are any indicators that the carrying amount of the investment may be impaired.

For purposes of determining fair value of its interest in the Ambatovy Joint Venture, management assesses the recoverable amount of its interest using the net present value of expected future cash flows. Projections of future cash flows are based on factors relevant to Ambatovy's operations and could include estimated recoverable production, commodity or contracted prices, foreign exchange rates, production levels, cash costs of production, capital and reclamation costs. Projections inherently require assumptions and judgments to be made about each of the factors affecting future cash flows. The determination of fair value involves a detailed review of Ambatovy's life of mine model and the determination of a weighted average cost of capital among other critical factors.

Changes in any of these assumptions or judgments could result in a significant difference between the carrying amount and fair value of this asset. Where necessary, management engages qualified third-party professionals to assist in the determination of fair values.

Overburden removal costs

Overburden removal costs are capitalized and depreciated over the useful lives when the overburden removal activity can be shown to create value beyond providing access to the underlying reserve. In many cases, this determination is a matter of judgment.

Exploration and evaluation

Management must make estimates and assumptions when determining when to transfer E&E expenditures from intangible asset to property, plant and equipment, which is normally at the time when commercial viability is achieved. Assessing commercial viability requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable operation can be established. Any such estimates and assumptions may change as new information becomes available. If after having capitalized the expenditure, a decision is made that recovery of the expenditure is unlikely, the amount capitalized is recognized in cost of sales in the consolidated statements of comprehensive income (loss).

Income taxes

In determining whether it is probable that a deferred tax asset will be realized, management reviews the timing of expected reversals of taxable temporary differences, the estimates of future taxable income and prudent and feasible tax planning that could be implemented. Significant judgment may be involved in determining the timing of expected reversals of temporary differences.

Arrangements containing a lease

The Corporation determined that the Power facilities in Varadero, Cuba and Madagascar are subject to operating lease arrangements. The Corporation applies judgment in interpreting these arrangements such as determining which assets are specified in an arrangement, determining whether a right to use a specified asset has been conveyed and if relative fair value or another estimation technique to separate lease payments from payments for other goods or services should be used. The Corporation also uses judgment in applying accounting guidance to determine whether these leases are operating or finance leases.

Service concession arrangements

The Corporation determined that the contract terms regarding the Boca de Jaruco and Puerto Escondido, Cuba, facilities operated by Energas represent service concession arrangements as described in IFRIC 12, "Service concession arrangements" (IFRIC 12). The Corporation uses judgment to determine whether the grantor sets elements of the services provided by the operator, whether the grantor retains any significant ownership interest in the infrastructure at the end of the agreement, and to determine the classification of the service concession asset as either a financial asset or intangible asset.

Accounting Pronouncements

ADOPTION OF NEW AND AMENDED ACCOUNTING PRONOUNCEMENTS

IFRIC 21 – Levies

IFRIC 21, "Levies" (IFRIC 21) provides guidance on the accounting for levies within the scope of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". Levies are imposed by governments in accordance with legislation and do not include income taxes, which are accounted for under IAS 12, "Income Taxes" or fines or other penalties imposed for breaches of legislation. IFRIC 21 defines an obligating event as the activity that triggers the payment of the levy, as identified by legislation. IFRIC 21 also notes a liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. The Corporation adopted the interpretation effective January 1, 2014. The adoption did not have a material impact on the Corporation's consolidated financial statements.

IFRS 2 – Share-Based Payment

IFRS 2, "Share-Based Payment" (IFRS 2) was amended by the IASB on December 12, 2013. The amendments clarify the definition of vesting conditions. The Corporation adopted the amendments effective July 1, 2014. The adoption of these amendments did not have an impact on the Corporation's consolidated financial statements.

IAS 32 – Financial instruments: presentation

IAS 32, "Financial instruments: presentation" (IAS 32) was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Corporation adopted these amending standards effective January 1, 2014. The adoption of these amendments did not have any impact on the consolidated financial statements.

IAS 36 – Impairment of assets

IAS 36, "Impairment of assets" (IAS 36) was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The Corporation adopted these amendments effective January 1, 2014 and has applied the changes retrospectively in notes 21 and 13 of the consolidated financial statements.

IAS 39 – Financial instruments: recognition and measurement

IAS 39, "Financial instruments: recognition and measurement" (IAS 39) was amended by the IASB in June 2013. The amendments clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The Corporation adopted these amending standards effective January 1, 2014. The adoption of these amendments did not have any impact on the consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

IFRS 3 – Business Combinations

IFRS 3, "Business Combinations" (IFRS 3) was amended by the IASB on December 12, 2013. The amendments clarify the accounting for contingent consideration in a business combination and modify the scope exception for joint ventures to exclude the formation of all types of joint arrangements and clarify that the scope exception applies only to the financial statements of the joint arrangement itself. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have an impact on the Corporation's consolidated financial statements.

IFRS 8 – Operating Segments

IFRS 8, "Operating Segments" (IFRS 8) was amended by the IASB on December 12, 2013. The amendments add a disclosure requirement for the aggregation of operating segments and clarify the reconciliation of the total reportable segments' assets to the entity's assets. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have an impact on the Corporation's consolidated financial statements.

IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

IFRS 11 – Joint Arrangements

IFRS 11, "Joint Arrangements" (IFRS 11) was amended by the IASB on May 6, 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

IFRS 13 – Fair Value Measurement

IFRS 13, "Fair Value Measurement" (IFRS 13) was amended by the IASB on December 12, 2013. The amendments clarify that the portfolio exception applies to all contracts within the scope of IAS 39, "Financial Instruments: Recognition and Measurement" or IFRS 9, "Financial Instruments", regardless of whether they are financial assets or financial liabilities. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15, "Revenue from Contracts and Customers" (IFRS 15) was issued by the IASB on May 28, 2014, and will replace IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017. The Corporation is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

IAS 1 – Presentation of Financial Statements

IAS 1, "Presentation of Financial Statements" (IAS 1) was amended by the IASB on December 18, 2014. The amendments to existing IAS 1 requirements relate to materiality; order of the notes; subtotals; accounting policies; and disaggregation. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

IAS 16 – Property, Plant and Equipment

IAS 16, "Property, Plant and Equipment" (IAS 16) was amended by the IASB on May 12, 2014. The amendments to IAS 16 clarify that the use of revenue-based methods to determine the depreciation of an asset is not appropriate. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the Corporation's consolidated financial statements.

IAS 19 – Employee Benefits

IAS 19, "Employee Benefits" (IAS 19) was amended by the IASB on November 13, 2013. The amendments provide additional guidance to IAS 19 Employee Benefits on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

IAS 19 was further amended on July 30, 2014. The amendments to IAS 19 clarify the application of the requirements of IAS 19 on determination of the discount rate to a regional market consisting of multiple countries sharing the same currency. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the Corporation's consolidated financial statements.

IAS 24 – Related Party Disclosures

IAS 24, "Related Party Disclosures" (IAS 24) was amended by the IASB on December 12, 2013. The amendments clarify the identification and disclosure requirements for related party transactions when key management personnel services are provided by a management entity. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have an impact on the Corporation's consolidated financial statements.

IAS 38 – Intangible Assets

IAS 38, "Intangible Assets" (IAS 38) was amended by the IASB on May 12, 2014. The amendments to IAS 38 clarify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the Corporation's consolidated financial statements.

Three-year trend analysis

The following table presents select financial and operational results for the last three years:

$ millions, except per share amounts for the years ended December 31	**2014**	2013	2012
Revenue	**$ 455.6**	$ 448.5	$ 475.3
Adjusted EBITDA[1]	**253.2**	216.7	341.7
(Loss) earnings from operations, associate and joint venture	**(111.9)**	34.5	200.3
(Loss) earnings from continuing operations	**(318.5)**	(158.5)	12.3
Earnings (loss) from discontinued operations, net of tax	**28.5**	(501.8)	21.4
Net (loss) earnings for the period	**(290.0)**	(660.3)	33.7
(Loss) earnings per common share (basic and diluted) ($ per share):			
Net (loss) earnings from continuing operations	**(1.07)**	(0.53)	0.04
Net (loss) earnings for the period	**(0.97)**	(2.23)	0.11
Dividend rate per share	**0.04**	0.172	0.152
PRODUCTION VOLUMES			
Finished nickel (tonnes)			
Moa Joint Venture (50% basis)	**16,455**	16,771	17,132
Ambatovy Joint Venture (40% basis)	**14,821**	10,059	2,278
Finished cobalt (tonnes)			
Moa Joint Venture (50% basis)	**1,605**	1,660	1,896
Ambatovy Joint Venture (40% basis)	**1,166**	833	197
Oil (boepd, net working-interest production)[2]	**10,960**	11,331	10,653
Electricity (gigawatt hours) (33⅓% basis)	**847**	589	628

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

(2) Barrels of oil equivalent per day (boepd).

Production at the Ambatovy Joint Venture increased compared to the most recent two years primarily due to continued ramp-up of production. At Moa Joint Venture and Fort Site, the reduction in production compared to the most recent two years is primarily due to the timing of availability of mixed sulphides. Production at Oil and Gas in 2014 was lower than in 2013 and comparable to 2012 primarily due to a mechanical failure at a well in the Yumurí area which occurred in the second quarter of 2014 limiting production, that was subsequently shut-in, and natural reservoir declines. Production at Power is higher than the prior two years primarily as a result of increased capacity after completing the Boca de Jaruco Combined Cycle Project in February 2014.

In 2014, loss from continuing operations was negatively impacted by $205.4 million in losses related to the Corporation's share of loss of an associate, $14.4 million of impairments at Oil and Gas primarily related to its exploration and evaluation licenses in the United Kingdom's North Sea and in Spain's Alboran Sea, and $7.5 million of restructuring costs. In 2013, loss from continuing operations was negatively impacted by $36.7 million of impairments in Metals as a result of a change in expansion strategy and in Power as a result of a $22.1 million impairment at the Boca de Jaruco and Puerto Escondido facilities in Cuba, a $7.3 million impairment at an electricity generation facility in Madagascar and a $9.9 million provision on receivables related to this facility.

In 2013, net loss for the period also includes losses related to the classification of Coal as a discontinued operation.

The average annual Canadian dollar cost to purchase one U.S. dollar was $1.10, $1.03 and $1.00 for the years ended December 31, 2014 to 2012, respectively. Generally, a weaker Canadian dollar relative to the U.S. dollar has a net favourable impact on operations.

Summary of quarterly results

The following table presents a summary of the segment revenue and consolidated operating results for each of the eight quarters ended March 31, 2013 to December 31, 2014.[1]

$ millions, except per share amounts, for the three months ended	**2014 Dec 31**	2014 Sept 30	2014 June 30	2014 Mar 31	2013 Dec 31	2013 Sept 30	2013 June 30	2013 Mar 31
Revenue								
Metals	**$ 216.5**	$ 221.2	$ 216.0	$ 160.1	$ 101.6	$ 104.8	$ 120.6	$ 103.7
Oil and Gas	**49.6**	68.1	74.7	76.9	74.9	74.2	71.2	71.1
Power	**11.7**	12.7	12.7	11.9	10.6	14.7	13.5	16.0
Corporate and Other	**0.5**	0.7	1.2	1.8	2.0	1.6	1.7	1.2
Combined Revenue[2]	**$ 278.3**	$ 302.7	$ 304.6	$ 250.7	$ 189.1	$ 195.3	$ 207.0	$ 192.0
Adjust joint venture and associate revenue	**(176.7)**	(199.8)	(174.4)	(129.8)	(80.5)	(84.1)	(85.3)	(85.0)
Financial statement revenue	**$ 101.6**	$ 102.9	$ 130.2	$ 120.9	$ 108.6	$ 111.2	$ 121.7	$ 107.0
Net (loss) earnings from continuing operations	**(147.7)**	(51.3)	(49.0)	(70.5)	(142.6)	1.9	(15.2)	(2.6)
(Loss) earnings from discontinued operations, net of tax	**(12.7)**	–	18.9	22.3	(531.2)	(0.8)	4.5	25.7
Net (loss) earnings for the period	**$ (160.4)**	$ (51.3)	$ (30.1)	$ (48.2)	$ (673.8)	$ 1.1	$ (10.7)	$ 23.1
NET (LOSS) EARNINGS PER SHARE, BASIC AND DILUTED ($ PER SHARE)								
Net (loss) earnings from continuing operations	**$ (0.50)**	$ (0.17)	$ (0.16)	$ (0.24)	$ (0.48)	$ 0.01	$ (0.05)	$ (0.01)
Net (loss) earnings for the period	**(0.54)**	(0.17)	(0.10)	(0.16)	(2.27)	0.00	(0.04)	0.08

(1) On April 28, 2014, the Corporation completed the sale of its Coal operations. Results for Coal prior to the date of sale have been reported in (loss) earnings from discontinued operations.
(2) For additional information see the Non-GAAP measures section.

In general, net (loss) earnings for the Corporation are primarily affected by commodity prices, sales volumes and exchange rates that impact revenue and costs. The average Canadian dollar cost to purchase one U.S. dollar for the above quarters has ranged between $1.01 to $1.14. In addition to the impact of commodity prices, sales volumes and exchange rates, net (loss) earnings were impacted by the following significant items (pre-tax):

- the fourth quarter of 2014 includes the Corporation's share of losses of the Ambatovy Joint Venture of $65.0 million, $33.8 million of fees related to the repurchase and redemption of debentures, $7.5 million related to restructuring costs and unrealized foreign exchange losses partly offset by a $3.3 million gain on sale of the Corporate assets and a $1.3 million gain on arbitration settlement;
- the third quarter of 2014 includes the Corporation's share of losses of the Ambatovy Joint Venture of $49.4 million partly offset by a $12.8 million gain on arbitration settlement;
- the second quarter of 2014 includes the Corporation's share of losses of the Ambatovy Joint Venture of $50.9 million partly offset by a $13.0 million gain recognized on the sale of the Coal operations;
- the first quarter of 2014 includes the Corporation's share of losses of the Ambatovy Joint Venture of $40.1 million partly offset by a reduction in depletion, depreciation, and amortization as a result of classifying Coal as a discontinued operation;
- the fourth quarter of 2013 included total impairments of $577.7 million recognized in Coal (discontinued operation), Metals and Power. Net finance expense included a $13.6 million non-cash downward adjustment in the fair value of the Ambatovy call option;
- the third quarter of 2013 included a $12.4 million non-cash upward adjustment in the fair value of the Ambatovy call option;
- the second quarter of 2013 included a non-cash provision on accounts receivable and impairment on Madagascar assets of $17.2 million; and
- the first quarter of 2013 included a non-cash gain on termination of the Highvale mining contract of $22.0 million (in earnings of discontinued operations).

Off-balance sheet arrangements

The Corporation has no foreign exchange or commodity options, futures or forward contracts. The Corporation has made a completion guarantee to the Ambatovy Joint Venture lenders.

Transactions with related parties

The Corporation and subsidiaries provide goods, labour, advisory and other administrative services to jointly controlled entities and an associate at fair value. 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 controlled entities and an associate in the Metals business.

Canadian $ millions, as at	**2014 December 31**	2013 December 31
Accounts receivable from joint operations	**$ 0.1**	$ 0.2
Accounts receivable from joint venture	**20.6**	23.2
Accounts receivable from associate	**37.5**	36.2
Accounts payable to joint operations	**0.1**	1.9
Accounts payable to joint venture	**34.2**	–
Accounts payable to associate	**2.5**	4.5
Advances and loans receivable from associate	**1,489.9**	1,106.9
Advances and loans receivable from joint operations	**239.3**	251.7
Advances and loans receivable from joint venture	**250.3**	241.7

	For the three months ended		For the years ended	
Canadian $ millions	**2014 December 31**	2013 December 31	**2014 December 31**	2013 December 31
Total value of goods and services:				
Provided to joint operations	**$ 7.6**	$ 7.2	**$ 20.2**	$ 26.1
Provided to joint venture	**38.4**	49.7	**165.1**	165.5
Provided to associate	**0.2**	–	**2.2**	5.7
Purchased from joint operations	**–**	1.0	**1.0**	3.7
Purchased from joint venture	**61.6**	20.5	**192.0**	100.3
Purchased from associate	**14.1**	5.9	**58.5**	26.4
Net financing income from joint operations	**1.5**	5.2	**15.5**	23.5
Net financing income from associate	**13.5**	–	**45.5**	–
Net financing income from joint venture	**2.0**	1.8	**7.4**	7.0

Transactions between related parties are generally based on standard commercial terms. All amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received on the outstanding amounts. No expense has been recognized in the current or prior periods for bad debts in respect of amounts owed by related parties.

KEY MANAGEMENT PERSONNEL

Key management personnel is composed of the Board of Directors, Chief Executive Officer, Chief Financial Officer and Senior Vice Presidents of the Corporation. The following is a summary of key management personnel compensation:

Canadian $ millions, as at	**2014 December 31**	2013 December 31
Short-term benefits	**$ 7.8**	$ 8.5
Post-employment benefits(1)	**1.4**	2.7
Share-based payments	**5.7**	5.4
	$ 14.9	$ 16.6

(1) Post-employment benefits include a non-registered defined contribution executive supplemental pension plan. The total cash pension contribution for key management personnel was $0.8 million for the year ended December 31, 2014 ($0.4 million for the year ended December 31, 2013). The total pension expense that is attributable to key management personnel was $0.2 million for the year ended December 31, 2014 ($0.3 million for the year ended December 31, 2013).

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining adequate internal control over disclosure controls and procedures, as defined in National Instrument 52-109 of the Canadian Securities Commission (NI 52-109). Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management, with the participation of the certifying officers, has evaluated the effectiveness of the design and operation, as of December 31, 2014, of the Corporation's disclosure controls and procedures. Based on that evaluation, the certifying officers have concluded that such disclosure controls and procedures are effective and designed to ensure that material information known by others relating to the Corporation and its subsidiaries is provided to them.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in NI 52-109. Internal control over financial reporting means a process designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The internal controls are not expected to prevent and detect all misstatements due to error or fraud. Management advises that there have been no changes in the Corporation's internal controls over financial reporting during 2014 that have materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Management, with the participation of the certifying officers, conducted an evaluation of the effectiveness of the Corporation's internal controls over financial reporting, as of December 31, 2014, using the Internal Control-Integrated Framework published in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework). Based on this evaluation, the CEO and CFO have concluded that the internal controls over financial reporting were effective as of December 31, 2014.

Supplementary information

SENSITIVITY ANALYSIS

The following table shows the approximate impact on the Corporation's net earnings and earnings per share from continuing operations for the twelve months ended December 31, 2014 from 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 annual net earnings ($ millions) Increase/(decrease)	Approximate change in annual basic EPS Increase/(decrease)
PRICES			
Nickel – LME price per pound[1]	US$ 0.50	$ 29	$ 0.10
Cobalt – Metal Bulletin price per pound[1]	US$ 5.00	23	0.08
Oil – U.S. Gulf Coast Fuel Oil No. 6 price per barrel	US$ 5.00	12	0.04
EXCHANGE RATE			
Weakening of the Canadian dollar relative to the U.S. dollar	US$ 0.05	(10)	(0.04)
OPERATING COSTS[1]			
Natural gas – per gigajoule (Moa Joint Venture)	$ 1.00	(4)	(0.01)
Sulphur – per tonne (Moa Joint Venture and Ambatovy)	US$ 25.00	(6)	(0.02)
Sulphuric acid – per tonne (Moa Joint Venture)	US$ 25.00	(4)	(0.01)
Coal – per tonne (Ambatovy)	US$ 20.00	(4)	(0.01)
Limestone – per tonne (Ambatovy)	US$ 5.00	(2)	(0.01)

(1) Variable changes are applied at the operating level with the approximate change in net earnings and basic EPS representing the Corporation's 50% interest in the Moa Joint Venture and 40% interest in the Ambatovy Joint Venture for the post-commercial production period.

OIL AND GAS PRODUCTION AND SALES VOLUME

The following table provides further detail surrounding the Corporation's oil and gas production and determination of sales volumes.

	For the three months ended			For the years ended		
	2014	2013		**2014**	2013	
Daily production volumes[1]	**December 31**	December 31	Change	**December 31**	December 31	Change
GROSS WORKING-INTEREST OIL PRODUCTION IN CUBA[2][3]	**18,701**	19,741	(5%)	**19,456**	20,042	(3%)
NET WORKING-INTEREST OIL PRODUCTION[4]						
Cuba (heavy oil)						
Cost recovery	**4,311**	3,690	17%	**3,395**	3,043	12%
Profit oil	**5,493**	7,241	(24%)	**6,975**	7,654	(9%)
Total	**9,804**	10,931	(10%)	**10,370**	10,697	(3%)
Spain (light oil)[4]	**257**	297	(13%)	**280**	303	(8%)
Pakistan (natural gas)[4]	**308**	327	(6%)	**310**	331	(6%)
	10,369	11,555	(10%)	**10,960**	11,331	(3%)

(1) Oil production is stated in barrels of oil per day (bopd). Natural gas production is stated in barrels of oil equivalent per day (boepd), which is converted at 6,000 cubic feet per barrel. Collectively, oil and natural gas production are referred to as boepd.

(2) In Cuba, Oil and Gas delivered all of its gross working-interest oil production to CUPET at the time of production.

(3) 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 working-interest 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.

(4) Net working-interest production (equivalent to net sales volume) represents the Corporation's share of gross working-interest production.

NON-GAAP MEASURES

Management uses Combined Results, Adjusted EBITDA, average-realized price, unit operating cost, and adjusted operating cash flow per share to monitor the financial performance of the Corporation and its operating divisions and believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and evaluate the results of its underlying business. These measures do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies.

On January 22, 2014, Ambatovy achieved the requirements for commercial production. As a result, effective February 1, 2014, Ambatovy ceased capitalizing project costs and commenced recognizing revenues and costs within the statement of comprehensive income (loss). Consistent with the Corporation's financial statement results, the following non-GAAP measures reflect financial results, including sales volumes, for the post-commercial production periods.

Combined results

The Corporation presents combined revenue, combined cost of sales, combined administrative expenses, combined net finance expense, and combined income taxes (together, Combined Results) as measures which help management assess the Corporation's financial performance across its business units. The combined results include the Corporation's consolidated financial results, the results of its 50% share of the Moa Joint Venture and the results of its 40% share of the Ambatovy Joint Venture, both of which are accounted for using the equity method for accounting purposes. Management uses these measures to reflect the Corporation's economic interest in its business units prior to the application of equity accounting. Refer to page 31 for the reconciliations of the Combined Results.

Adjusted EBITDA

The Corporation defines Adjusted EBITDA as earnings (loss) from operations, associate and joint venture as reported in the financial statements for the period adjusted for depletion, depreciation and amortization; impairment charges for property, plant and equipment, intangible assets, goodwill and investments; and gain or loss on disposal of property, plant and equipment of the Corporation, associate and joint venture. The exclusion of impairment charges eliminates the non-cash impact. The table below reconciles Adjusted EBITDA to net earnings (loss) from operations, associate and joint venture:

$ millions, for the three months ended December 31 — **2014**

	Metals								
	Moa JV and Fort Site	**Ambatovy JV**	**Other**	**Total**	**Oil and Gas**	**Power**	**Corporate and Other**	**Adjustment for Joint Venture and Associate**	**Total**
Earnings (loss) from operations, associate and joint venture per financial statements	**$ 9.9**	**$ (51.6)**	**$ 0.5**	**$ (41.2)**	**$ (4.9)**	**$ (0.1)**	**$ (11.8)**	**$ (16.9)**	**$ (74.9)**
Add (deduct):									
Depletion, depreciation and amortization	**3.1**	**–**	**(0.1)**	**3.0**	**17.6**	**5.5**	**1.2**	**–**	**27.3**
Impairment of property, plant and equipment and intangibles	**–**	**–**	**–**	**–**	**13.6**	**–**	**–**	**–**	**13.6**
Gain on property, plant and equipment and intangibles	**–**	**–**	**–**	**–**	**–**	**–**	**(3.3)**	**–**	**(3.3)**
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	**8.2**	**44.1**	**(0.5)**	**51.8**	**–**	**–**	**–**	**–**	**51.8**
Net finance expense	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23.2**	**23.2**
Income tax recovery	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6.3)**	**(6.3)**
Adjusted EBITDA	**$ 21.2**	**$ (7.5)**	**$ (0.1)**	**$ 13.6**	**$ 26.3**	**$ 5.4**	**$ (13.9)**	**$ –**	**$ 31.4**

$ millions, for the three months ended December 31 — 2013

	Metals								
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total
(Loss) earnings from operations, associate and joint venture per financial statements	$ (37.9)	$ 0.2	$ 0.4	$ (37.3)	$ 43.2	$ (27.7)	$ (23.6)	$ 7.7	$ (37.7)
Add (deduct):									
Depletion, depreciation and amortization	1.9	–	0.5	2.4	14.5	2.3	1.2	–	20.4
Impairment of property, plant and equipment and intangibles	36.7	–	–	36.7	–	22.1	–	–	58.8
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	8.2	–	0.8	9.0	–	–	–	–	9.0
Net finance expense	–	–	–	–	–	–	–	1.1	1.1
Income tax recovery	–	–	–	–	–	–	–	(8.8)	(8.8)
Adjusted EBITDA	$ 8.9	$ 0.2	$ 1.7	$ 10.8	$ 57.7	$ (3.3)	$ (22.4)	$ –	$ 42.8

$ millions, for the year ended December 31 — **2014**

	Metals								
	Moa JV and Fort Site	**Ambatovy JV**	**Other**	**Total**	**Oil and Gas**	**Power**	**Corporate and Other**	**Adjustment for Joint Venture and Associate**	**Total**
Earnings (loss) from operations, associate and joint venture per financial statements (note 5)	**$ 39.0**	**$ (158.4)**	**$ 1.3**	**$ (118.1)**	**$ 110.7**	**$ 4.3**	**$ (37.2)**	**$ (71.6)**	**$ (111.9)**
Add (deduct):									
Depletion, depreciation and amortization	**10.4**	**–**	**(0.1)**	**10.3**	**66.6**	**20.5**	**3.9**	**–**	**101.3**
Impairment of property, plant and equipment and intangibles	**–**	**–**	**–**	**–**	**14.4**	**–**	**–**	**–**	**14.4**
Gain on property, plant and equipment and intangibles	**–**	**–**	**–**	**–**	**–**	**–**	**(3.3)**	**–**	**(3.3)**
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	**28.7**	**152.9**	**(0.5)**	**181.1**	**–**	**–**	**–**	**–**	**181.1**
Net finance expense	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**80.7**	**80.7**
Income tax recovery	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9.1)**	**(9.1)**
Adjusted EBITDA	**$ 78.1**	**$ (5.5)**	**$ 0.7**	**$ 73.3**	**$ 191.7**	**$ 24.8**	**$ (36.6)**	**$ –**	**$ 253.2**

$ millions, for the years ended December 31 — 2013

	Metals								
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total
(Loss) earnings from operations, associate and joint venture per financial statements (note 5)	$ (24.3)	$ (1.0)	$ 1.0	$ (24.3)	$ 163.3	$ (40.9)	$ (68.7)	$ 5.1	$ 34.5
Add (deduct):									
Depletion, depreciation and amortization	9.3	–	0.1	9.4	65.9	9.9	3.9	–	89.1
Impairment of property, plant and equipment and intangibles	36.7	–	–	36.7	–	29.4	–	–	66.1
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	28.9	–	3.2	32.1	–	–	–	–	32.1
Net finance expense	–	–	–	–	–	–	–	9.9	9.9
Income tax recovery	–	–	–	–	–	–	–	(15.0)	(15.0)
Adjusted EBITDA	$ 50.6	$ (1.0)	$ 4.3	$ 53.9	$ 229.2	$ (1.6)	$ (64.8)	$ –	$ 216.7

Average-realized price

Average-realized price is generally calculated by dividing revenue by sales volume for the given product in a given division. The average-realized price for nickel, cobalt, and fertilizer excludes the impact of by-product revenue and the metals marketing company. The average-realized price for oil and gas includes natural gas production stated in barrels of oil equivalent (boe), which is converted at 6,000 cubic feet per barrel. The table below reconciles average-realized price to revenue as per the financial statements:

$ millions, except average-realized price and sales volume, for the three months ended December 31 — **2014**

	Metals						
	Nickel	**Cobalt**	**Fertilizer**	**Other revenue**	**Total**	**Oil and Gas**	**Power**
Revenue per financial statements	**$ 140.2**	**$ 23.3**	**$ 35.2**	**$ 17.8**	**$ 216.5**	**$ 49.6**	**$ 11.7**
Adjustments to revenue:							
By-product revenue	**–**	**–**	**(3.0)**			**–**	**(1.4)**
Processing revenue	**–**	**–**	**–**			**(2.4)**	**–**
Revenue for purposes of average-realized price calculation	**140.2**	**23.3**	**32.2**			**47.2**	**10.3**
Sales volume for the period	**17.8**	**1.6**	**87.2**			**1.0**	**214**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	**$ 7.89**	**$ 15.34**	**$ 370**			**$ 49.58**	**$ 48.38**

(1) Net working-interest oil production.

(2) Average-realized price may not calculate based on amounts presented due to rounding.

(3) Power, average-realized price per MWh.

$ millions, except average-realized price and sales volume, for the three months ended December 31 — 2013

	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 61.1	$ 11.2	$ 18.5	$ 10.8	$ 101.6	$ 74.9	$ 10.6
Adjustments to revenue:							
By-product revenue	–	–	(2.5)			–	(2.3)
Processing revenue	–	–	–			(1.5)	–
Service concession arrangement revenue	–	–	–			–	(2.0)
Revenue for purposes of average-realized price calculation	61.1	11.2	16.0			73.4	6.3
Sales volume for the period	9.5	0.9	40.5			1.1	146
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ 6.42	$ 12.33	$ 395			$ 69.06	$ 43.08

(1) Net working-interest oil production.

(2) Average-realized price may not calculate based on amounts presented due to rounding.

(3) Power, average-realized price per MWh.

$ millions, except average-realized price and sales volume, for the year ended December 31 — **2014**

	Metals						
	Nickel	**Cobalt**	**Fertilizer**	**Other revenue**	**Total**	**Oil and Gas**	**Power**
Revenue per financial statements (note 5)	**$ 551.3**	**$ 89.6**	**$ 101.8**	**$ 71.1**	**$ 813.8**	**$ 269.3**	**$ 49.0**
Adjustments to revenue:							
By-product revenue	**–**	**–**	**(11.7)**			**–**	**(7.3)**
Processing revenue	**–**	**–**	**–**			**(6.5)**	**–**
Service concession arrangement revenue	**–**	**–**	**–**			**–**	**(2.1)**
Revenue for purposes of average-realized price calculation	**551.3**	**89.6**	**90.1**			**262.8**	**39.6**
Sales volume for the period	**66.5**	**6.0**	**251.1**			**4.0**	**847**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatts
Average-realized price[2][3]	**$ 8.29**	**$ 15.10**	**$ 359**			**$ 65.69**	**$ 46.81**

[1] Net working-interest oil production.
[2] Average-realized price may not calculate based on amounts presented due to rounding.
[3] Power, average-realized price per MWh.

$ millions, except average-realized price and sales volume, for the year ended December 31 — 2013

	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements (note 5)	$ 252.6	$ 46.1	$ 90.6	$ 41.4	$ 430.7	$ 291.4	$ 54.8
Adjustments to revenue:							
By-product revenue	–	–	(12.3)			–	(9.9)
Processing revenue	–	–	–			(6.1)	–
Service concession arrangement revenue	–	–	–			–	(19.8)
Revenue for purposes of average-realized price calculation	252.6	46.1	78.3			285.3	25.1
Sales volume for the period	36.9	3.7	170.1			4.1	589
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatts
Average-realized price[2][3]	$ 6.86	$ 12.50	$ 460			$ 68.98	$ 42.63

[1] Net working-interest oil production.
[2] Average-realized price may not calculate based on amounts presented due to rounding.
[3] Power, average-realized price per MWh.

Unit operating cost

With the exception of Metals, which uses net direct cash cost, unit operating cost is generally calculated by dividing cost of sales as reported in the financial statements, less depreciation, depletion and amortization in cost of sales, the impact of impairment, gains and losses on property, plant, and equipment and exploration and evaluation assets and certain other non-production related costs by the number of units sold.

The Moa Joint Venture's and Ambatovy Joint Venture's net direct cash cost is calculated by dividing cost of sales, as reported in the financial statements, adjusted for the following: depreciation, depletion and amortization in cost of sales; cobalt by-product, fertilizer and other revenue; and other costs primarily related to the impact of opening and closing inventory values, by the number of finished nickel pounds sold in the period, and expressed in U.S. dollars. The Corporation commenced including Fort Site refinery by-product fertilizer profit or loss in net direct cash cost effective January 1, 2014. The comparative period has been adjusted accordingly.

In the third quarter of 2014 the Corporation commenced reporting average unit operating costs for Cuba on a gross barrel basis. The Corporation believes this approach is more relevant as the operating costs reported by the Corporation represent costs incurred to produce gross volumes. Therefore, average unit operating costs for Cuba are now determined by dividing operating costs incurred by gross working-interest production instead of net working-interest production. Comparative periods have been adjusted accordingly.

The table below reconciles unit operating cost to cost of sales per the financial statements:

$ millions, except unit cost and sales volume, for the year ended December 31	2014					
	Metals					
	Moa JV and Fort Site	**Ambatovy JV**	**Other**	**Total**	**Oil and Gas**	**Power**
Cost of sales per financial statements	**$ 113.2**	**$ 116.4**	**$ 15.1**	**$ 244.7**	**$ 52.9**	**$ 10.3**
Less:						
Depletion, depreciation and amortization in cost of sales	**(11.3)**	**(43.7)**	**0.5**	**(54.5)**	**(17.5)**	**(5.5)**
	101.9	**72.7**	**15.6**	**190.2**	**35.4**	**4.8**
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(50.3)**	**(9.0)**			**–**	**–**
Impact of opening/closing inventory and other	**(2.7)**	**0.5**			**–**	**–**
Service concession arrangements – Cost of construction	**–**	**–**			**–**	**–**
Other	**–**	**–**			**(13.6)**	**–**
Cost of sales for purposes of unit cost calculation	**48.9**	**64.2**			**21.8**	**4.8**
Sales volume for the period	**9.7**	**8.1**			**1.8**	**214**
Volume units	Millions of pounds	Millions of pounds			Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	**$ 5.04**	**$ 7.96**			**$ 12.25**	**$ 22.82**
Unit operating cost (U.S. dollars)	**$ 4.44**	**$ 6.98**				

(1) Gross working-interest production or GWI production means a working-interest (operating or non-operating) share of oil and gas production, before deduction of royalty obligations and of production to be allocated to government authorities under a production sharing contract or other oil and gas permit. Net working-interest production means a working-interest (operating or non-operating) share of oil and gas production after deduction of royalty obligations and of production allocated to government authorities under a production sharing contract or other oil and gas permit. Under a production sharing contract, net working-interest production equals the sum of the volume of cost recovery oil and the share of profit oil allocated to the contractor.

(2) Unit operating costs may not calculate based on amounts presented due to rounding.

(3) Power, unit operating cost per MWh.

$ millions, except unit cost and sales volume, for the three months ended December 31 — 2013

	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements	$ 128.6	$ –	$ 6.7	$ 135.3	$ 29.7	$ 30.1
Less:						
Depletion, depreciation and amortization in cost of sales	(10.1)	–	(1.3)	(11.4)	(14.4)	(2.3)
	118.5	–	5.4	123.9	15.3	27.8
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(32.1)				–	–
Impact of opening/closing inventory and other	(0.2)				–	–
Service concession arrangements – Cost of construction	–				–	(2.0)
Impairments	(36.7)				–	–
Other	–				–	(22.1)
Cost of sales for purposes of unit cost calculation	49.5				15.3	3.7
Sales volume for the period	9.5				1.9	146
Volume units	Millions of pounds				Millions of barrels[1]	Gigawatts
Unit operating cost[2][3]	$ 5.20				$ 7.86	$ 25.42
Unit operating cost (U.S. dollars)	$ 4.98					

(1) Gross working-interest production or GWI production means a working-interest (operating or non-operating) share of oil and gas production, before deduction of royalty obligations and of production to be allocated to government authorities under a production sharing contract or other oil and gas permit. Net working-interest production means a working-interest (operating or non-operating) share of oil and gas production after deduction of royalty obligations and of production allocated to government authorities under a production sharing contract or other oil and gas permit. Under a production sharing contract, net working-interest production equals the sum of the volume of cost recovery oil and the share of profit oil allocated to the contractor.

(2) Unit operating costs may not calculate based on amounts presented due to rounding.

(3) Power, unit operating cost per MWh.

$ millions, except unit cost and sales volume, for the year ended December 31 — **2014**

	Metals					
	Moa JV and Fort Site	**Ambatovy JV**	**Other**	**Total**	**Oil and Gas**	**Power**
Cost of sales per financial statements (note 5)	**$ 408.0**	**$ 424.3**	**$ 62.2**	**$ 894.5**	**$ 150.0**	**$ 37.1**
Less:						
Depletion, depreciation and amortization in cost of sales	**(39.0)**	**(152.5)**	**0.5**	**(191.0)**	**(66.3)**	**(20.4)**
	369.0	**271.8**	**62.7**	**703.5**	**83.7**	**16.7**
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(156.0)**	**(36.1)**			**–**	**–**
Impact of opening/closing inventory and other	**(12.2)**	**(2.1)**			**–**	**–**
Service concession arrangements – Cost of construction	**–**	**–**			**–**	**(2.1)**
Other	**–**	**–**			**(14.4)**	**–**
Cost of sales for purposes of unit cost calculation	**200.8**	**233.6**			**69.3**	**14.6**
Sales volume for the period	**36.6**	**29.9**			**7.3**	**847**
Volume units	Millions of pounds	Millions of pounds			Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	**$ 5.49**	**$ 7.81**			**$ 9.45**	**$ 17.25**
Unit operating cost (U.S. dollars)	**$ 4.99**	**$ 7.04**				

(1) Gross working-interest production or GWI production means a working-interest (operating or non-operating) share of oil and gas production, before deduction of royalty obligations and of production to be allocated to government authorities under a production sharing contract or other oil and gas permit. Net working-interest production means a working-interest (operating or non-operating) share of oil and gas production after deduction of royalty obligations and of production allocated to government authorities under a production sharing contract or other oil and gas permit. Under a production sharing contract, net working-interest production equals the sum of the volume of cost recovery oil and the share of profit oil allocated to the contractor.

(2) Unit operating costs may not calculate based on amounts presented due to rounding.

(3) Power, unit operating cost per MWh.

$ millions, except unit cost and sales volume, for the year ended December 31 — 2013

	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements (note 5)	$ 413.6	$ –	$ 31.3	$ 444.9	$ 119.6	$ 83.7
Less:						
Depletion, depreciation and amortization in cost of sales	(38.1)	–	(3.3)	(41.4)	(65.5)	(9.8)
	375.5	–	28.0	403.5	54.1	73.9
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(145.1)				–	–
Impact of opening/closing inventory and other	(9.6)				–	–
Service concession arrangements – Cost of construction	–				–	(19.8)
Impairments	(36.7)				–	(39.3)
Cost of sales for purposes of unit cost calculation	184.1				54.1	14.8
Sales volume for the period	36.9				7.5	589
Volume units	Millions of pounds				Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	$ 5.00				$ 7.09	$ 25.08
Unit operating cost (U.S. dollars)	$ 4.86					

(1) Gross working-interest production or GWI production means a working-interest (operating or non-operating) share of oil and gas production, before deduction of royalty obligations and of production to be allocated to government authorities under a production sharing contract or other oil and gas permit. Net working-interest production means a working-interest (operating or non-operating) share of oil and gas production after deduction of royalty obligations and of production allocated to government authorities under a production sharing contract or other oil and gas permit. Under a production sharing contract, net working-interest production equals the sum of the volume of cost recovery oil and the share of profit oil allocated to the contractor.

(2) Unit operating costs may not calculate based on amounts presented due to rounding.

(3) Power, unit operating cost per MWh.

Adjusted earnings from continuing operations

The Corporation defines adjusted earnings from continuing operations as earnings from continuing operations less items not reflective of operational performance. These adjusting items include, but are not limited to, the Ambatovy call option fair value adjustment, impairment of assets, gains and losses on the acquisition or disposition of assets, gains and losses on unrealized foreign exchange, and other one-time adjustments. While some adjustments are recurring (such as the Ambatovy call option fair value adjustment), management believes that they do not reflect the Corporation's operational performance or future operational performance. Management believes that these measures, which are used internally to monitor operational performance, provide investors the ability to better assess the Corporation's operations.

The table below reconciles adjusted earnings from continuing operations:

$ millions, except weighted average shares outstanding and per share amounts	For the three months ended **2014** **December 31**	 2013 December 31	For the years ended **2014** **December 31**	 2013 December 31
Net (loss) earnings from continuing operations	**$ (147.7)**	$ (142.6)	**$ (318.5)**	$ (158.5)
Adjusting items:				
Corporate – Call option fair value adjustment	**4.6**	13.6	**8.5**	1.2
Corporate – Arbitration Settlement	**(1.3)**	–	**(14.1)**	–
Corporate – Gain on release of Mineral Products ERO	**–**	–	**–**	(2.6)
Corporate – Refinancing of Debentures	**33.6**	–	**33.6**	–
Corporate – Gain on sale of Corporate assets	**(3.3)**	–	**(3.3)**	–
Metals – Impairment of Phase 2 expansion costs	**–**	36.7	**–**	36.7
Power – Impairment of Madagascar assets and receivable	**–**	–	**–**	17.2
Power – Reclassification of Boca de Jaruco Project costs	**–**	8.5	**–**	8.5
Power – Impairment of Energas assets	**–**	22.1	**–**	22.1
Power – Interest adjustment	**3.0**	–	**3.0**	–
Oil & Gas – North Sea and Alboran Sea exploration license impairment	**12.3**	–	**12.3**	–
Oil & Gas – Revenue adjustment	**4.5**	–	**4.5**	–
Oil & Gas – Obsolete inventory and asset impairment	**3.6**	–	**4.3**	–
Unrealized FX (gain) loss from continuing operations	**5.7**	(7.2)	**15.0**	(11.7)
Restructuring expense	**8.5**	–	**8.5**	–
TOTAL ADJUSTMENTS, BEFORE TAX	**$ 71.2**	$ 73.7	**$ 72.3**	$ 71.4
Tax adjustments	**(3.5)**	36.6	**(0.3)**	21.4
ADJUSTED NET (LOSS) EARNINGS FROM CONTINUING OPERATIONS	**$ (80.0)**	$ (32.3)	**$ (246.5)**	$ (65.7)

Adjusted continuing operating cash flow per share

The Corporation defines adjusted continuing operating cash flow per share as cash provided by continuing operating activities before net change in non-cash working capital as provided in the financial statements for the period divided by the weighted average number of outstanding shares during the period.

The table below reconciles adjusted continuing operating cash flow per share to cash provided by operating activities:

$ millions, except weighted average shares outstanding and per share amounts	For the three months ended **2014** **December 31**	 2013 December 31	For the years ended **2014** **December 31**	 2013 December 31
Cash provided by continuing operations	**$ 39.4**	$ 27.1	**$ 109.6**	$ 100.0
Adjust: net change in non-cash working capital	**(62.8)**	(72.1)	**(34.2)**	(53.3)
Adjusted continuing operating cash flow	**$ (23.4)**	$ (45.0)	**$ 75.4**	$ 46.7
Weighted-average number of common shares – basic	**296.9**	296.9	**297.0**	296.7
Adjusted continuing operating cash flow per share	**$ (0.08)**	$ (0.15)	**$ 0.25**	$ 0.16

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements set out in the "Outlook" sections of this MD&A and certain expectations about capital costs and expenditures; capital project completion dates; Ambatovy production rate achievement date; sales volumes; revenue, costs, and earnings; sufficiency of working capital and capital project funding; completion of development and exploration wells; restructuring plan cost savings; and amounts of certain joint venture commitments.

Forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; realized prices for production; earnings and revenues; development and exploratory wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory approvals; compliance with applicable environmental laws and regulations; the impact of regulations related to greenhouse gas emissions and credits; debt repayments; collection of accounts receivable; and certain corporate objectives, goals and plans for 2015. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. 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. The Corporation cautions readers of this MD&A not to place undue reliance on any forward-looking statement 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.

Key factors that may result in material differences between actual results and developments and those contemplated by this MD&A include global economic and market conditions, and business, economic and political conditions in Canada, Cuba, Madagascar, and the principal markets for the Corporation's products. Other such factors include, but are not limited to, uncertainties in the development, construction, ramp-up and operation of large mining, processing and refining projects; risks related to the availability of capital to undertake capital initiatives; changes in capital cost estimates in respect of the Corporation's capital initiatives; risks associated with the Corporation's joint-venture partners; expectations of the timing of financial completion at the Ambatovy Joint Venture; risk of future non-compliance with financial covenants; potential interruptions in transportation; political, economic and other risks of foreign operations; the Corporation'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; uncertainty of gas supply for electrical generation; uncertainties in oil and gas exploration; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; risks related to the Cuban government's and Malagasy government's ability to make certain payments to the Corporation; risks related to exploration and development programs; uncertainties in reserve estimates; risks associated with access to reserves and resources; uncertainties in environmental rehabilitation provisions estimates; risks related to the Corporation's reliance on partners and significant customers; risks related to the Corporation's corporate structure; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; the Corporation's ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; risks associated with future acquisitions; uncertainty in the ability of the Corporation to obtain government permits; risks associated with governmental regulations regarding greenhouse gas emissions; risks associated with government regulations and environmental, health and safety matters; uncertainties in growth management; interest rate risk; risks related to political or social unrest or change and those in respect of indigenous and community relations; risks associated with rights and title claims; and other factors listed from time to time in the Corporation's continuous disclosure documents. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this MD&A and in the Corporation's other documents filed with the Canadian securities authorities.

The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this MD&A and in the Corporation's other documents filed with the Canadian securities authorities including, but not limited to, the Corporation's Annual Information Form for the year ended December 31, 2013 should be read for a description of certain factors that could cause the actual results of the Corporation to differ materially from those in the oral forward-looking statements. The forward-looking information and statements contained in this MD&A are made as of the date hereof and the Corporation undertakes no obligation to update publicly or revise any oral or written forward-looking information or statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement.

Management's report

Management is responsible for the preparation of the accompanying consolidated financial statements of the Corporation in accordance with International Financial Reporting Standards, and for its discussion and analysis of results and financial condition, which includes information that is consistent with the consolidated financial statements. Systems of internal control are maintained by the Corporation to provide reasonable assurance of the completeness and accuracy of the financial information. These systems include the delegation of authority and segregation of responsibilities among qualified personnel in accordance with operating and financial policies and procedures. The Board of Directors appoints an Audit Committee, which meets with representatives of the Corporation's financial personnel and the Corporation's independent auditor. The Audit Committee reviews the Corporation's accounting policies and the scope and the results of the independent auditor's examination of the Corporation's consolidated financial statements. The Corporation also has an internal audit function that evaluates and formally reports to management and the Audit Committee on the adequacy and effectiveness of internal controls specified in the approved annual internal audit plan. The independent auditor, that is appointed by the shareholders, examines and reports on the consolidated financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. The independent auditor's report to the shareholders of the Corporation is set out on the next page. The accompanying consolidated financial statements have been reviewed and approved by the Board of Directors and the Audit Committee.

David V. Pathe
President and Chief Executive Officer

Dean Chambers
Executive Vice President and
Chief Financial Officer

February 11, 2015

Independent auditor’s report

To the Shareholders of Sherritt International Corporation

We have audited the accompanying consolidated financial statements of Sherritt International Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders’ equity and consolidated statements of cash flow for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sherritt International Corporation as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
February 11, 2015
Toronto, Canada

Consolidated statements of comprehensive income (loss)

Canadian $ millions, except per share amounts, for the years ended December 31	Note	2014	2013
REVENUE		$ 455.6	$ 448.5
Cost of sales	6	318.0	311.9
GROSS PROFIT		137.6	136.6
Administrative expenses	6	63.4	77.9
OPERATING PROFIT		74.2	58.7
Gain on arbitration settlement	9	14.1	–
Restructuring expense	10	(7.5)	–
Gain on sale of Corporate assets	14	3.3	–
Share of loss of an associate, net of tax	7	(205.4)	(0.2)
Share of earnings (loss) of joint venture, net of tax	8	9.4	(24.0)
(LOSS) EARNINGS FROM OPERATIONS, ASSOCIATE AND JOINT VENTURE		(111.9)	34.5
Financing income	11	(52.2)	(12.9)
Financing expense	11	213.4	134.1
NET FINANCE EXPENSE		161.2	121.2
LOSS BEFORE TAX		(273.1)	(86.7)
Income tax expense	12	45.4	71.8
NET LOSS FROM CONTINUING OPERATIONS		(318.5)	(158.5)
Earnings (loss) from discontinued operations, net of tax	13	28.5	(501.8)
NET LOSS FOR THE YEAR		$ (290.0)	$ (660.3)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation differences on foreign operations	24	260.8	164.2
Items that will not be subsequently reclassified to profit or loss:			
Actuarial (losses) gains on pension plans, net of tax			
Continuing operations	24	(1.1)	0.9
Discontinued operations	24	0.6	3.6
OTHER COMPREHENSIVE INCOME		260.3	168.7
TOTAL COMPREHENSIVE LOSS		$ (29.7)	$ (491.6)
NET LOSS FROM CONTINUING OPERATIONS PER COMMON SHARE, BASIC AND DILUTED	15	$ (1.07)	$ (0.53)
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	15	$ (0.97)	$ (2.23)

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

Consolidated statements of financial position

Canadian $ millions, as at	Note	2014 December 31	2013 December 31
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	16	**$ 160.6**	$ 324.2
Restricted cash		**1.0**	1.0
Short-term investments	16	**315.6**	327.6
Investments	17	**–**	6.0
Advances, loans receivable and other financial assets	18	**75.6**	76.7
Trade accounts receivable, net	16	**264.9**	253.9
Income taxes receivable		**–**	1.2
Inventories	19	**30.6**	35.5
Prepaid expenses		**6.8**	10.1
		855.1	1,036.2
NON-CURRENT ASSETS			
Advances, loans receivable and other financial assets	18	**1,922.4**	1,549.2
Other non-financial assets	18	**1.2**	2.2
Property, plant and equipment	20	**422.1**	392.8
Investment in an associate	7	**1,548.5**	1,652.5
Investment in a joint venture	8	**380.1**	352.0
Intangible assets	21	**149.4**	163.7
Deferred income taxes		**2.3**	3.7
		4,426.0	4,116.1
Assets of discontinued operations	13	**–**	1,305.5
Assets held for sale	14	**2.1**	–
TOTAL ASSETS		**$ 5,283.2**	$ 6,457.8
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Loans and borrowings	22	**$ 1.6**	$ 365.2
Trade accounts payable and accrued liabilities		**131.6**	104.7
Income taxes payable		**22.0**	15.8
Other financial liabilities	22	**3.2**	4.4
Other non-financial liabilities	22	**17.2**	27.6
Provisions	23	**18.0**	36.7
		193.6	554.4
NON-CURRENT LIABILITIES			
Loans and borrowings	22	**1,858.3**	2,124.6
Other financial liabilities	22	**4.2**	2.8
Other non-financial liabilities	22	**4.0**	4.2
Provisions	23	**108.8**	88.2
Deferred income taxes		**55.6**	51.7
		2,030.9	2,271.5
Liabilities of discontinued operations	13	**–**	524.7
TOTAL LIABILITIES		**2,224.5**	3,350.6
SHAREHOLDERS' EQUITY			
Capital stock	24	**2,772.9**	2,808.5
(Deficit) retained earnings		**(259.9)**	40.2
Reserves	24	**225.2**	196.5
Accumulated other comprehensive income	24	**320.5**	62.0
		3,058.7	3,107.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 5,283.2**	$ 6,457.8

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

Approved by the Board,

Harold (Hap) Stephen
Director

David V. Pathe
Director

Consolidated statements of cash flow

Canadian $ millions, for the years ended December 31	Note	2014	2013
OPERATING ACTIVITIES			
Net loss from continuing operations		**$ (318.5)**	$ (158.5)
Depletion, depreciation and amortization		**101.4**	89.1
Share of loss of an associate, net of tax	7	**205.4**	0.2
Share of (earnings) loss of a joint venture, net of tax	8	**(9.4)**	24.0
Loss on impairment of assets	6	**14.8**	46.9
Finance costs (less accretion expense)	11	**159.8**	119.3
Income tax expense	12	**45.4**	71.8
Gain on settlement of environmental rehabilitation provisions		**–**	(0.2)
Service concession arrangement		**(2.1)**	(19.8)
Gain on sale of Corporate assets		**(3.3)**	–
Net change in non-cash working capital	26	**34.2**	53.3
Interest received		**19.6**	17.2
Interest paid		**(66.8)**	(88.4)
Premium paid on redemption of debentures		**(33.6)**	–
Income tax paid		**(41.8)**	(58.5)
Dividends received from joint venture		**–**	2.3
Liabilities settled for environmental rehabilitation provisions		**–**	0.2
Other operating items	26	**4.5**	1.1
Cash provided by continuing operations		**109.6**	100.0
Cash provided by discontinued operations	13	**18.6**	104.7
CASH PROVIDED BY OPERATING ACTIVITIES		**128.2**	204.7
INVESTING ACTIVITIES			
Property, plant and equipment expenditures	5	**(80.8)**	(67.3)
Intangible expenditures	5	**(1.5)**	(12.3)
Increase in advances, loans receivable and other financial assets		**(1.1)**	(39.5)
Repayment of advances, loans receivable and other financial assets		**10.7**	33.7
Investments		**6.2**	28.0
Loans to an associate		**(191.2)**	(65.3)
Investment in an associate		**–**	(154.9)
Net proceeds from sale of Corporate assets		**2.1**	–
Net proceeds from sale of property, plant and equipment		**0.4**	(0.2)
Net proceeds from sale of Coal operations, net of cash disposed	13	**804.3**	–
Short-term investments		**12.0**	28.5
Cash provided (used) by continuing operations		**561.1**	(249.3)
Cash used by discontinued operations	13	**(13.5)**	(31.6)
CASH PROVIDED (USED) BY INVESTING ACTIVITIES		**547.6**	(280.9)
FINANCING ACTIVITIES			
Repayment of loans and borrowings and other financial liabilities	22	**(365.3)**	(63.0)
Increase in loans, borrowings and other financial liabilities	22	**–**	384.6
Repayment of senior unsecured debentures	22	**(675.0)**	–
Issuance of senior unsecured debentures, net of financing costs	22	**239.0**	–
Issuance of common shares		**1.0**	1.4
Share repurchase	24	**(10.0)**	–
Dividends paid on common shares	24	**(21.9)**	(49.5)
Cash (used) provided by continuing operations		**(832.2)**	273.5
Cash used by discontinued operations	13	**(9.5)**	(21.8)
CASH USED (PROVIDED) BY FINANCING ACTIVITIES		**(841.7)**	251.7
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**2.3**	1.6
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(163.6)**	177.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**324.2**	147.1
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**$ 160.6**	$ 324.2

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

Consolidated statements of changes in shareholders' equity

Canadian $ millions	Note	Capital stock	Retained earnings (deficit)	Reserves	Accumulated other comprehensive income (loss)	Total
		(note 24)	(note 24)	(note 24)	(note 24)	
BALANCE AS AT JANUARY 1, 2013		**$ 2,806.1**	**$ 774.5**	**$ 194.9**	**$ (129.6)**	**$ 3,645.9**
Total comprehensive income (loss):						
Net loss for the year		–	(660.3)	–	–	(660.3)
Foreign currency translation differences on foreign operations	24	–	–	–	164.2	164.2
Actuarial gains on defined benefit obligations, net of tax	24	–	–	–	4.5	4.5
		–	(660.3)	–	168.7	(491.6)
Shares issued for:						
Restricted stock plan (vested)	24	0.8	–	(0.8)	–	–
Employee share purchase plan (vested)	24	1.6	–	(0.2)	–	1.4
Restricted stock plan expense	25	–	–	0.6	–	0.6
Employee share purchase plan expense	25	–	–	0.4	–	0.4
Stock option plan expense	25	–	–	1.6	–	1.6
Reclassification on settlement of pension obligation	24	–	(22.9)	–	22.9	–
Dividend declared to common shareholders		–	(51.1)	–	–	(51.1)
BALANCE AS AT DECEMBER 31, 2013		**$ 2,808.5**	**$ 40.2**	**$ 196.5**	**$ 62.0**	**$ 3,107.2**
Total comprehensive income (loss):						
Net loss for the year		–	(290.0)	–	–	(290.0)
Foreign currency translation differences on foreign operations	24	–	–	–	260.8	260.8
Actuarial gains on defined benefit obligations, net of tax	24	–	–	–	(0.5)	(0.5)
		–	(290.0)	–	260.3	(29.7)
Shares issued for:						
Restricted stock plan (vested)	24	0.7	–	(0.7)	–	–
Employee share purchase plan (vested)	24	1.2	–	(0.2)	–	1.0
Share repurchase	24	(37.5)	–	27.5	–	(10.0)
Restricted stock plan expense	25	–	–	0.7	–	0.7
Employee share purchase plan expense	25	–	–	0.1	–	0.1
Stock option plan expense	25	–	–	1.3	–	1.3
Reclassification on settlement of pension obligation	24	–	1.8	–	(1.8)	–
Dividend declared to common shareholders		–	(11.9)	–	–	(11.9)
BALANCE AS AT DECEMBER 31, 2014		**$ 2,772.9**	**$ (259.9)**	**$ 225.2**	**$ 320.5**	**$ 3,058.7**

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

Notes to the consolidated financial statements

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

Note 1 Nature of operations and corporate information

Sherritt is a world leader in the mining and refining of nickel from lateritic ores with projects and operations in Canada, Cuba, and Madagascar. The Corporation is the largest independent energy producer in Cuba, with extensive oil and power operations across the island. Sherritt licenses its proprietary technologies and provides metallurgical services to mining and refining operations worldwide. The Corporation had an interest in thermal coal technology and production up to April 28, 2014, the date of the Coal sale (note 13).

The Corporation is domiciled in Ontario, Canada and its registered office is 1133 Yonge Street, Toronto, Ontario, M4T 2Y7. These consolidated financial statements were approved and authorized for issuance by the Board of Directors of Sherritt on February 11, 2015. The Corporation is listed on the Toronto Stock Exchange.

Note 2 Basis of presentation

2.1 BASIS OF PRESENTATION

The consolidated financial statements of the Corporation are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). These financial statements include the accounts of the Corporation's interest in its subsidiaries, joint arrangements and an associate.

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

The significant accounting policies described below are consistently applied to all the periods presented.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.2 PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the financial position, results of operations and cash flows of the Corporation, its subsidiaries, its interest in an associate, its interest in a joint venture, and its share of assets, liabilities, revenues and expenses related to its interests in joint operations. Intercompany balances, transactions, income and expenses, profits and losses, including unrealized gains and losses relating to subsidiaries and joint operations have been eliminated on consolidation.

The Corporation's significant subsidiaries, joint ventures and interest in an associate are as follows:

	Relationship	Geographic location	Economic interest	Basis of accounting
METALS				
Moa Joint Venture	Joint venture		50%	Equity method
Composed of the following operating companies:				
International Cobalt Company Inc.		Bahamas	50%	
Moa Nickel S.A.		Cuba	50%	
The Cobalt Refinery Company Inc.		Canada	50%	
Ambatovy Joint Venture	Associate		40%	Equity method
Composed of the following operating companies:				
Ambatovy Minerals S.A.		Madagascar	40%	
Dynatec Madagascar S.A.		Madagascar	40%	
OIL AND GAS				
Sherritt International (Cuba) Oil and Gas Ltd.	Subsidiary	Cuba	100%	Full consolidation
Sherritt International Oil and Gas Ltd.	Subsidiary	Canada	100%	Full consolidation
POWER				
Energas S.A. (Energas)	Joint operation	Cuba	33⅓%	Economic interest recognized

Subsidiaries

Subsidiaries are entities over which the Corporation has control. Control is defined as when the Corporation is exposed or has rights to the variable returns from the subsidiary and has the ability to affect those returns through its power over the subsidiary. Power is defined as existing rights that give the Corporation the ability to direct the relevant activities of the subsidiary. Subsidiaries are fully consolidated from the date control is transferred to the Corporation and are de-consolidated from the date control ceases.

Joint arrangements

A joint arrangement is an arrangement whereby two or more parties are subject to joint control. Joint control is considered to be when all parties to the joint arrangement are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. The Corporation has two types of joint arrangements:

(i) Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the net assets of the arrangement. Interests in joint ventures are recognized as an investment and accounted for using the equity method of accounting.

- The Corporation recognizes its share of earnings (loss) net of tax in the consolidated statements of comprehensive income (loss) which is adjusted against the carrying amount of its interest in a joint venture;
- If the Corporation's share of losses equals or exceeds the carrying value of its investment in joint venture in the future, the Corporation does not recognize further losses, unless it has incurred obligations or made payments on behalf of the entity;
- Unrealized gains and losses on transactions between the Corporation and its joint venture are eliminated to the extent of the Corporation's interest in this entity. Unrealized losses are eliminated only to the extent that there is no evidence of impairment; and
- Interest revenue on a loan receivable from a joint venture is recognized to the extent of Sherritt's economic interest.

(ii) Joint operations

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the assets and obligations for liabilities relating to the arrangement. Interests in joint operations are accounted for by recognizing the Corporation's share of assets, liabilities, revenues, and expenses.

Associate

An associate is an entity over which the Corporation has significant influence but does not have the power to participate in the operating and financial policies of the entity.

- The Corporation recognizes its share of earnings (loss) net of tax in the consolidated statements of comprehensive income (loss) which is adjusted against the carrying amount of its investment in the associate;
- If the Corporation's share of losses equals or exceeds the carrying value of its investment in an associate in the future, the Corporation does not recognize further losses, unless it has incurred obligations or made payments on behalf of the entity;
- Unrealized gains and losses on transactions between the Corporation and its associate are eliminated to the extent of the Corporation's interest in this entity. Unrealized losses are eliminated only to the extent that there is no evidence of impairment; and
- Prior to Commercial Production, interest revenue on a loan receivable from an associate is fully eliminated. Subsequent to commercial production, interest revenue on a loan receivable from an associate is recognized to the extent of Sherritt's economic interest.

2.3 HELD FOR SALE AND DISCONTINUED OPERATIONS

Individual non-current assets or disposal groups (i.e. groups of assets and liabilities to be disposed of, by sale or otherwise) are classified as held for sale, if the following criteria are met:

- The assets (or disposal groups) must be available for immediate sale, in their present condition, subject to terms that are usual and customary of such assets (or disposal groups); and
- The sale is highly probable.

Individual non-current assets or disposal groups are classified, and presented, as discontinued operations if the assets or disposal groups are disposed of or classified as held for sale and if the first and second or third of the following criteria are met:

- The assets or disposal groups represent a separate major line of business or geographical area of operations;
- The assets or disposal groups are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- The assets or disposal groups are a subsidiary acquired solely for the purpose of resale.

Assets or disposal groups that meet these criteria are measured at the lower of carrying amount and fair value less costs to sell. The assets and liabilities of the disposal group are presented separately on the face of the consolidated statements of financial position as a single asset and a single liability, respectively. The comparative period consolidated statements of financial position are not restated.

When the fair value less costs to sell of a disposal group is lower than the carrying amount at the time of classification as held for sale, the resulting impairment is recognized in the consolidated statements of comprehensive income (loss) in that period. A gain for any subsequent increase in fair value less costs to sell of a disposal group is recognized, but not in excess of the cumulative impairment loss.

Non-current assets held for sale are not depreciated or amortized. Interest and other expenses attributable to the liabilities of a disposal group are recognized.

The results of discontinued operations are shown separately in the consolidated statements of comprehensive income (loss) and cash flow, and comparative figures are restated. When the sale is expected to occur beyond one year, the costs to sell are measured at their present value. Any increase in the present value of the costs to sell arising from the passage of time is presented as a financing expense.

2.4 STATEMENTS OF CASH FLOW

The Corporation presents interest paid and received as an operating activity in the consolidated statements of cash flow. Dividends paid are presented as a financing activity and dividends received are presented as an operating activity on the consolidated statements of cash flow. The Corporation presents the consolidated statements of cash flow using the indirect method.

2.5 BASIS OF SEGMENTED DISCLOSURE

When determining its reportable segments, the Corporation considers qualitative factors, such as operations that offer distinct products and services and are considered to be significant by the Chief Operating Decision Makers (senior management). The Corporation also considers quantitative thresholds when determining reportable segments, such as if revenue, earnings (loss) or assets are greater than 10% of the total consolidated revenue, net earnings (loss), or assets of all the reportable segments, respectively. Operating segments that share similar economic characteristics are aggregated to form a single reportable segment. The reportable segments' financial results are reviewed by senior management.

The Corporation's reportable segments are based on operations that offer distinct products and services.

- The Metals segment comprises all mining, processing and marketing activities of nickel and cobalt and includes the production and sale of agricultural fertilizers. The Corporation aggregates the operating segments of the Ambatovy Joint Venture including a wholly-owned subsidiary established to buy, market and sell certain Ambatovy nickel production, and the Moa Joint Venture including operations in Fort Saskatchewan.
- The Oil and Gas segment includes the oil and gas operations in Cuba as well as the exploration and development of oil and gas in Cuba, Spain, Pakistan and the United Kingdom.
- The Power segment includes the operations in Cuba, which construct and operate electricity generating plants that provide electricity in Cuba, and includes an electricity generating plant in Madagascar.
- The Corporate and Other segment is comprised of the metallurgical technology business, management of cash and short-term investments, and general corporate activities.

2.6 REVENUE RECOGNITION

Revenue from the sale of goods and services is recognized when the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods, the Corporation retains neither continuing managerial involvement nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Corporation, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Metals

In Metals, these criteria are generally met when the transfer of ownership, as specified in the sales contract, is fulfilled, which is upon shipment or delivery to destination.

Certain Metals product sales are provisionally priced, with the selling price subject to final adjustment at the end of a quotation period, in accordance with the terms of the sale. The quotation period is normally within 90 days after shipment to the customer, and final pricing is based on a reference price established at the end of the quotation period.

Revenue from provisionally priced sales is initially recorded at the estimated fair value of the consideration that is expected to be ultimately received based on forecast reference prices. At each reporting date, all outstanding receivables originating from provisionally priced sales are marked-to-market based on a forecast of reference prices at that time. The adjustment to accounts receivable is recorded as an adjustment to sales revenue. Provisional pricing is only used in the pricing of nickel and cobalt sales for which reference prices are established in a freely traded and active market.

Oil and Gas

In Oil and Gas, these criteria are met at the time of production based on the Corporation's working interest. In Cuba, all oil production is sold to the Cuban government and, accordingly, delivery coincides with production. The Corporation is allocated a share of Cuban oil production pursuant to its production-sharing contracts.

Revenue from cost recovery oil, up to the total recoverable costs incurred in connection with oil activities, is recognized when entitlement to the cost recovery oil component of production is established. The production-sharing contracts limit cost recovery oil to a maximum percentage of total production in a calendar quarter, ranging generally between 50% and 60% of total production. Revenue from profit oil represents the Corporation's share of oil production after cost recovery oil production is deducted. Recoverable costs that do not provide cost recovery oil entitlements in the current period are included in the determination of cost recovery oil entitlements, and thus revenue, in future periods.

Power

Substantially all of Power's revenue is from agencies of the Government of Cuba, with the revenue recognition criteria met at the time electricity is delivered or services are performed.

The facilities located in Boca de Jaruco and Puerto Escondido, Cuba operate under a service concession arrangement. In accordance with the accounting guidance for service concession arrangements, Power revenue on operational facilities is recognized at the time electricity is delivered or services are performed, and construction revenue is recorded during periods of new construction, enhancement or upgrade activities. The construction revenue relates to the exchange transaction whereby the Corporation provides design, construction and operating services at Boca de Jaruco or Puerto Escondido in return for the right to charge the Government of Cuba for the future supply of electricity.

The facilities located in Varadero, Cuba and in Madagascar operate under lease arrangements, whereby the Corporation is the lessor. All operating lease revenue related to the Varadero facility is contingent on the amount of electricity produced or services rendered and is recognized as lease payments become due. Operating lease revenue related to the Madagascar facility provides for a fixed return based on the original construction costs of that facility, and is denominated in Euros.

2.7 FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in Canadian dollars, the Corporation's functional and presentation currency.

Translation of foreign entities

The functional currency for each of the Corporation's subsidiaries, joint arrangements and associate is the currency of the primary economic environment in which it operates. Operations with foreign functional currencies are translated into Canadian dollars in the following manner:

- Monetary and non-monetary assets and liabilities are translated at the spot exchange rate in effect at the reporting date;
- Revenue and expense items (including depletion, depreciation and amortization) are translated at average rates of exchange prevailing during the period, which approximate the exchange rates on the transaction dates; and
- Exchange gains and losses that result from translation are recognized as a foreign currency translation adjustment in accumulated foreign currency translation reserve.

Translation of transactions and balances

Operations with transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the date of the transaction as follows:

- Monetary assets and liabilities are translated at current rates of exchange with the resulting gains or losses recognized within financing expense in the consolidated statements of comprehensive income (loss);
- Non-monetary items are translated at historical exchange rates; and
- Revenue and expense items are translated at the average rates of exchange, except depletion, depreciation and amortization, which are translated at the rates of exchange applicable to the related assets, with any gains or losses recognized within financing expense in the consolidated statements of comprehensive income (loss).

2.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include capitalized development and pre-production expenditures that are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Also included in the cost of property, plant and equipment are borrowing costs on qualifying capital projects. These are incurred while construction is in progress and before the commencement of commercial production. Once construction of an asset is substantially complete, and the asset is ready for its intended use, the costs are depreciated.

Plant, equipment and land

Plant, equipment and land includes assets under construction, equipment and processing, refining, power generation and other manufacturing facilities.

The Corporation recognizes major long-term spare parts and standby equipment as plant, equipment and land when the parts and equipment are significant and are expected to be used over a period greater than a year. Major inspections and overhauls required at regular intervals over the useful life of an item of plant, equipment and land are recognized in the carrying amount of the related item if the inspection or overhaul provides benefit exceeding one year.

Plant and equipment are depreciated using the straight-line method based on estimated useful lives, once the assets are available for use. Plant and equipment may have components with different useful lives. Depreciation is calculated based on each individual component's useful life. New components are capitalized to the extent that they meet the recognition criteria of an asset. The carrying amount of the replaced component is derecognized, and any gain/loss is included in net earnings (loss). If the carrying amount of the replaced component is not known, it is estimated based on the cost of the new component less estimated depreciation. The useful lives of the Corporation's plant and equipment are as follows:

Buildings and refineries	5 to 40 years
Machinery and equipment	4 to 50 years
Office equipment	3 to 35 years
Fixtures and fittings	3 to 35 years
Assets under construction	not depreciated during development period

Mining properties

Mining properties include acquisition costs and development costs related to mines in production, properties under development and properties held for future development. Ongoing pre-development costs relating to properties held for future development are expensed as incurred, including property carrying costs, drilling and other exploration costs. Once a project is determined to be commercially viable, development costs are capitalized. Development costs incurred to access reserves at producing properties and properties under development are capitalized and are depreciated on a unit-of-production basis over the life of such reserves. Reserves are measured based on proven and probable reserves.

Oil and gas properties

Oil and gas properties include acquisition costs and development costs related to properties in production, under development and held for future development. Ongoing pre-development costs relating to properties held for future development are capitalized as incurred. Development costs incurred to access reserves at producing properties and properties under development are capitalized and are depreciated on a unit-of-production basis over the life of such reserves. Reserves are measured based on proven and probable reserves.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in net earnings (loss) in the period the item is derecognized.

Capitalization of borrowing costs

Borrowing costs on funds directly attributable to finance the acquisition, construction or production of a qualifying asset are capitalized until such time as substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. A qualifying asset is one that takes a substantial period of time to prepare the asset for its intended use. Where money borrowed specifically to finance a project is invested to earn interest income, the income generated is also capitalized to reduce the total capitalized borrowing costs.

Where the funds used to finance a project form part of general borrowings, interest is capitalized based on the weighted-average interest rate applicable to the general borrowings outstanding during the period of construction.

2.9 LEASES

Leases of property, plant and equipment are classified as finance leases when the lessee retains substantially all the risks and rewards of ownership. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Corporation as a lessee

Finance leases are capitalized at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding lease obligations, net of finance charges, are recorded as interest-bearing liabilities. Each lease payment is allocated between the liability and finance cost when paid.

Operating lease payments (net of any amortization of incentives) are expensed as incurred. Incentives received from the lessor to enter into an operating lease are capitalized and depreciated over the life of the lease.

Determining whether an arrangement contains a lease

The Corporation determines whether a lease exists at the inception of an arrangement. A lease exists when one party is effectively granted control of a specific asset over the term of the arrangement.

At inception or upon reassessment of arrangements containing leases, the Corporation separates payments and other consideration required related to lease payments from those related to other goods or services using relative fair value or other estimation techniques.

2.10 OVERBURDEN REMOVAL COSTS

The costs of removing overburden to access mineral reserves at producing mines, referred to as stripping costs, are accounted for as variable production costs to be included in the cost of inventory, unless overburden removal creates economic benefit beyond providing access to the underlying reserve, in which case these costs are capitalized and depreciated using the units-of-production basis to cost of sales over the life of the related mineral reserves.

2.11 INTANGIBLE ASSETS

Intangible assets are developed internally or acquired as part of a business combination. Internally generated assets are recognized at cost and primarily arise as a result of exploration and evaluation activity and service concession arrangements. Intangible assets acquired as part of a business combination are recognized separately from goodwill if the asset is separable or arises from contractual or legal rights. Intangible assets are also recognized when acquired individually or with a group of other assets. Intangible assets are initially recorded at their estimated fair value. Intangible assets with a finite life are amortized over their useful economic lives on a straight-line or units-of-production basis, as appropriate. The amortization expense is included in cost of sales unless otherwise noted. Intangible assets that are not yet ready for use are not amortized until put into use. They are reviewed for impairment at least annually. The Corporation has no identifiable intangible assets for which the expected useful life is indefinite.

Exploration and evaluation

Exploration and evaluation (E&E) expenditures are measured using the cost model and generally include the costs of licenses, technical services and studies, seismic studies, exploration drilling and testing, and directly attributable overhead and administration expenses including remuneration of operating personnel and supervisory management. These costs do not include general prospecting or evaluation costs incurred prior to having obtained the rights to explore an area, which are expensed as they are incurred.

E&E expenditures related to oil and gas properties are capitalized and carried forward until technical feasibility and commercial viability of extracting the resource is established. The technical feasibility and commercial viability is established when economic quantities of proven and/or probable reserves are determined to exist, at which point the E&E assets attributable to those reserves are reviewed for impairment before being transferred to property, plant and equipment.

Service concession arrangements

Service concession arrangements are contracts between private sector and government entities and can involve the construction, operation or upgrading of public infrastructure. Service concession arrangements can be classified as financial assets (where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement) or intangible assets (where the operator's future cash flows are not specified).

Through its interest in Energas, the Corporation has been contracted to design, construct and operate electrical generating facilities at Boca de Jaruco and Puerto Escondido, Cuba, on behalf of the Cuban government. The sale price of electricity is contractually fixed, but decreases after loans provided by the Corporation to fund the construction are fully repaid. Ownership of these facilities will be transferred to the Cuban government for nil consideration at the end of the contract term which ends in 2023. Energas bears the demand risk on revenues related to assets covered under service concession arrangements as receipts are based on usage rather than an unconditional right to receive cash. As a result, the Boca de Jaruco and Puerto Escondido assets have been classified as intangible assets and represent the Corporation's right to charge the Government of Cuba for future electricity and by-products delivered.

During periods of new construction, enhancement or upgrade activities, the Corporation records a new intangible asset and a corresponding construction revenue amount to reflect the right to charge the Cuban government for an incremental future supply of electricity. The construction expenses relating to the new construction activity are expensed as incurred. The net result of the construction activity is a nil impact to net earnings. Once operational, the carrying amount of the new service concession intangible asset, including capitalized interest, is amortized on a straight-line basis over the remaining contract term.

Repair, maintenance and replacement costs incurred in relation to service concession intangible assets are expensed as incurred.

Amortization

The following intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Contractual arrangements	15 years
Customer contracts	2 years
Technical knowledge	10 years
Service concession arrangements	12 years
Exploration and evaluation	not amortized during development period

2.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Corporation assesses the carrying amount of non-financial assets including property, plant and equipment and intangible assets at each reporting date to determine whether there is any indication of impairment. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist. The Corporation tests goodwill for impairment annually.

An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount. The recoverable amount takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use. To achieve this, the recoverable amount is the higher of value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs to sell the asset(s).

Impairment is assessed at the cash-generating unit (CGU) level. A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or group of assets. The assets of the corporate head office are allocated on a reasonable and consistent basis to CGUs or groups of CGUs. The carrying amounts of assets of the corporate head office that have not been allocated to a CGU are compared to their recoverable amounts to determine if there is any impairment loss.

For CGUs with goodwill associated with them, an impairment loss is allocated first to any goodwill and then pro-rata to other assets within that group.

If, after the Corporation has previously recognized an impairment loss, circumstances indicate that the recoverable amount of the impaired assets is greater than the carrying amount, the Corporation reverses the impairment loss by the amount the revised fair value exceeds its carrying amount, to a maximum of the previous impairment loss. In no case shall the revised carrying amount exceed the original carrying amount, after depreciation or amortization, that would have been determined if no impairment loss had been recognized. An impairment loss or a reversal of an impairment loss is recognized in cost of sales, or administrative expense, depending on the nature of the asset. Impairment of goodwill is not reversed.

Exploration and evaluation expenditures at Oil and Gas

Upon determination of proven and probable reserves, the related E&E assets attributable to those reserves are tested for impairment prior to being transferred to property, plant and equipment. Capitalized E&E costs are reviewed and evaluated for impairment at each reporting date for events or changes in circumstances that indicate the carrying amount may not be recoverable from future cash flows of the property.

2.13 IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, the Corporation assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial assets include advances, loans receivable, investments and the investment in an associate. A financial asset or a group of financial assets is impaired if there is objective evidence that the estimated future cash flows of the financial asset or the group of financial assets have been negatively impacted. Evidence of impairment may include indications that debtors are experiencing financial difficulty, default or delinquency in interest or principal payments, or other observable data which indicates that there is a measurable decrease in the estimated future cash flows.

Impairment of advances, loans receivable and investments

If an impairment loss has occurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in financing expense. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of financing income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Corporation.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If an impairment is later recovered, the recovery is credited to financing income.

Impairment of the investment in an associate and investment in a joint venture

At each reporting date, the Corporation assesses whether there is any indication that the carrying amount of the Corporation's investment in an associate and investment in a joint venture, including related mineral rights, may be impaired. Significant changes in commodity prices forecasts, reserve estimates and production forecasts are examples of factors that could indicate impairment.

Impairment is determined as the excess of the carrying amount of the investment in an associate over the recoverable amount (higher of value in use and fair value less costs to sell). The fair value less costs to sell is based on estimated future recoverable production, expected commodity or contracted prices (considering current and historical prices, price trends and related factors), foreign exchange rates, production levels, cash costs of production and environmental rehabilitation costs over the life of mine. Cash flow projections are based on detailed mine plans and independent estimates of critical commodity prices.

2.14 PROVISIONS

In general, provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in cost of sales or administrative expenses, depending on the nature of the provision. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as financing expense. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognized, but are disclosed where an inflow of economic benefits is probable.

Environmental rehabilitation

Provisions for environmental rehabilitation include decommissioning and restoration costs when the Corporation has an obligation to dismantle and remove infrastructure and residual materials as well as to restore the disturbed area. Estimated decommissioning and restoration costs are provided for in the accounting period when the obligation arising from the disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The provision for environmental rehabilitation is reviewed and adjusted each period to reflect developments which could include changes in closure dates, legislation, the discount rate or estimated future costs.

The amount recognized as a liability for environmental rehabilitation is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of property, plant and equipment and is depreciated over the life of the corresponding asset. The impact of amortization or unwinding of the discount rate applied in establishing the net present value of the provision is recognized in financing expense. The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates.

Changes to estimated future costs are recognized in the consolidated statements of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16, "Property, Plant and Equipment". Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying amount is taken immediately to cost of sales.

If the change in estimate results in an increase in the rehabilitation provision and therefore an addition to the carrying amount of the asset, the entity is required to consider whether the new carrying amount is recoverable, and whether this is an indication of impairment of the asset as a whole. If indication of impairment of the asset as a whole exists, the Corporation tests for impairment in accordance with IAS 36, "Impairment of Assets". If the revised mine assets, net of rehabilitation provisions, exceed the recoverable value, that portion of the increase is charged directly to cost of sales. For closed sites, changes to estimated costs are recognized immediately in cost of sales. Also, rehabilitation obligations that arise as a result of the production phase of a mine are expensed as incurred.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated cost of outstanding rehabilitation work at each statement of financial position date and any increase in overall cost is expensed.

2.15 INCOME TAXES

The income tax expense or benefit for the reporting period consists of two components: current and deferred taxes.

The current income tax payable or recoverable is calculated using the tax rates and legislation that have been enacted or substantively enacted at each reporting date in each of the jurisdictions and includes any adjustments for taxes payable or recoverable in respect of prior periods.

Current tax assets and liabilities are offset when they relate to the same jurisdiction, the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are determined using the statement of financial position liability method based on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. In calculating the deferred tax assets and liabilities, the tax rates used are those that have been enacted or substantively enacted by each reporting date in each of the jurisdictions and that are expected to apply when the assets are recovered or the liabilities are settled. Deferred income tax assets and liabilities are presented as non-current.

Deferred tax liabilities are recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differences, carry-forward of unused tax losses and carry-forward of unused tax credits, with the exception of the following items:

- Temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the Corporation is able to control the timing of the reversal of temporary differences and such reversals are not probable in the foreseeable future;
- Temporary differences associated with goodwill;
- Temporary differences that arise on the initial recognition of assets and liabilities in a transaction that is not a business combination and has no impact on either accounting profit or taxable profit; and
- Deferred tax assets are only recognized to the extent that it is probable that sufficient taxable profits exist in future periods against which the deductible temporary differences can be utilized.

The probability that sufficient taxable profits exist in future periods against which the deferred tax assets can be utilized is reassessed at each reporting date. The amount of deferred tax assets recognized is adjusted accordingly.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities where they relate to income taxes levied by the same taxation authority on the same taxable entity and where the Corporation has the legal right to offset them.

Current and deferred taxes that relate to items recognized directly in equity are also recognized in equity. All other taxes are recognized in income tax expense in the consolidated statements of comprehensive income (loss).

2.16 STOCK-BASED COMPENSATION

The Corporation operates a number of equity-settled and cash-settled share-based compensation plans under which it issues equity instruments of the Corporation or makes cash payments based on the value of the underlying equity instrument of the Corporation to directors, officers and employees in exchange for services.

The Corporation's equity-settled compensation plans include the stock options plan, the Restricted Stock Plan (RSP) and Employee Share Purchase Plan (Share Purchase Plan). RSP obligations are settled by the purchase of shares on the open market. Equity-settled stock options and Share Purchase Plan obligations are settled by the issuance of shares from treasury. The fair value of the share plans is recognized as an expense over the expected vesting period with a corresponding entry to shareholders' equity. The fair value of the RSP obligation is measured as the value at which the shares are purchased on the market. The fair value of grants issued under the stock options plan and Share Purchase Plan are determined at the date of grant using the Black-Scholes option valuation model. They are only re-measured if there is a modification to the terms of the option, such as a change in exercise price or legal life.

The Corporation's cash-settled share plans, including stock options with tandem stock appreciation rights (Options with Tandem SARs), Restricted Share Units (RSUs) and Deferred Share Units (DSUs) are recognized as liabilities at the date of grant.

The fair value of the liability of the Options with Tandem SARs is determined based on the application of the Black-Scholes option valuation model at the date granted and expensed over the vesting period of the awards based on management's estimate of the number of shares expected to vest. Projections are reviewed at each reporting date up to the vesting date to reflect management's best estimates and adjusted as required. No adjustment is made after the vesting date even if the awards are forfeited or not exercised. Movements in the liability between reporting dates are recognized as an adjustment to the liability and an offsetting expense or recovery. At each reporting date until settlement, the fair value of the awards is re-measured based on revised pricing parameters of the model based on market conditions at the reporting date and estimates of forfeiture rates. Options with Tandem SARs permit awards to be settled in shares. If this occurs, the liability is transferred directly to equity as part of the consideration for the equity instruments issued.

For RSUs issued without performance requirements, the fair value at the date of grant and at each subsequent reporting date until settlement is based on the market value of the shares with the liability expensed over the vesting period. Movements in the liability between reporting dates are recognized as an adjustment to the liability and an offsetting expense or recovery. The adjustment amount is amortized over the remaining vesting period. For RSUs issued with performance requirements, the fair value at the date of grant and at each subsequent reporting date until settlement is based on performance metrics which are defined at the time of issuance and on the market value of the shares with the liability expensed over the vesting period. Adjustments recorded are amortized over the remaining vesting period.

The fair value of DSUs at the date of grant and at each subsequent reporting date until settlement is based on the market value of the shares with the liability expensed over the vesting period. Movements in the liability between reporting dates are recognized as an adjustment to the liability and an offsetting expense or recovery. The adjustment amount is amortized over the remaining vesting period.

2.17 POST-EMPLOYMENT BENEFITS

Post-retirement benefits, primarily relating to the pension plans, are presented in these consolidated financial statements in accordance with IAS 19, "Employee Benefits". The Corporation has both defined benefit and defined contribution plans.

A defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in cost of sales and administrative expenses in the consolidated statements of comprehensive income (loss) in the periods during which services are rendered by employees.

Certain employees are covered under defined benefit pension plans, which provide pensions based on length of service and final average earnings. The asset or liability recognized in the consolidated statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date, less the fair value of plan assets. When the calculation results in a benefit to the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

The defined benefit pension liability and expense are measured actuarially using the projected unit credit method. Obligations for contributions to defined benefit pension plans are recognized as an employee benefit expense in cost of sales and administrative expenses in the consolidated statements of comprehensive income (loss) in the periods during which services are rendered by employees. Defined benefit pension costs are based on management's best estimate of expected plan investment performance, discount rate, salary escalation and retirement age of employees. The discount rate used to determine the accrued benefit obligation is based on market interest rates, as at the measurement date, for high-quality corporate bonds with cash flows that match the timing and amount of expected benefit payments. Plan assets are valued at fair value for the purpose of calculating the return on plan assets. Net interest on plan assets is calculated using the discount rate used to measure the defined benefit obligations and is recognized in the consolidated statements of comprehensive income (loss).

Past service costs are recognized immediately at the earlier of recognizing termination benefits, restructuring charges, or when a plan amendment or curtailment occurs. Actuarial gains and losses are recognized immediately through other comprehensive income (loss).

2.18 FINANCIAL INSTRUMENTS

Management determines the classification of financial assets and financial liabilities at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and/or management's intent. Transaction costs with respect to instruments not classified as held for trading are recognized as an adjustment to the cost of the underlying instruments and amortized using the effective interest method.

The Corporation's financial instruments were classified in the following categories:

Financial assets

Financial assets at fair value through profit or loss – Held for trading:

- Restricted cash; cash equivalents; short-term investments; provisionally priced sales; Ambatovy call option.

Loans and receivables, measured at amortized cost:

- Cash on hand and balances at bank; advances and loans receivable; other financial assets; trade accounts receivable; finance lease receivable.

Financial liabilities

Other financial liabilities, measured at amortized cost:

- Trade accounts payable and accrued liabilities; advances and loans payable; loans and borrowings; finance leases and other equipment financing; other financial liabilities.

Financial assets at fair value through profit or loss

An instrument is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. Financial instruments included in this category are initially recognized at fair value and transaction costs are taken directly to earnings along with gains and losses arising from changes in fair value.

Trade accounts receivable

Trade accounts receivable are initially recognized at fair value including direct and incremental transaction costs and are subsequently measured at amortized cost reduced for any impairment losses. A provision for impairment of trade accounts receivable is established when there is objective evidence that an amount will not be collectible or, in the case of long-term receivables, if there is evidence that the amount will not be collectible in accordance with payment terms.

Trade accounts payable and accrued liabilities

Trade accounts payable and accrued liabilities are initially recognized at fair value including direct and incremental transaction costs and are subsequently measured at amortized cost using the effective interest method.

Loans and borrowings

Loans and borrowings include short-term loans and long-term loans. These liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recorded in financing expense or financing income in the consolidated statements of comprehensive income (loss) over the period of the borrowings using the effective interest method.

Loans and borrowings are classified as a current liability unless the Corporation has an unconditional right to defer settlement for at least 12 months after the consolidated statements of financial position date.

Interest

Interest revenue is recognized using the effective interest method.

Other financial assets and liabilities

Other financial assets primarily include other loans and receivables. Other financial liabilities primarily include other loans and payables. Other financial assets are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost. Other financial liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost using the effective interest method.

Derivative instruments

Derivative instruments, including embedded derivatives, are recorded at fair value unless exempted from derivative treatment as normal purchase and sale. All changes in their fair value are recorded in net earnings.

Derecognition of financial assets and liabilities

A financial asset is derecognized when its contractual rights to the cash flows that compose the financial asset expire or substantially all the risks and rewards of the asset are transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within financing income and financing expense respectively.

Financial instrument measurement hierarchy

All financial instruments are required to be measured at fair value on initial recognition. For those financial assets or liabilities measured at fair value at each reporting date, financial instruments and liquidity risk disclosures require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. These levels are defined below:

Level 1: determined by reference to unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date;
Level 2: valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly; and
Level 3: valuations using inputs that are not based on observable market data.

The Corporation's financial assets subject to the measurement hierarchy are provided in note 16.

2.19 INVENTORIES

Raw materials, materials in process and finished products are valued at the lower of average production cost and net realizable value, with cost determined on a moving weighted-average basis. Spare parts and operating materials within inventory are valued at the lower of average cost and net realizable value, and recognized as cost of sales when used.

The cost of inventory includes all costs related to bringing the inventory to its current condition, including mining and processing costs, labour costs, supplies, direct and allocated indirect operating overhead and depreciation expense, where applicable, including allocation of fixed and variable costs.

Write-downs to net realizable value may be reversed, up to the amount previously written down when circumstances support an increased inventory value.

2.20 GOVERNMENT GRANTS

Government grants are not recognized until there is reasonable assurance that the Corporation has complied with the conditions required to receive the grant.

Government grants that are contingent on the Corporation purchasing, constructing or otherwise acquiring non-current assets are recognized as a reduction in the carrying amount of the assets and recognized as a reduction of depreciation within cost of sales or administrative expenses, depending on the nature of the asset, in the consolidated statements of comprehensive income (loss) on a rational basis over the useful lives of the related assets.

Other government grants are recognized as a reduction in the related expense over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Corporation with no future related costs, are recognized in the consolidated statements of comprehensive income (loss) in the period in which they become receivable.

Note 3 Critical accounting estimates and judgments

The preparation of financial statements requires the Corporation's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Corporation's reported financial results. Estimates are deemed critical when the Corporation's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period.

By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the consolidated financial statements of future periods.

3.1 CRITICAL ACCOUNTING ESTIMATES

Environmental rehabilitation provisions

The Corporation's operations are subject to environmental regulations in Canada, Cuba, Madagascar and other countries in which the Corporation operates. Many factors such as future changes to environmental laws and regulations, life of mine estimates, the cost and time it will take to rehabilitate the property and discount rates, all affect the carrying amount of environmental rehabilitation provisions. As a result, the actual cost of environmental rehabilitation could be higher than the amounts the Corporation has estimated. For certain operations, actual costs will ultimately be determined after site closure in agreement with predecessor companies.

The environmental rehabilitation provision is assessed quarterly and measured by discounting the expected cash flows. The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates. The actual rate depends on a number of factors, including the timing of rehabilitation activities that can extend decades into the future and the location of the property.

Reserves for mining and oil and gas properties

Reserves are estimates of the amount of product that can be economically and legally extracted from the Corporation's mining and oil and gas properties. Reserve estimates are an integral component in the determination of the commercial viability of a site, depletion amounts charged to the cost of sales and any impairment analysis.

In calculating reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, production decline rates, recovery rates, production costs, commodity demand, commodity prices and exchange rates. In addition, future changes in regulatory environments, including government levies or changes in the Corporation's rights to exploit the resource imposed over the producing life of the reserves may also significantly impact estimates.

Nickel, cobalt, and fertilizer estimates are based on information compiled by or under supervision of a qualified person as defined under National Instrument 43-101, Standards of Disclosure for Mineral Projects within Canada. All of the oil and gas reserves have been evaluated in accordance with National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities.

Property, plant and equipment

Property, plant and equipment is the largest component of the Corporation's assets and, as such, the capitalization of costs, the determination of estimated recoverable amounts and the depletion and depreciation of these assets have a significant impact on the Corporation's financial results.

Certain assets are depreciated using a units-of-production basis, which involves the estimation of recoverable reserves in determining the depletion and/or depreciation rates of the specific assets. Each item's life, which is assessed annually, is assessed for both its physical life limitations and the economic recoverable reserves of the property at which the asset is located.

For those assets depreciated on a straight-line basis, management estimates the useful life of the assets and their components, which in certain cases may be based on an estimate of the producing life of the property. These assessments require the use of estimates and assumptions including market conditions at the end of the asset's useful life, costs of decommissioning the asset and the amount of recoverable reserves.

Asset useful lives and residual values are re-evaluated at each reporting date.

Income taxes

The Corporation operates in a number of industries in several tax jurisdictions and, consequently, its income is subject to various rates and rules of taxation. As a result, the Corporation's effective tax rate may vary significantly from the Canadian statutory tax rate depending upon the profitability of operations in the different jurisdictions.

The Corporation calculates deferred income taxes based upon temporary differences between the assets and liabilities that are reported in its consolidated financial statements and their tax bases as determined under applicable tax legislation. The Corporation records deferred income tax assets when it determines that it is probable that such assets will be realized.

The future realization of deferred tax assets can be affected by many factors, including current and future economic conditions, net realizable sale prices, production rates and production costs, and can either be increased or decreased where, in the view of management, such change is warranted.

Measurement of unquoted financial instruments

The Corporation has estimated the fair value of the Ambatovy call option. The fair value of the Ambatovy call option is determined by applying the Black-Scholes model, which requires estimates and assumptions such as future commodity prices, equity volatilities and interest rates.

3.2 CRITICAL ACCOUNTING JUDGMENTS

Interests in other entities

As part of its process in determining the classification of its interests in other entities, the Corporation applies judgment in interpreting these interests such as: (i) the determination of the level of control or significant influence held by the Corporation; (ii) the applicability of relevant IFRS standards to the operations; (iii) the legal structure and contractual terms of the arrangement; (iv) concluding whether the Corporation has rights to assets and liabilities or to net assets of the arrangement; and (v) when relevant, other facts and circumstances. The Corporation has determined that Energas S.A. and its Oil and Gas production-sharing contracts represent joint operations while the Moa Joint Venture represents a joint venture as described in IFRS 11, "Joint Arrangements". The Corporation has concluded that the Ambatovy Joint Venture represents an investment in associate as described in IAS 28, "Investments in Associates and Joint Ventures". All other interests in other entities have been determined to be subsidiaries as described in IFRS 10, "Consolidated Financial Statements".

Aggregation of Segments

The Corporation applies judgment in aggregating operating segments into a reportable segment. Aggregation occurs when the operating segments have similar economic characteristics, and have similar (a) products and services; (b) production processes; (c) type or class of customer for their products and services; (d) methods used to distribute their products or provide their services; and (e) nature of the regulatory environment, if applicable. The Corporation determined the Ambatovy Joint Venture operating segment, including a wholly-owned subsidiary established to buy, market and sell certain Ambatovy nickel production, and the Moa Joint Venture operating segment, including operations in Fort Saskatchewan, represent a reportable segment because they produce, sell, and distribute nickel and cobalt and have similar economic characteristics in determining revenues and operating costs.

Property, plant and equipment

Management uses the best available information to determine when a development project reaches commercial viability which is generally based on management's assessment of when economic quantities of proven and/or probable reserves are determined to exist and the point at which future costs incurred to develop a mine on the property are capitalized. Management also uses the best available information to determine when a project achieves commercial production, the stage at which pre-production costs cease to be capitalized. Commercial production at the Ambatovy Joint Venture was defined as 70% of ore throughput of nameplate capacity in the Pressure Acid Leach (PAL) circuit on average over a thirty-day period. The Corporation declared commercial production at the Ambatovy Joint Venture in January 2014 and began recognizing its share of earnings (losses) from Ambatovy beginning February 1, 2014.

For assets under construction, management assesses the stage of each construction project to determine when a project is commercially viable. The criteria used to assess commercial viability are dependent upon the nature of each construction project and include factors such as the asset purpose, complexity of a project and its location, the level of capital expenditure compared to the construction cost estimates, completion of a reasonable period of testing of the mine plant and equipment, ability to produce the commodity in saleable form (within specifications), and ability to sustain ongoing production of the commodity.

Asset impairment

The Corporation assesses the carrying amount of non-financial assets including investment in a joint venture, property, plant and equipment and intangible assets subject to depreciation and amortization at each reporting date to determine whether there are any indicators that the carrying amount of the assets may be impaired or require a reversal of impairment. Goodwill is tested for impairment annually. Impairment is assessed at the CGU level and the determination of CGUs is an area of judgment.

For purposes of determining fair value, management assesses the recoverable amount of the asset using the net present value of expected future cash flows. Projections of future cash flows are based on factors relevant to the asset and could include estimated recoverable production, commodity or contracted prices, foreign exchange rates, production levels, cash costs of production, capital and reclamation costs. Projections inherently require assumptions and judgments to be made about each of the factors affecting future cash flows. Changes in any of these assumptions or judgments could result in a significant difference between the carrying amount and fair value of these assets. Where necessary, management engages qualified third-party professionals to assist in the determination of fair values.

Measuring the fair value of the Corporation's interest in the Ambatovy Joint Venture

The Corporation accounts for its interest in the Ambatovy Joint Venture using the equity method. The Corporation assesses the carrying amount of its investment at each reporting date to determine whether there are any indicators that the carrying amount of the investment may be impaired.

For purposes of determining the fair value of its interest in the Ambatovy Joint Venture, management assesses the recoverable amount of its interest using the net present value of expected future cash flows. Projections of future cash flows are based on factors relevant to Ambatovy's operations and could include estimated recoverable production, commodity or contracted prices, foreign exchange rates, production levels, cash costs of production, capital and reclamation costs. Projections inherently require assumptions and judgments to be made about each of the factors affecting future cash flows. The determination of fair value involves a detailed review of Ambatovy's life of mine model and the determination of a weighted average cost of capital among other critical factors.

Changes in any of these assumptions or judgments could result in a significant difference between the carrying amount and fair value of this asset. Where necessary, management engages qualified third-party professionals to assist in the determination of fair values.

Overburden removal costs

Overburden removal costs are capitalized and depreciated over the useful lives when the overburden removal activity can be shown to create value beyond providing access to the underlying reserve. In many cases, this determination is a matter of judgment.

Exploration and evaluation

Management must make estimates and assumptions when determining when to transfer E&E expenditures from intangible asset to property, plant and equipment, which is normally at the time when commercial viability is achieved. Assessing commercial viability requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable operation can be established. Any such estimates and assumptions may change as new information becomes available. If after having capitalized the expenditure, a decision is made that recovery of the expenditure is unlikely, the amount capitalized is recognized in cost of sales in the consolidated statements of comprehensive income (loss).

Income taxes

In determining whether it is probable that a deferred tax asset will be realized, management reviews the timing of expected reversals of taxable temporary differences, the estimates of future taxable income and prudent and feasible tax planning that could be implemented. Significant judgment may be involved in determining the timing of expected reversals of temporary differences.

Arrangements containing a lease

The Corporation determined that the Power facilities in Varadero, Cuba and Madagascar are subject to operating lease arrangements. The Corporation applies judgment in interpreting these arrangements such as determining which assets are specified in an arrangement, determining whether a right to use a specified asset has been conveyed and whether relative fair value or another estimation technique to separate lease payments from payments for other goods or services should be used. The Corporation also uses judgment in applying accounting guidance to determine whether these leases are operating or finance leases.

Service concession arrangements

The Corporation determined that the contract terms regarding the Boca de Jaruco and Puerto Escondido, Cuba facilities operated by Energas represent service concession arrangements as described in IFRIC 12, "Service concession arrangements" (IFRIC 12). The Corporation uses judgment to determine whether the grantor sets elements of the services provided by the operator, whether the grantor retains any significant ownership interest in the infrastructure at the end of the agreement, and to determine the classification of the service concession asset as either a financial asset or intangible asset.

Note 4 Accounting pronouncements

4.1 ADOPTION OF NEW AND AMENDED ACCOUNTING PRONOUNCEMENTS

IFRIC 21 – Levies

IFRIC 21, "Levies" (IFRIC 21) provides guidance on the accounting for levies within the scope of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". Levies are imposed by governments in accordance with legislation and do not include income taxes, which are accounted for under IAS 12, "Income Taxes" or fines or other penalties imposed for breaches of legislation. IFRIC 21 defines an obligating event as the activity that triggers the payment of the levy, as identified by legislation. IFRIC 21 also notes a liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. The Corporation adopted the interpretation effective January 1, 2014. The adoption did not have a material impact on the Corporation's consolidated financial statements.

IFRS 2 – Share-Based Payment

IFRS 2, "Share-Based Payment" (IFRS 2) was amended by the IASB on December 12, 2013. The amendments clarify the definition of vesting conditions. The Corporation adopted the amendments effective July 1, 2014. The adoption of these amendments did not have an impact on the Corporation's consolidated financial statements.

IAS 32 – Financial instruments: presentation

IAS 32, "Financial instruments: presentation" (IAS 32) was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Corporation adopted these amending standards effective January 1, 2014. The adoption of these amendments did not have any impact on the consolidated financial statements.

IAS 36 – Impairment of assets

IAS 36, "Impairment of assets" (IAS 36) was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The Corporation adopted these amendments effective January 1, 2014 and has applied the changes retrospectively in notes 21 and 13 of the consolidated financial statements.

IAS 39 – Financial instruments: recognition and measurement

IAS 39, "Financial instruments: recognition and measurement" (IAS 39) was amended by the IASB in June 2013. The amendments clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The Corporation adopted these amending standards effective January 1, 2014. The adoption of these amendments did not have any impact on the consolidated financial statements.

4.2 ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

IFRS 3 – Business Combinations

IFRS 3, "Business Combinations" (IFRS 3) was amended by the IASB on December 12, 2013. The amendments clarify the accounting for contingent consideration in a business combination and modify the scope exception for joint ventures to exclude the formation of all types of joint arrangements and clarify that the scope exception applies only to the financial statements of the joint arrangement itself. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have an impact on the Corporation's consolidated financial statements.

IFRS 8 – Operating Segments

IFRS 8, "Operating Segments" (IFRS 8) was amended by the IASB on December 12, 2013. The amendments add a disclosure requirement for the aggregation of operating segments and clarify the reconciliation of the total reportable segments' assets to the entity's assets. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have an impact on the Corporation's consolidated financial statements.

IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

IFRS 11 – Joint Arrangements

IFRS 11, "Joint Arrangements" (IFRS 11) was amended by the IASB on May 6, 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

IFRS 13 – Fair Value Measurement

IFRS 13, "Fair Value Measurement" (IFRS 13) was amended by the IASB on December 12, 2013. The amendments clarify that the portfolio exception applies to all contracts within the scope of IAS 39, "Financial Instruments: Recognition and Measurement" or IFRS 9, "Financial Instruments", regardless of whether they are financial assets or financial liabilities. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15, "Revenue from Contracts and Customers" (IFRS 15) was issued by the IASB on May 28, 2014, and will replace IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017. The Corporation is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

IAS 1 – Presentation of Financial Statements

IAS 1, "Presentation of Financial Statements" (IAS 1) was amended by the IASB on December 18, 2014. The amendments to existing IAS 1 requirements relate to materiality; order of the notes; subtotals; accounting policies; and disaggregation. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

IAS 16 – Property, Plant and Equipment

IAS 16, "Property, Plant and Equipment" (IAS 16) was amended by the IASB on May 12, 2014. The amendments to IAS 16 clarify that the use of revenue-based methods to determine the depreciation of an asset is not appropriate. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the Corporation's consolidated financial statements.

IAS 19 – Employee Benefits

IAS 19, "Employee Benefits" (IAS 19) was amended by the IASB on November 13, 2013. The amendments provide additional guidance to IAS 19 Employee Benefits on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have a material impact on the Corporation's consolidated financial statements.

IAS 19 was further amended on July 30, 2014. The amendments to IAS 19 clarify the application of the requirements of IAS 19 on determination of the discount rate to a regional market consisting of multiple countries sharing the same currency. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the Corporation's consolidated financial statements.

IAS 24 – Related Party Disclosures

IAS 24, "Related Party Disclosures" (IAS 24) was amended by the IASB on December 12, 2013. The amendments clarify the identification and disclosure requirements for related party transactions when key management personnel services are provided by a management entity. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have an impact on the Corporation's consolidated financial statements.

IAS 38 – Intangible Assets

IAS 38, "Intangible Assets" (IAS 38) was amended by the IASB on May 12, 2014. The amendments to IAS 38 clarify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the Corporation's consolidated financial statements.

Note 5 Segmented information

BUSINESS SEGMENTS

Canadian $ millions, for the year ended December 31								2014
	Metals[1]	Oil and Gas	Power	Corporate and Other[2]	Discontinued operations (note 13)	Adjustments for Joint Venture and Associate[3]	Total
Revenue	$ 813.8	$ 269.3	$ 49.0	$ 4.2	$ –	$ (680.7)	$ 455.6
Cost of sales	894.5	150.0	37.1	9.5	–	(773.1)	318.0
Gross (loss) profit	(80.7)	119.3	11.9	(5.3)	–	92.4	137.6
Administrative expenses	35.7	7.8	7.3	43.6	–	(31.0)	63.4
Operating (loss) profit	(116.4)	111.5	4.6	(48.9)	–	123.4	74.2
Gain on arbitration settlement	–	–	–	14.1	–	–	14.1
Restructuring expense	(1.7)	(0.8)	(0.3)	(5.7)	–	1.0	(7.5)
Gain on sale of Corporate assets	–	–	–	3.3	–	–	3.3
Share of loss of associate, net of tax	–	–	–	–	–	(205.4)	(205.4)
Share of earnings of a joint venture, net of tax	–	–	–	–	–	9.4	9.4
(Loss) earnings from operations, associate and joint venture	(118.1)	110.7	4.3	(37.2)	–	(71.6)	(111.9)
Financing income							(52.2)
Financing expense							213.4
Net finance expense							161.2
Loss before tax							(273.1)
Income tax expense							45.4
Net loss from continuing operations							(318.5)
Earnings from discontinued operations, net of tax							28.5
Net loss for the year							$ (290.0)
SUPPLEMENTARY INFORMATION							
Depletion, depreciation and amortization	$ 191.4	$ 66.6	$ 20.5	$ 3.9	$ –	$ (181.0)	$ 101.4
Property, plant and equipment expenditures	74.5	62.0	3.7	0.6	–	(60.0)	80.8
Intangible asset expenditures	–	0.8	0.7	–	–	–	1.5

Canadian $ millions, as at December 31							2014
Non-current assets[4]	$ 4,602.8	$ 210.6	$ 199.2	$ 11.1	$ –	$ (4,452.2)	$ 571.5
Total assets	6,675.1	1,264.9	484.5	(177.9)	–	(2,963.4)	5,283.2

(1) Included in the Metals segment are the operations of the Corporation's 50% interest in the Moa Joint Venture, its 100% interest in the utility and fertilizer operations in Fort Saskatchewan, its 40% interest in the Ambatovy Joint Venture and wholly-owned subsidiaries of the Corporation established to finance the Ambatovy Joint Venture. Also included in the Metals segment are revenues of $60.5 million and costs of $59.7 million for the years ended December 31, 2014 (revenues of $28.0 million and costs of $27.0 million for the year ended December 31, 2013) recognized by a wholly-owned subsidiary of the Corporation established to buy, market and sell certain of Ambatovy's nickel production.

(2) Revenues from Corporate and Other primarily relate to sales from the Corporation's metallurgical technologies business.

(3) The adjustments for Joint Venture and Associate reflect the adjustments for equity-accounted investments in the Moa and Ambatovy Joint Ventures that are included within the Metals segment.

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

Canadian $ millions, for the year ended December 31							2013
	Metals(1)	Oil and Gas	Power	Corporate and Other(2)	Discontinued operations	Adjustments for Joint Venture and Associate(3)	Total
					(note 13)		
Revenue	$ 430.7	$ 291.4	$ 54.8	$ 6.5	$ –	$ (334.9)	$ 448.5
Cost of sales	444.9	119.6	83.7	23.1	–	(359.4)	311.9
Gross (loss) profit	(14.2)	171.8	(28.9)	(16.6)	–	24.5	136.6
Administrative expenses	10.1	8.5	12.0	52.1	–	(4.8)	77.9
Operating (loss) profit	(24.3)	163.3	(40.9)	(68.7)	–	29.3	58.7
Share of loss of associate, net of tax	–	–	–	–	–	(0.2)	(0.2)
Share of loss of a joint venture, net of tax	–	–	–	–	–	(24.0)	(24.0)
(Loss) earnings from operations, associate and joint venture	(24.3)	163.3	(40.9)	(68.7)	–	5.1	34.5
Financing income							(12.9)
Financing expense							134.1
Net finance expense							121.2
Loss before tax							(86.7)
Income tax expense							71.8
Net loss from continuing operations							(158.5)
Loss from discontinued operations, net of tax							(501.8)
Net loss for the year							$ (660.3)
SUPPLEMENTARY INFORMATION							
Depletion, depreciation and amortization	$ 41.5	$ 65.9	$ 9.9	$ 3.9	$ –	$ (32.1)	$ 89.1
Property, plant and equipment expenditures	52.9	49.4	2.3	1.4	–	(38.7)	67.3
Intangible asset expenditures	–	5.2	7.1	–	–	–	12.3

Canadian $ millions, as at December 31							2013
Non-current assets(4)	$ 4,293.0	$ 206.8	$ 199.6	$ 15.9	$ –	$ (4,158.8)	$ 556.5
Total assets	5,896.6	1,148.6	449.2	170.3	1,305.5	(2,512.4)	6,457.8

(1) Included in the Metals segment are the operations of the Corporation's 50% interest in the Moa Joint Venture, its 100% interest in the utility and fertilizer operations in Fort Saskatchewan, its 40% interest in the Ambatovy Joint Venture and wholly-owned subsidiaries of the Corporation established to finance the Ambatovy Joint Venture. Also included in the Metals segment are revenues of $60.5 million and costs of $59.7 million for the years ended December 31, 2014 (revenues of $28.0 million and costs of $27.0 million for the year ended December 31, 2013) recognized by a wholly-owned subsidiary of the Corporation established to buy, market and sell certain of Ambatovy's nickel production.

(2) Revenues from Corporate and Other primarily relate to sales from the Corporation's metallurgical technologies business.

(3) The adjustments for Joint Venture and Associate reflect the adjustments for equity-accounted investments in the Moa and Ambatovy Joint Ventures that are included within the Metals segment.

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

GEOGRAPHIC SEGMENTS

Canadian $ millions, as at	**2014 December 31**		2013 December 31	
	Non-current assets[1]	**Total assets**[2]	Non-current assets[1]	Total assets[2]
North America	**$ 169.8**	**$ 1,114.2**	$ 160.0	$ 2,613.1
Cuba	**382.3**	**1,019.4**	370.7	1,023.9
Madagascar	**1.7**	**3,044.3**	2.0	2,764.7
Europe	**16.8**	**36.3**	23.5	32.4
Asia	**0.9**	**2.3**	0.3	1.7
Other	**–**	**66.7**	–	22.0
	$ 571.5	**$ 5,283.2**	$ 556.5	$ 6,457.8

(1) Non-current assets are composed of property, plant and equipment and intangible assets.
(2) For its geographic segments, the Corporation has allocated assets based on their physical location.

Canadian $ millions, for the years ended December 31	**2014**	2013
	Total revenue[1]	Total revenue[1]
North America	**$ 132.1**	$ 98.1
Cuba	**305.7**	330.0
Madagascar	**1.3**	4.6
Europe	**11.5**	12.5
Asia	**2.2**	1.4
Other	**2.8**	1.9
	$ 455.6	$ 448.5

(1) For its geographic segments, the Corporation has allocated revenue based on the location of the customer.

REVENUE COMPONENTS

Revenue includes the following significant categories:

Canadian $ millions, for the years ended December 31	**2014**	2013
Commodity and electricity	**$ 438.1**	$ 411.3
Other	**17.5**	37.2
	$ 455.6	$ 448.5

SIGNIFICANT CUSTOMERS

Oil and Gas derived $256.9 million of its revenue for the year ended December 31, 2014 ($277.9 million for the year ended December 31, 2013) directly and indirectly from agencies of the Government of Cuba.

Metals derived $59.7 million of its revenue for the year ended December 31, 2014 from a customer engaged to market and sell production from the Ambatovy Joint Venture.

No other single customer contributed 10% or more to the Corporation's revenue for both 2014 and 2013.

Note 6 Expenses

Cost of sales includes the following select information:

Canadian $ millions, for the years ended December 31	2014	2013
Employee costs	$ 62.8	$ 62.8
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	98.4	86.1
Exploration and evaluation expenses[1]	3.3	18.2
Impairment losses[2]	14.8	46.9

(1) The exploration and evaluation expenses incurred by the Corporation relate to the Sulawesi Project in Indonesia. As the Corporation terminated its earn-in and shareholders agreement for the Sulawesi project, effective February 1, 2014, there were no further funding requirements after this date.

(2) In 2014, impairment losses are primarily comprised of an impairment of Oil and Gas exploration and evaluation licenses of $12.3 million (note 21) and an impairment of Oil and Gas property, plant and equipment assets of $2.1 million (note 20). For the year ended December 31, 2013, impairment losses were primarily comprised of provisions on overdue receivables of $10.0 million, an impairment of Fort Site property, plant and equipment expansion assets of $7.0 million (note 20), an impairment of an electricity generation facility leased to the local electricity utility in Madagascar of $7.3 million (note 20) and an impairment to the Boca de Jaruco and Puerto Escondido CGU in Cuba of $22.1 million (note 21).

Administrative expenses includes the following select information:

Canadian $ millions, for the years ended December 31	2014	2013
Employee costs	$ 41.1	$ 48.2
Stock-based compensation expense	4.0	1.2
Annual general meetings costs and other Shareholder related costs	4.4	0.2
Transaction related costs	2.9	11.4

Note 7 Investment in an associate

The Corporation indirectly holds a 40% interest in Ambatovy Minerals S.A. and Dynatec Madagascar S.A. (collectively the Ambatovy Joint Venture). Sherritt is the operator of the Ambatovy Joint Venture and has as its partners, Sumitomo Corporation (Sumitomo), Korea Resources Corporation (Kores) and SNC-Lavalin Inc. (SNC-Lavalin). The Ambatovy Joint Venture has two nickel deposits located near Moramanga, Madagascar. The ore from these deposits is delivered via pipeline to a processing plant and refinery located near the Port of Toamasina. Commercial production, the point at which Ambatovy began to recognize operating revenues and costs for accounting purposes, commenced on February 1, 2014.

STATEMENT OF FINANCIAL POSITION

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

Canadian $ millions, 100% basis, as at	**2014 December 31**	2013 December 31
ASSETS		
Cash and cash equivalents[1]	**$ 47.7**	$ 36.6
Other current assets	**23.1**	21.4
Trade accounts receivable, net	**67.9**	109.0
Inventories	**456.3**	333.9
Deferred income taxes[2]	**46.4**	0.9
Other non-current assets	**4.7**	4.4
Property, plant and equipment	**10,575.8**	9,873.1
Total assets	**11,221.9**	10,379.3
LIABILITIES		
Trade accounts payable and accrued liabilities	**332.2**	286.3
Other financial liabilities	**12.0**	6.4
Current portion of loans and borrowings[3]	**218.5**	200.4
Loans and borrowings:		
Ambatovy revolving credit facility[4]	**44.7**	28.5
Ambatovy Joint Venture financing[3]	**1,829.0**	1,871.6
Ambatovy Subordinated loan payable[5]	**3,724.8**	2,767.3
Environmental rehabilitation provision	**100.7**	78.2
Other long-term liabilities	**0.7**	0.3
Deferred income taxes	**327.4**	310.5
Total liabilities	**6,590.0**	5,549.5
NET ASSETS	**$ 4,631.9**	$ 4,829.8

(1) In accordance with *La loi établissant un régime special pour les grands investissements dans le secteur minier malagasy* (LGIM), Madagascar's large scale mining investment act, the Ambatovy Joint Venture is required to (a) maintain foreign currency in local bank accounts sufficient to pay 90 days of local expenses, or (b) repatriate all revenue from export sales of mining products, less authorized debt service costs, to local bank accounts within 90 days of receipt. The Ambatovy Joint Venture is currently electing to repatriate revenue from export sales, less authorized debt service costs, in compliance with the requirements of the LGIM.

(2) A deferred tax asset has been recognized on temporary differences on fixed assets, as such differences do not expire. As at December 31, 2014, the Ambatovy Joint Venture has earned investment tax credits which management has estimated to be $595.0 million (December 31, 2013 – $532.0 million) for which a deferred tax asset has not been recognized. The investment tax credits have an indefinite carry-forward period and may be used to partially offset Malagasy income tax otherwise payable by the Ambatovy Joint Venture in subsequent years. A deferred tax asset of $272.2 million was not recognized on operating losses incurred during the year as it is not probable that these losses can be utilized prior to their 5 year expiry.

(3) The Ambatovy Joint Venture financing is limited recourse project financing with a group of international lenders that matures June 15, 2024. For the year ended December 31, 2014, total repayments were US$188.4 million. The project financing is guaranteed by the partners until the project passes certain completion tests at which point the project financing is solely secured by the project assets. Failure to pass such completion tests would be an event of default. During the year ended December 31, 2013, the final financial completion date was extended from September 30, 2013 to September 30, 2015. Interest is payable based on LIBOR rates plus applicable margins, depending on the lender. Interest is currently payable based on LIBOR rates plus applicable margins ranging from 0.9% to 1.9% until financial completion. As at December 31, 2014, the Ambatovy Joint Venture had borrowed US$1,789.5 million (December 31, 2013 – US$1,977.9 million) under the project financing.

(4) The Ambatovy revolving credit facility is comprised of an approximate US$40.0 million revolving and US$10.0 million overdraft credit facility agreement with local financial institutions. The facilities bear interest rates between 9.00% and 11.85% and expire on December 20, 2015. The facilities are subordinated to the Ambatovy Joint Venture financing. As at December 31, 2014, US$38.5 million and US$nil were drawn on the revolving and overdraft credit facilities (December 31, 2013 – US$26.8 million and US$nil).

(5) The subordinated loan payable is comprised of pro-rata contributions provided by the Ambatovy Joint Venture partners. The debt bears interest at LIBOR plus 6%. Repayments of principal or interest will not be made prior to certain conditions of the finance agreements being satisfied. Unpaid interest is accrued monthly and capitalized to the principal balance semi-annually. The Corporation has recorded its share of the related subordinated loan receivable in advances, loans receivable and other financial assets (note 18).

Reconciliation of Ambatovy Joint Venture's net assets to the carrying value of investment in an associate recognized in the consolidated statements of financial position:

Canadian $ millions, as at	**2014 December 31**	2013 December 31
Net assets of Ambatovy Joint Venture	**$ 4,631.9**	$ 4,829.8
Proportion of Sherritt's ownership interest	**40%**	40%
Total	**1,852.8**	1,931.9
Intercompany capitalized interest elimination	**(304.3)**	(279.4)
CARRYING VALUE OF INVESTMENT IN ASSOCIATE	**$ 1,548.5**	$ 1,652.5

RESULTS OF OPERATIONS

Canadian $ millions, 100% basis, for the years ended December 31	2014	2013
REVENUE	$ 729.5	$ –
Cost of sales[(1)]	1,060.6	–
GROSS LOSS	(331.1)	–
Administrative expenses	64.8	2.4
OPERATING LOSS	(395.9)	(2.4)
Financing income	(0.1)	–
Financing expense	246.5	(1.5)
NET FINANCING EXPENSE	246.4	(1.5)
LOSS BEFORE TAX	(642.3)	(0.9)
Income tax recovery	(54.1)	(0.4)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$ (588.2)	$ (0.5)

(1) Included in cost of sales for the year ended December 31, 2014 is depreciation and amortization of $381.5 million.

Reconciliation of Ambatovy Joint Venture's net loss and comprehensive loss to the share of loss of an associate recognized in the consolidated statements of comprehensive income (loss):

Canadian $ millions, for the years ended December 31	2014	2013
Net loss and comprehensive loss of Ambatovy Joint Venture	$ (588.2)	$ (0.5)
Proportion of Sherritt's ownership interest	40%	40%
Total	(235.3)	(0.2)
Intercompany interest expense elimination	29.9	–
SHARE OF LOSS OF AN ASSOCIATE, NET OF TAX	$ (205.4)	$ (0.2)

The Ambatovy Joint Venture generated pre-commercial production revenue of $42.5 million ($17.0 million – 40% basis) for the month ended January 31, 2014. For the year ended December 31, 2013, $444.8 million ($177.9 million – 40% basis) of pre-commercial production revenue was generated.

Note 8 Joint arrangements

INVESTMENT IN A JOINT VENTURE

The Corporation indirectly holds a 50% interest in the Moa Joint Venture. The operations of the Moa Joint Venture are currently conducted among three companies. Moa Nickel S.A. owns and operates the mining and processing facilities located in Moa, Cuba; The Cobalt Refinery Company Inc. owns and operates the metals refinery located at Fort Saskatchewan; and International Cobalt Company Inc. acquires mixed-sulphides from Moa Nickel S.A. and third parties, contracts the refining of such purchased materials and then markets finished nickel and cobalt.

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

Statement of financial position

Canadian $ millions, 100% basis, as at	**2014 December 31**	2013 December 31
ASSETS		
Cash and cash equivalents	**$ 48.3**	$ 62.9
Other current assets	**6.5**	2.4
Trade accounts receivable, net	**107.7**	61.7
Inventories	**197.4**	175.9
Other non-current assets	**4.4**	11.2
Property, plant and equipment	**1,135.1**	1,055.1
Deferred income taxes	**1.3**	12.5
Total assets	**1,500.7**	1,381.7
LIABILITIES		
Trade accounts payable and accrued liabilities	**81.9**	74.6
Other current financial liabilities	**73.1**	70.9
Loans and borrowings	**13.7**	1.4
Environmental rehabilitation provision	**65.9**	51.0
Other long-term financial liabilities	**396.7**	380.6
Deferred income taxes	**23.4**	19.4
Total liabilities	**654.7**	597.9
NET ASSETS	**$ 846.0**	$ 783.8

Reconciliation of Moa Joint Venture's net assets to the carrying value of investment in a joint venture recognized in the consolidated statements of financial position:

Canadian $ millions, as at	**2014 December 31**	2013 December 31
Net assets of Moa Joint Venture	**$ 846.0**	$ 783.8
Proportion of Sherritt's ownership interest	**50%**	50%
Total	**423.0**	391.9
Intercompany capitalized interest elimination	**(42.9)**	(39.9)
CARRYING VALUE OF INVESTMENT IN JOINT VENTURE	**$ 380.1**	$ 352.0

Results of operations

Canadian $ millions, 100% basis, for the years ended December 31	2014	2013
REVENUE	**$ 777.9**	$ 669.7
Cost of sales(1)	**698.8**	719.2
GROSS PROFIT	**79.1**	(49.5)
Administrative expenses(2)	**12.2**	7.1
OPERATING PROFIT (LOSS)	**66.9**	(56.6)
Financing income	**(0.6)**	(0.5)
Financing expense	**39.8**	36.7
NET FINANCE EXPENSE	**39.2**	36.2
EARNINGS (LOSS) BEFORE TAX	**27.7**	(92.8)
Income tax expense (recovery)	**25.1**	(29.7)
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**$ 2.6**	$ (63.1)

(1) Included in cost of sales for the year ended December 31, 2014 is depreciation and amortization of $57.4 million (for the year ended December 31, 2013 – $57.9 million).

(2) Included in administrative expenses for the year ended December 31, 2014 is a restructuring expense of $2.0 million.

Reconciliation of Moa Joint Venture's net earnings (loss) and comprehensive income (loss) to the share of earnings (loss) of a joint venture recognized in the consolidated statements of comprehensive income (loss):

Canadian $ millions, for the years ended December 31	2014	2013
Net earnings (loss) and comprehensive earnings (loss) of Moa Joint Venture	**$ 2.6**	$ (63.1)
Proportion of Sherritt's ownership interest	**50%**	50%
Total	**1.3**	(31.6)
Intercompany interest expense elimination	**8.1**	7.6
SHARE OF EARNINGS (LOSS) OF A JOINT VENTURE, NET OF TAX	**$ 9.4**	$ (24.0)

In 2013, cost of sales included a $59.4 million ($29.7 million – 50% basis) impairment expense related to the Joint Venture's expansion projects which were not being pursued.

For the year ended December 31, 2014, the Moa Joint Venture (50% basis) paid $nil of dividends ($2.3 million for the year ended December 31, 2013).

JOINT OPERATIONS

The following is a summary of the Corporation's economic interests in joint operations, all of which have a December 31 reporting date:

As at		**2014 December 31**	2013 December 31
Entity	Principal activities	Economic Interest	
Energas	Power generation	**33⅓%**	33⅓%
Bienfait Activated Carbon(1)	Operator of activated carbon plant facilities	**–**	50.0%
Carbon Development Partnership(1)	Coal recovery and coal gasification project	**–**	50.0%

(1) As of April 28, 2014 the Corporation no longer had an interest in the Carbon Development Partnership and Bienfait Activated Carbon as a result of the completion of the sale of the Coal operations (note 13).

The Corporation recognizes all applicable assets, liabilities, revenues and expenses relating to its interest in the above noted joint operations in accordance with IFRS. As a result of the Coal operations being classified as a discontinued operation, the results of operations of Bienfait Activated Carbon and Carbon Development Partnership up to April 28, 2014, the date of the completion of the Coal operations sale, are included in earnings from discontinued operations and the assets/liabilities related to Bienfait Activated Carbon and Carbon Development Partnership are included in assets/liabilities of discontinued operations (note 13).

The following tables present a summary of the Corporation's interests in its joint operations:

Canadian $ millions, as at December 31	**2014**
	Energas
	33⅓%
Current assets	**$ 27.7**
Non-current assets	**167.1**
Current liabilities	**14.1**
Non-current liabilities	**112.7**
Net assets	**$ 68.0**

Canadian $ millions, as at December 31			2013
	Energas	Bienfait Activated Carbon	Carbon Development Partnership
	33⅓%	50%	50%
Current assets	$ 18.5	$ 5.0	$ 0.9
Non-current assets	166.4	32.7	12.8
Current liabilities	12.7	24.4	1.1
Non-current liabilities	118.0	0.7	0.4
Net assets	$ 54.2	$ 12.6	$ 12.2

Canadian $ millions, for the year ended December 31			**2014**
	Energas	**Bienfait Activated Carbon**	**Carbon Development Partnership**
	33⅓%	**50%**	**50%**
Revenue	**$ 48.7**	**$ 4.9**	**$ 0.5**
Expense (recovery)	**35.0**	**3.5**	**(0.7)**
Net earnings	**$ 13.7**	**$ 1.4**	**$ 1.2**

Canadian $ millions, for the year ended December 31			2013
	Energas	Bienfait Activated Carbon	Carbon Development Partnership
	33⅓%	50%	50%
Revenue	$ 51.7	$ 12.4	$ 0.8
Expense	59.3	9.1	1.2
Net (loss) earnings	$ (7.6)	$ 3.3	$ (0.4)

Note 9 Gain on arbitration settlement

On August 1, 2014, the Corporation received a favourable arbitration settlement ruling related to a contract dispute with a port operator that arose during the time the Corporation operated Coal Valley Resources Inc. As a result of the decision, the Corporation recognized a gain on settlement of $14.1 million. $12.8 million of the proceeds related to the settlement of the arbitration (including interest) were received in October 2014. The balance, relating to the award of legal fees, was received in December 2014.

Note 10 Restructuring expense

On October 28, 2014, the Corporation initiated a restructuring plan that resulted in a company-wide headcount reduction, excluding Ambatovy. In the fourth quarter of 2014, the Corporation recognized a restructuring charge of $7.5 million related to severance and other termination benefits for employees whose positions were terminated.

Note 11 Net finance expense

Canadian $ millions, for the years ended December 31	Note	2014	2013
Net unrealized loss on financial instruments	16	$ (8.5)	$ (1.2)
Interest income on cash, cash equivalents and short-term investments		6.3	3.8
Interest income on investments		1.4	2.9
Interest income on advances and loans receivable		53.0	7.4
Total financing income		52.2	12.9
Interest expense and accretion on loans and borrowings		150.7	132.2
Unrealized foreign exchange loss (gain)		15.0	(11.7)
Realized foreign exchange loss		0.2	0.1
Premium on debenture redemption	22	33.6	–
Other finance charges		12.5	11.6
Accretion expense on environmental rehabilitation provisions	26	1.4	1.9
Total financing expense		213.4	134.1
NET FINANCE EXPENSE		$ 161.2	$ 121.2

Note 12 Income taxes

Canadian $ millions, for the years ended December 31	2014	2013
CURRENT INCOME TAX EXPENSE		
Current period	$ 47.2	$ 55.6
DEFERRED INCOME TAX (RECOVERY) EXPENSE		
Origination and reversal of temporary differences	(53.7)	(38.7)
Reduction in tax rate	(0.1)	–
Non-recognition of tax assets	52.0	54.9
	(1.8)	16.2
Income tax expense	$ 45.4	$ 71.8

The following table reconciles income taxes calculated at a combined Canadian federal/provincial income tax rate with the income tax expense in the consolidated financial statements for the years ended December 31:

Canadian $ millions, for the years ended December 31	2014	2013
Loss before tax from continuing operations	$ (273.1)	$ (86.7)
Add share of loss of equity accounted investments	196.0	24.2
Parent companies and subsidiaries loss before tax	(77.1)	(62.5)
Income tax recovery at the combined basic rate of 25.20% (2013 – 25.23%)	(19.4)	(15.8)
Difference between Canadian and foreign tax rates	(13.6)	1.6
Reduction in deferred income tax rates	(0.1)	–
Tax rate differential on temporary difference movements	–	0.8
Non-deductible losses and write-downs	25.9	32.2
Non-recognition of tax assets	52.0	54.9
Other items	0.6	(1.9)
	$ 45.4	$ 71.8

Deferred tax assets (liabilities) relate to the following temporary differences and loss carry-forwards:

Canadian $ millions, for the year ended December 31, 2014	Opening Balance	Recognized in net loss	Recognized in other compre-hensive income (loss)	Liabilities associated with assets of discontinued operations	Closing Balance
DEFERRED TAX ASSETS					
Environmental rehabilitation obligations	$ 0.8	$ (0.5)	$ –	$ –	$ 0.3
Property, plant and equipment	12.0	3.5	0.9	–	16.4
	12.8	3.0	0.9	–	16.7
Set off of deferred tax liabilities	(9.1)	–	–	–	(14.4)
Deferred tax assets	$ 3.7	$ 3.0	$ 0.9	$ –	$ 2.3
DEFERRED TAX LIABILITIES					
Property, plant and equipment	$ (35.9)	$ (4.9)	$ (3.5)	$ –	$ (44.3)
Cuban tax contingency reserve	(19.8)	(0.5)	(1.7)	–	(22.0)
Pension and other benefit plans and reserves	(5.1)	1.8	(0.4)	–	(3.7)
	(60.8)	(3.6)	(5.6)	–	(70.0)
Set off of deferred tax assets	9.1	–	–	–	14.4
Deferred tax liabilities	(51.7)	(3.6)	(5.6)	–	(55.6)
Net deferred tax (liabilities) assets	$ (48.0)	$ (0.6)	$ (4.7)	$ –	$ (53.3)
Recovery recognized in discontinued operations		2.4			
Recovery recognized in continuing operations		1.8			

Canadian $ millions, for the year ended December 31, 2013	Opening Balance	Recognized in net loss	Recognized in other compre-hensive income (loss)	Liabilities associated with assets of discontinued operations	Closing Balance
DEFERRED TAX ASSETS					
Tax loss carry-forwards	$ 75.1	$ (47.8)	$ –	$ (27.3)	$ –
Environmental rehabilitation obligations	57.6	(39.2)	–	(17.6)	0.8
Finance lease obligations	39.8	(18.0)	–	(21.8)	–
Pension and other benefit plans and reserves	16.0	(13.8)	(1.1)	(1.1)	–
Property, plant and equipment	31.5	(14.8)	0.8	(5.5)	12.0
Deferred financing costs	7.1	(7.1)	–	–	–
Other	–	0.3	–	(0.3)	–
	227.1	(140.4)	(0.3)	(73.6)	12.8
Set off of deferred tax liabilities	(198.4)	–	–	–	(9.1)
Deferred tax assets	$ 28.7	$ (140.4)	$ (0.3)	$ (73.6)	$ 3.7
DEFERRED TAX LIABILITIES					
Property, plant and equipment	$ (360.6)	$ 139.7	$ (2.6)	$ 187.6	$ (35.9)
Cuban tax contingency reserve	(17.5)	(1.1)	(1.2)	–	(19.8)
Foreign currency denominated loans	(6.4)	6.4	–	–	–
Pension and other benefit plans and reserves	(4.2)	(1.3)	(0.4)	0.8	(5.1)
Ambatovy call option	(0.8)	0.8	–	–	–
Deferred financing costs	(2.0)	0.3	–	1.7	–
Environmental rehabilitation obligation	(3.9)	(0.1)	–	4.0	–
Other	(4.0)	4.0	–	–	–
	(399.4)	148.7	(4.2)	194.1	(60.8)
Set off of deferred tax assets	198.4	–	–	–	9.1
Deferred tax liabilities	(201.0)	148.7	(4.2)	194.1	(51.7)
Net deferred tax (liabilities) assets	$ (172.3)	$ 8.3	$ (4.5)	$ 120.5	$ (48.0)
Expense recognized in discontinued operations		(24.5)			
Expense recognized in continuing operations		(16.2)			

As at December 31, 2014, the Corporation had temporary differences of $878.3 million (December 31, 2013 – $945.9 million) associated with investments in subsidiaries, associated entities and interests in joint ventures for which no deferred tax liabilities have been recognized, as the Corporation is able to control the timing of the reversal of these temporary differences and it is not probable that these temporary differences will reverse in the foreseeable future.

As at December 31, 2014, the Corporation had non-capital losses of $350.0 million (December 31, 2013 – $221.0 million) and capital losses of $994.1 million (December 31, 2013 – $141.5 million) which may be used to reduce future taxable income. The Corporation has not recognized a deferred income tax asset on $350.0 million of non-capital losses, $994.1 million of capital losses and $44.6 million of other deductible temporary differences since the realization of any related tax benefit through future taxable profits is not probable. The capital losses have no expiry dates and the other deductible temporary differences do not expire under current tax legislation. The non-capital losses are located in Canada and expire as follows:

Canadian $ millions, for the year ended December 31, 2014	Unrecognized losses
EXPIRATION DATE	
2015	$ 0.1
2026	0.1
2027	2.0
2028	2.2
2029	1.0
2030	9.1
2031	46.2
2032	69.8
2033	90.9
2034	128.6
TOTAL	**$ 350.0**

Note 13 Discontinued operations

On April 28, 2014, the Corporation completed the sale of its Coal operations, receiving $793.0 million in cash proceeds. In addition, a net post-closing adjustment of $21.4 million was received in June 2014.

For the years ended December 31, 2014 and 2013, earnings from Coal are reported in earnings from discontinued operations and cash provided (used) by Coal is reported in cash provided (used) by discontinued operations. As at December 31, 2013 the total assets and liabilities of Coal to be disposed of were reported as assets and liabilities of discontinued operations, respectively.

The net earnings (loss) from Coal for the years ended December 31, 2014 and 2013 are as follows:

Canadian $ millions, for the years ended December 31	**2014**	2013
REVENUE	**$ 242.8**	$ 737.1
Cost of sales[1]	**211.2**	741.7
GROSS PROFIT (LOSS)	**31.6**	(4.6)
Administrative expenses	**7.2**	20.8
OPERATING PROFIT (LOSS)	**24.4**	(25.4)
Gain on termination of contract	**–**	22.0
Impairment of assets	**–**	(518.9)
EARNINGS (LOSS) FROM OPERATIONS	**24.4**	(522.3)
Financing income	**(4.8)**	(14.3)
Financing expense	**9.6**	18.4
NET FINANCE EXPENSE	**4.8**	4.1
EARNINGS (LOSS) BEFORE TAX	**19.6**	(526.4)
Income tax expense (recovery)	**4.1**	(24.6)
Net earnings (loss) for the year	**$ 15.5**	$ (501.8)
Gain on disposal of Coal operations	**13.0**	–
EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS	**$ 28.5**	$ (501.8)

(1) Following the classification of the Coal operations as discontinued operations, effective January 1, 2014, depreciation was no longer recognized.

IMPAIRMENT OF COAL ASSETS

For the year ended December 31, 2013, upon classifying the Coal operations as a discontinued operation, the Corporation recognized an impairment loss of $518.9 million. The purchase consideration was used as the basis for determining the fair value and an estimate of the disposal costs was used as the basis for the costs to sell. In performing this assessment, the Corporation concluded that the expected fair value less cost to sell of the Coal operations was lower than the carrying value. This impairment includes $307.9 million of goodwill, $180.4 million of intangibles ($188.8 million less other adjustments of $8.4 million) and $30.6 million of property, plant and equipment.

GAIN ON TERMINATION OF COAL CONTRACT

On January 17, 2013, the Corporation and its customer, the owner of the Highvale mine, agreed to transfer the mine operations to the customer and terminate the Highvale mining contract. The termination resulted in a non-cash gain of $22.0 million recognized in the first quarter of 2013 relating to the transfer of the defined benefit pension obligation to the customer of $39.3 million which was partially offset by a non-cash write-off of $17.3 million for intangible assets associated with the mining contract.

GAIN ON DISPOSAL OF COAL OPERATIONS

The gain on disposal of the Coal operations is calculated as:

Canadian $ millions, as at	2014 December 31
Consideration received in cash	**$ 793.0**
Post-closing adjustments	**21.4**
Total consideration received	**$ 814.4**
Net assets disposed of	**801.4**
Gain on disposal	**$ 13.0**

The major classes of assets and liabilities of the Coal segment are as follows:

Canadian $ millions, as at	**2014 April 28**	2013 December 31
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 10.1**	$ –
Advances, loans receivable and other financial assets	**3.9**	3.7
Other non-financial assets	**–**	0.7
Finance lease receivable	**15.6**	15.9
Trade accounts receivable, net	**58.2**	68.0
Income taxes receivable	**1.6**	1.6
Inventories	**148.3**	149.7
Prepaid expenses	**1.7**	3.1
	239.4	242.7
NON-CURRENT ASSETS		
Advances, loans receivable and other financial assets	**24.4**	24.6
Other non-financial assets	**2.0**	4.3
Finance lease receivable	**154.6**	159.0
Property, plant and equipment	**473.8**	457.6
Intangible assets	**417.2**	417.3
	1,072.0	1,062.8
ASSETS OF DISCONTINUED OPERATIONS	**$ 1,311.4**	$ 1,305.5
LIABILITIES		
CURRENT LIABILITIES		
Trade accounts payable and accrued liabilities	**$ 79.4**	$ 84.4
Other financial liabilities	**40.0**	41.3
Other non-financial liabilities	**0.1**	2.1
Environmental rehabilitation provisions	**19.4**	19.8
	138.9	147.6
NON-CURRENT LIABILITIES		
Other financial liabilities	**95.2**	106.7
Other non-financial liabilities	**0.6**	3.8
Environmental rehabilitation provisions	**152.9**	146.1
Deferred income taxes	**122.4**	120.5
	371.1	377.1
LIABILITIES OF DISCONTINUED OPERATIONS	**$ 510.0**	$ 524.7
NET ASSETS OF DISCONTINUED OPERATIONS	**$ 801.4**	$ 780.8

The following table provides details of the operating, investing and financing activities of the Coal operations for the years ended December 31, 2014 and 2013.

Canadian $ millions, for the years ended December 31	2014	2013
OPERATING ACTIVITIES		
Net earnings (loss) from discontinued operations	**$ 15.5**	$ (501.8)
Add (deduct):		
Depletion, depreciation and amortization	**–**	116.9
Gain on termination of contract	**–**	(22.0)
Loss on impairment of assets	**–**	518.9
Finance costs (less accretion expenses)	**3.8**	1.5
Income tax expense (recovery)	**4.1**	(24.6)
Loss on settlement of environmental rehabilitation provisions	**1.2**	4.8
Change in provision	**(16.2)**	41.3
Net change in non-cash working capital	**3.2**	(4.4)
Interest received	**3.8**	14.4
Interest paid	**(6.3)**	(9.8)
Income tax received	**–**	2.7
Liabilities settled for environmental rehabilitation provisions	**(4.2)**	(22.3)
Other operating items	**13.7**	(10.9)
CASH PROVIDED BY OPERATING ACTIVITIES	**18.6**	104.7
INVESTING ACTIVITIES		
Property, plant and equipment expenditures	**(14.2)**	(36.0)
Increase in advances, loans receivable and other financial assets	**(0.6)**	(2.6)
Repayment of advances, loans receivable and other financial assets	**1.2**	3.9
Net proceeds from sale of property, plant and equipment	**0.1**	3.1
CASH USED BY INVESTING ACTIVITIES	**(13.5)**	(31.6)
FINANCING ACTIVITIES		
Repayment of other financial liabilities	**(14.2)**	(59.0)
Increase in finance lease receivables	**(1.0)**	(6.9)
Repayment of finance lease receivables	**5.7**	44.1
CASH USED BY FINANCING ACTIVITIES	**(9.5)**	(21.8)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**$ (4.4)**	$ 51.3

NON-CASH TRANSACTIONS

For the year ended December 31, 2014 $nil of property, plant and equipment was acquired under finance lease ($41.6 million for the year ended December 31, 2013).

Note 14 Disposal of corporate assets

During the fourth quarter, the Corporation reached an agreement to sell the Corporation's corporate offices in Toronto for $21.5 million. In classifying the land and building as held for sale, the Corporation is required to measure the assets at the lower of carrying amount and fair value less cost to sell. The expected purchase consideration was used as the basis for determining the fair value. In performing this assessment, the Corporation concluded that the fair value less cost to sell of the assets significantly exceeded the carrying amount. As a result, no adjustment was required. The transaction is expected to be completed in the second quarter of 2015, at which time the Corporation expects to record a gain of approximately $19 million.

Additionally, on December 31, 2014, the Corporation completed the sale of other corporate assets for $3.3 million. As those assets were fully amortized at the time of sale, the entire amount was recognized as a gain.

Note 15 Loss per share

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

Canadian $ millions, except share amounts in millions and per share amounts in dollars, for the years ended December 31	2014	2013
Net loss from continuing operations	**$ (318.5)**	$ (158.5)
Earnings (loss) from discontinued operations, net of tax	**28.5**	(501.8)
NET LOSS – BASIC AND DILUTED	**$ (290.0)**	$ (660.3)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES – BASIC AND DILUTED[1]	**297.0**	296.7
NET LOSS FROM CONTINUING OPERATIONS PER COMMON SHARE, BASIC AND DILUTED	**$ (1.07)**	$ (0.53)
EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS PER COMMON SHARE, BASIC AND DILUTED	**$ 0.10**	$ (1.70)
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	**$ (0.97)**	$ (2.23)

(1) The determination of the weighted-average number of common shares – diluted excludes 5.5 million shares related to stock options that were anti-dilutive for the year ended December 31, 2014 (4.9 million for the year ended December 31, 2013). There were 0.3 million shares related to the employee share purchase plan that were anti-dilutive for the year ended December 31, 2014 (0.8 million shares for the year ended December 31, 2013). There were 0.3 million shares related to the restricted stock plan that were anti-dilutive for the year ended December 31, 2014 (0.4 million shares for the year ended December 31, 2013).

Note 16 Financial instruments

FINANCIAL INSTRUMENT HIERARCHY

Canadian $ millions, as at	Note	Hierarchy level	2014 December 31	2013 December 31
Recurring financial assets held for trading, measured at fair value:				
Cash equivalents		1	**$ 112.8**	$ 272.5
Short-term investments		1	**315.6**	327.6
Restricted cash		1	**1.0**	1.0
Provisionally priced sales[1]		2	**–**	8.7
Ambatovy call option	18	3	**15.5**	22.1

(1) Revenue from provisionally priced sales is initially recorded at the estimated fair value of the consideration that is ultimately expected to be received based on forecast reference prices. At each reporting date all outstanding receivables originating from provisionally priced sales are marked to market based on a forecast of reference prices at that time. The adjustment to accounts receivable is recorded as an adjustment to sales revenue. Provisional pricing is only used in the pricing of nickel sales for which reference prices are established in a freely traded and active market.

The following is a reconciliation of the beginning to ending balance for the Ambatovy call option included in Level 3:

Canadian $ millions, for the years ended December 31	Note	2014	2013
Balance, beginning of the year		**$ 22.1**	$ 21.5
Total loss included in net finance expense	11	**(8.5)**	(1.2)
Effect of movements in exchange rates		**1.9**	1.8
Balance, end of the year		**$ 15.5**	$ 22.1

During the year ended December 31, 2014, the Corporation recognized downward fair value adjustments of $8.5 million (downward fair value adjustment of $1.2 million for the year ended December 31, 2013) in financing income related to the Ambatovy call option primarily as a result of changes in various inputs in the Black-Scholes model, including volatility, which is based on a blend of historical commodity prices and publicly traded stock prices of companies with comparable projects, the estimated fair value of the Ambatovy project based on forecasted cash flows, and the time until expiration of the option.

FAIR VALUES

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

Canadian $ millions, as at	Note			2014 December 31		2013 December 31
		Hierarchy value	Carrying value	Fair value	Carrying value	Fair Value
7.75% senior unsecured debentures due 2015	22	**1**	**$ –**	**$ –**	$ 273.9	$ 283.3
8.00% senior unsecured debentures due 2018	22	**1**	**246.5**	**247.5**	393.3	393.0
7.50% senior unsecured debentures due 2020	22	**1**	**246.0**	**237.5**	490.8	463.8
7.875% senior unsecured debentures due 2022	22	**1**	**239.2**	**235.0**	–	–
Ambatovy Joint Venture Additional Partner loans[2]	22	**2**	**1,014.3**	**970.9**	863.5	780.0
Ambatovy Joint Venture Partner loans[2]	22	**2**	**111.0**	**93.5**	100.1	76.9

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

(2) The fair value for the Ambatovy Partner loans and Ambatovy Additional Partner loans is calculated by discounting future cash flows by 8.62% and 10.72%, respectively. These rates are based on market rates adjusted for the Corporation's credit quality for instruments with similar maturity horizons.

As at December 31, 2014, the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, trade accounts receivable, current portion of advances and loans receivable, current portion of other financial assets, current portion of loans and borrowings, current portion of other financial liabilities, trade accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

The fair values of non-current loans and borrowings and other financial liabilities approximate their carrying amount except as indicated in the above table. The fair value of a financial instrument on initial recognition is normally the transaction price; the fair value of the consideration given or received. The fair values of non-current advances and loans receivable approximate their carrying amount based on their time horizon to maturity, and current market rates. Due to the use of judgment and uncertainties in the determination of the estimated fair values, these values should not be interpreted as being realizable in the immediate term.

The Corporation's 2022 notes include an option for the Corporation to redeem all or part of the notes outstanding prior to the expiration date at a determinable price. This optional redemption right has been determined to be an embedded derivative that is required to be bifurcated from the underlying notes and accounted for as a derivative at fair value with changes in fair value recorded in the consolidated statements of comprehensive income (loss). The fair value of the embedded derivative was insignificant at inception of the instrument at December 31, 2014 and was estimated using the Hull-White model. The model uses the following inputs: risk-free rate, expected volatility and the Company's estimated credit spread. The embedded derivative is classified as level 2.

As at December 31, 2014, the carrying amount of the lenders' conversion option under the Ambatovy Joint Venture additional partner loan agreements is approximately equal to its fair value.

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents consist of:

Canadian $ millions, as at	2014 December 31	2013 December 31
Cash equivalents	**$ 112.8**	$ 272.5
Cash on hand and balances with banks	**47.8**	51.7
	$ 160.6	$ 324.2

The Corporation's cash balances are deposited with major financial institutions rated A or higher by Standard and Poor's and with banks in Cuba that are not rated. The total cash held in Cuban bank deposit accounts was $11.7 million at December 31, 2014 (December 31, 2013 – $8.0 million).

As at December 31, 2014, $7.5 million of cash on the Corporation's consolidated statements of financial position was held by Energas (December 31, 2013 – $3.5 million). These funds are for the use of the joint operation.

The Corporation's cash equivalents consist of Government of Canada treasury bills with maturities of 90 days or less. As at December 31, 2014, the Corporation had $112.8 million in Government of Canada treasury bills (December 31, 2013 – $272.5 million) included in cash and cash equivalents and $315.6 million in short-term investments (December 31, 2013 – $327.6 million).

TRADE ACCOUNTS RECEIVABLE, NET

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

Canadian $ millions, as at	Note	2014 December 31	2013 December 31
Trade accounts receivable		**$ 196.4**	$ 189.0
Allowance for doubtful accounts		**(12.2)**	(12.9)
Accounts receivable from joint operations	28	**0.1**	0.2
Accounts receivable from joint venture	28	**20.6**	23.2
Accounts receivable from associate	28	**37.5**	36.2
Other		**22.5**	18.2
		$ 264.9	$ 253.9

Aging of receivables not impaired:

Canadian $ millions, as at	2014 December 31	2013 December 31
Not past due	**$ 250.8**	$ 245.6
Past due no more than 30 days	**5.1**	1.8
Past due for more than 30 days but no more than 60 days	**0.8**	0.2
Past due for more than 60 days	**8.2**	6.3
	$ 264.9	$ 253.9

Current payment terms for oil sales to an agency of the Cuban government are based on West Texas Intermediate (WTI) reference prices. As the WTI price exceeds US$29.50, payment terms are 180 days from the date of invoice.

Payment terms for electricity and by-product sales to Cuban state enterprises are 60 days from the date of invoice.

Note 17 Investments

Canadian $ millions, as at	2014 December 31	2013 December 31
Cuban certificates of deposit	**$ –**	$ 6.0
	–	6.0
Current portion of investments	**–**	(6.0)
	$ –	$ –

CUBAN CERTIFICATES OF DEPOSIT (CDs)

In 2009, a payment agreement was finalized with respect to the overdue 2008 Oil and Gas and Power receivables in Cuba. Subsequently, as required by the payment agreement, Sherritt purchased two Cuban CDs upon which principal and interest were required to be paid weekly over five years. The final repayment was received in March 2014.

Note 18 Advances, loans receivable and other financial assets

ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian $ millions, as at	Note	**2014 December 31**	2013 December 31
ADVANCES, LOANS RECEIVABLE			
Ambatovy subordinated loans receivable	28	**$ 1,489.9**	$ 1,106.9
Energas conditional sales agreement	28	**239.3**	251.7
Moa Joint Venture loans receivable	28	**250.3**	241.7
Other		**3.0**	3.5
OTHER FINANCIAL ASSETS			
Ambatovy call option	16	**15.5**	22.1
		1,998.0	1,625.9
Current portion of advances, loans receivable and other financial assets		**(75.6)**	(76.7)
		$ 1,922.4	$ 1,549.2

Ambatovy subordinated loans receivable

A funding agreement was entered into by the Corporation with the Ambatovy Joint Venture to finance the development of the Ambatovy Project. The facility bears interest at six-month LIBOR plus 6%. Repayments of principal or interest will not be made prior to certain conditions of the Ambatovy Joint Venture senior debt finance agreements being satisfied. Unpaid interest is accrued monthly and capitalized to the principal balance semi-annually. For the year ended December 31, 2014, $191.2 million of loans were provided to the Ambatovy Joint Venture.

Energas conditional sales agreement

A conditional sales agreement was entered into by the Corporation with Energas to finance construction activity on specific power generating assets in Cuba. The agreement directs the Corporation to arrange for the performance of certain construction activity on behalf of Energas, and contains design specifications for each new construction phase. The Corporation retains title to the constructed assets until the loan is fully repaid. The facility bears interest at 8%. Income generated by the constructed assets will be used to repay the facilities. Until the loan is fully repaid, all of the income generated by these assets is paid to the Corporation. The amount of advances and loans receivable from Energas are presented net of the elimination of the 33⅓% proportionately consolidated intercompany balances.

Moa Joint Venture loans receivable

A funding agreement was entered into by the Corporation with certain Moa Joint Venture entities within the Metals segment to finance expansion. Advances and loans receivable include one loan bearing a fixed interest rate of 6.5% which has advances outstanding as at December 31, 2014 of $207.4 million (December 31, 2013 – $189.2 million) and is due on December 31, 2016. Repayments are being made from available distributable cash flows from the Moa Joint Venture.

Also included in the Moa Joint Venture loans receivable is a 364-day working capital facility provided to certain Moa Joint Venture entities within the Metals segment totalling $42.9 million (December 31, 2013 – $52.5 million). The working capital facility bears interest at prime plus 2.25% per annum or bankers' acceptance rates plus an applicable margin of 3.25% and matures in November 2015.

Ambatovy call option

The Corporation has a put/call option arrangement whereby Sherritt and Sumitomo can acquire SNC-Lavalin's interest or SNC-Lavalin can divest of its interest to Sherritt and Sumitomo following the completion of construction and the satisfaction of certain completion tests. Sumitomo has the option, with Sherritt's approval, to exercise the call right for the full amount of SNC-Lavalin's investment. Should SNC-Lavalin exercise its put right, the Corporation has the right to require Sumitomo to acquire the Corporation's share of SNC-Lavalin's interest and therefore the put option has been assigned a value of $nil. The value assigned to the asset relates to the call option.

OTHER NON-FINANCIAL ASSETS

Canadian $ millions, as at	Note	2014 December 31	2013 December 31
Pension asset	29	$ 0.4	$ 0.7
Other		0.8	1.5
		$ 1.2	$ 2.2

Note 19 Inventories

Canadian $ millions, as at	2014 December 31	2013 December 31
Materials in process	$ 0.1	$ 0.1
Finished products	4.9	16.8
	5.0	16.9
Spare parts and operating materials	25.6	18.6
	$ 30.6	$ 35.5

For the year ended December 31, 2014, the cost of inventories included in cost of sales was $67.2 million ($57.5 million for the year ended December 31, 2013).

Note 20 Property, plant and equipment

Canadian $ millions, for the year ended December 31				2014
	Note	Oil and Gas properties	Plant, equipment and land	Total
COST				
Balance, beginning of the year		$ 1,176.0	$ 581.9	$ 1,757.9
Additions		42.2	41.1	83.3
Capitalized closure costs		6.3	12.4	18.7
Disposals and derecognition		–	(2.0)	(2.0)
Effect of movements in exchange rates		79.1	25.8	104.9
Reclassified to assets held for sale	14	–	(9.3)	(9.3)
BALANCE, END OF THE YEAR		$ 1,303.6	$ 649.9	$ 1,953.5
DEPLETION, DEPRECIATION AND IMPAIRMENT LOSSES				
Balance, beginning of the year		$ 1,091.6	$ 273.5	$ 1,365.1
Depletion and depreciation		59.8	23.6	83.4
Impairments		–	2.1	2.1
Disposals and derecognition		–	(1.2)	(1.2)
Effect of movements in exchange rates		76.1	13.1	89.2
Reclassified to assets held for sale	14	–	(7.2)	(7.2)
BALANCE, END OF THE YEAR		1,227.5	303.9	1,531.4
NET BOOK VALUE		$ 76.1	$ 346.0	$ 422.1

Canadian $ millions, for the year ended December 31					2013
	Note	Mining properties	Oil and Gas properties	Plant, equipment and land	Total
COST					
Balance, beginning of the year		$ 439.5	$ 1,056.9	$ 1,310.6	$ 2,807.0
Additions		20.9	34.7	93.0	148.6
Capitalized closure costs		23.4	5.9	(18.3)	11.0
Disposals and derecognition		–	–	(13.5)	(13.5)
Effect of movements in exchange rates		–	78.5	19.6	98.1
Reclassified to assets of discontinued operations	13	(483.8)	–	(809.5)	(1,293.3)
BALANCE, END OF THE YEAR		$ –	$ 1,176.0	$ 581.9	$ 1,757.9
DEPLETION, DEPRECIATION AND IMPAIRMENT LOSSES					
Balance, beginning of the year		$ 298.4	$ 957.7	$ 642.0	$ 1,898.1
Depletion and depreciation		39.7	59.9	85.0	184.6
Impairments		30.6	–	7.3	37.9
Disposals and derecognition		(0.1)	–	(4.0)	(4.1)
Effect of movements in exchange rates		–	74.0	10.3	84.3
Reclassified to assets of discontinued operations	13	(368.6)	–	(467.1)	(835.7)
BALANCE, END OF THE YEAR		$ –	$ 1,091.6	$ 273.5	$ 1,365.1
NET BOOK VALUE		$ –	$ 84.4	$ 308.4	$ 392.8

Canadian $ millions	Plant, equipment and land
ASSETS UNDER CONSTRUCTION, INCLUDED IN ABOVE	
AS AT DECEMBER 31, 2014	**$ 17.5**
As at December 31, 2013	15.6

POWER FACILITY

In 2013, as a result of not receiving lease payments from the lessee of the Corporation's electricity generating facility in Madagascar, the Corporation recognized an impairment in cost of sales of $7.3 million in relation to the facility assets. The Corporation ceased recognizing revenue on the facility in the third quarter of 2013.

FORT SITE EXPANSION

In 2013, the Corporation identified impairment indicators at its Fort Site operations when a decision to curtail the expansion strategy was made. The Corporation recognized an impairment charge of $7.0 million in cost of sales related to certain Fort Site expansion costs that were capitalized prior to the decision to curtail expansion plans. As the assets were not yet being depreciated, the impairment is included in disposals and derecognition in the above table.

DISCONTINUED OPERATIONS

In 2013, as a result of the Coal operations being classified as discontinued operations, the Corporation determined that an impairment was required as further described in note 13. The impairment was first applied to goodwill and intangibles, with the remainder of $30.6 million allocated to mining properties.

Note 21 Intangible assets

Canadian $ millions, for the year ended December 31					2014
	Contractual arrangements	**Exploration and evaluation**	**Service concession arrangements**	**Other**	**Total**
COST					
Balance, beginning of the year	**$ 27.0**	**$ 11.9**	**$ 179.5**	**$ 9.1**	**$ 227.5**
Additions through internal development	**–**	**0.5**	**2.8**	**–**	**3.3**
Disposals	**–**	**–**	**–**	**–**	**–**
Effect of movements in exchange rates	**–**	**(0.1)**	**16.2**	**–**	**16.1**
BALANCE, END OF THE YEAR	**$ 27.0**	**$ 12.3**	**$ 198.5**	**$ 9.1**	**$ 246.9**
AMORTIZATION AND IMPAIRMENT LOSSES					
Balance, beginning of the year	**$ 19.4**	**$ –**	**$ 38.4**	**$ 6.0**	**$ 63.8**
Amortization	**1.8**	**–**	**14.8**	**0.9**	**17.5**
Disposals	**–**	**–**	**–**	**–**	**–**
Impairments	**–**	**12.3**	**–**	**–**	**12.3**
Effect of movements in exchange rates	**–**	**–**	**3.9**	**–**	**3.9**
BALANCE, END OF THE YEAR	**$ 21.2**	**$ 12.3**	**$ 57.1**	**$ 6.9**	**$ 97.5**
NET BOOK VALUE	**$ 5.8**	**$ –**	**$ 141.4**	**$ 2.2**	**$ 149.4**

Canadian $ millions, for the year ended December 31								2013
	Note	Royalty agree-ments	Mining contracts	Contractual arrange-ments	Exploration and evaluation	Service concession arrange-ments	Other	Total
COST								
Balance, beginning of the year		$ 479.0	$ 236.0	$ 27.0	$ 5.6	$ 141.1	$ 23.1	$ 911.8
Additions through internal development		–	–	–	5.2	28.0	–	33.2
Disposals		–	(7.0)	–	–	–	(14.0)	(21.0)
Effect of movements in exchange rates		–	–	–	1.1	10.4	–	11.5
Reclassified to assets of discontinued operations	13	(479.0)	(229.0)	–	–	–	–	(708.0)
BALANCE, END OF THE YEAR		$ –	$ –	$ 27.0	$ 11.9	$ 179.5	$ 9.1	$ 227.5
AMORTIZATION AND IMPAIRMENT LOSSES								
Balance, beginning of the year		$ 50.8	$ 34.7	$ 17.6	$ –	$ 11.3	$ 7.3	$ 121.7
Amortization		10.9	7.0	1.8	–	4.0	0.9	24.6
Disposals		–	(1.5)	–	–	–	(2.2)	(3.7)
Impairments		–	188.8	–	–	22.1	–	210.9
Effect of movements in exchange rates		–	–	–	–	1.0	–	1.0
Reclassified to assets of discontinued operations	13	(61.7)	(229.0)	–	–	–	–	(290.7)
BALANCE, END OF THE YEAR		$ –	$ –	$ 19.4	$ –	$ 38.4	$ 6.0	$ 63.8
NET BOOK VALUE		$ –	$ –	$ 7.6	$ 11.9	$ 141.1	$ 3.1	$ 163.7

CONTRACTUAL ARRANGEMENTS

In 2003, in connection with the acquisition of outside interests in Sherritt Power Corporation, the Corporation acquired significant long-term contractual arrangements.

EXPLORATION AND EVALUATION

For the year ended December 31, 2014, the Corporation recognized an impairment of $12.3 million related to Oil and Gas exploration assets in the North Sea and Alboran Sea.

SERVICE CONCESSION ARRANGEMENTS

Construction at the Energas Boca de Jaruco facility was completed in February 2014. Construction revenue and expense relating to the construction activity for the year ended December 31, 2014 is $2.1 million (December 31, 2013 – $19.8 million). Expenses incurred in relation to the construction activity are included in cost of sales on the consolidated statements of comprehensive income (loss). The amount of interest expense capitalized was $0.7 million as at December 31, 2014 (December 31, 2013 – $7.0 million) at a weighted-average capitalization rate of 8.0%.

For the year ended December 31, 2013, the Corporation recognized an impairment of $22.1 million. The impairment was due to gas supply shortages at Boca de Jaruco and Puerto Escondido, and cost overruns and delays related to the Boca de Jaruco Combined Cycle Project. The impairment was determined by assessing the fair value of the assets by using the net present value of expected future cash flows. Key assumptions in the valuation model included operating cash flows, gas supply and the discount rate. Operating cash flows and gas supply were based on production and growth plans, internal forecasts and risk. A discount rate of 7.9% was used to discount cash flows for the valuation model, which resulted in the carrying amount exceeding fair value less costs to sell.

OTHER

In 2007, the Corporation acquired scientific and technical knowledge related primarily to hydrometallurgical technologies for the treatment and recovery of non-ferrous metals. As at December 31, 2014, the net book value of these assets was $2.2 million (December 31, 2013 – $3.2 million).

DISCONTINUED OPERATIONS

Royalty agreements

In 2008, in connection with the acquisition of Prairie Mines & Royalty Limited (PMRL), the Corporation acquired a portfolio of mineral rights that earn royalties based on the amount of coal and potash mined from properties in Alberta and Saskatchewan, Canada. As at December 31, 2013, the royalty agreements are included in assets of discontinued operations.

Mining contracts

In 2008, in connection with the acquisition of PMRL, the Corporation acquired mining agreements with various customers where it held exclusive rights to mine the dedicated reserves at the mine site. For the year ended December 31, 2013, the Corporation recognized an impairment of $188.8 million related to impairment of Coal operations upon classification as discontinued operations (note 13). As at December 31, 2013, the mining contracts are included in assets of discontinued operations.

Note 22 Loans, borrowings and other liabilities

LOANS AND BORROWINGS

Canadian $ millions, as at	Note	**2014 December 31**	2013 December 31
LONG-TERM LOANS			
7.75% senior unsecured debentures due 2015	16	**$ –**	$ 273.9
8.00% senior unsecured debentures due 2018	16	**246.5**	393.3
7.50% senior unsecured debentures due 2020	16	**246.0**	490.8
7.875% senior unsecured debentures due 2022	16	**239.2**	–
Ambatovy Joint Venture Additional Partner loans	16	**1,014.3**	863.5
Ambatovy Joint Venture Partner loans	16	**111.0**	100.1
Coal revolving credit facility		**–**	299.7
Syndicated 364-day revolving-term credit facility		**–**	45.0
Line of credit		**–**	20.0
Senior credit facility		**–**	–
3-year non-revolving term loan		**–**	–
Vendor financing		**2.9**	3.5
		1,859.9	2,489.8
Current portion of loans and borrowings		**(1.6)**	(365.2)
		$ 1,858.3	$ 2,124.6

Senior unsecured debentures

On October 10, 2014 the Corporation completed the purchase of $150.0 million of 8.00% senior unsecured debentures due November 15, 2018 (2018 Debentures) and $250.0 million of 7.50% senior unsecured debentures due September 24, 2020 (2020 Debentures) related to the previously announced offers of solicitation. Net of deferred financing costs, the Corporation's outstanding 2018 Debentures decreased by $147.8 million and the outstanding 2020 Debentures decreased by $245.8 million. The tender of the 2018 Debentures and 2020 Debentures and the receipt of consents required the Corporation to pay tender, consent and dealer fees of $19.0 million plus accrued interest to the date of repurchase of $5.6 million in October 2014.

Additionally, on October 10, 2014, the Corporation completed an issuance of $250.0 million of 7.875% senior unsecured notes due in 2022. The net proceeds of approximately $239.0 million (after the deduction of expenses and discounts) were used with cash on hand to fund the repurchase and redemption of the Corporation's outstanding 7.75% senior unsecured debentures due October 15, 2015 (2015 Debentures). In connection with the repurchase and redemption of the 2015 Debentures, the Corporation was required to pay an early redemption premium on the principal amount of $14.6 million plus accrued interest of $1.5 million.

During the third quarter the Corporation received consent to amend the Corporation's indentures. Under the new indenture agreement the Corporation is subject to certain covenants, including financial covenants which, if exceeded, limit or prohibit the incurrence of indebtedness and the ability to make certain distributions. The financial covenants are as follows: earnings before interest, taxes, depreciation and amortization (EBITDA)-to-interest expense ratio of no less than 2:1 and total indebtedness-to-EBITDA ratio not to exceed 3:1. The amendments were adopted for all outstanding debentures of the Corporation on October 10, 2014.

The 8.00% senior unsecured debentures, due 2018, are net of financing costs of $3.5 million at December 31, 2014 (December 31, 2013 – $6.7 million).

The 7.50% senior unsecured debentures, due 2020, are net of financing costs of $4.0 million at December 31, 2014 (December 31, 2013 – $9.2 million).

The 7.875% senior unsecured debentures, due 2022, are net of financing costs of $10.8 million at December 31, 2014 (December 31, 2013 – $nil).

Ambatovy Joint Venture additional partner loans

Sherritt has arrangements with its Ambatovy Joint Venture partners, Sumitomo, Kores and SNC-Lavalin, for a mechanism through which the Joint Venture partners would finance the Corporation's pro-rata share of shareholder funding requirements for the Ambatovy Joint Venture up to US$600.9 million plus accrued interest.

These loans, which are fully drawn, are non-recourse to the Corporation except in circumstances where there is a direct breach by the Corporation of restrictions in the loan documents, which limit the activities of certain subsidiaries and the use of proceeds from the loans to the development of the Ambatovy mine.

Interest and principal on these loans will be repaid solely through the Corporation's share of the distributions from the Ambatovy Joint Venture. However, the Corporation has the right to prepay some or all of the loans at its option. Until the Ambatovy Joint Venture additional partner loans and the Ambatovy Joint Venture partner loans, as described below, are fully repaid, 45% of the Corporation's share of distributions will be applied to repay the Ambatovy Joint Venture additional partner loans, 25% will be applied to repay the Ambatovy Joint Venture partner loans and the remaining 30% will be payable to the Corporation. When one loan has been repaid in full, 70% of such distributions will be applied to repay the loan that remains outstanding and the Corporation will receive the balance of the distributions until such time as both loans have been repaid in full and the Corporation will be entitled to receive all of its distributions.

Each lender individually has the right to exchange some or all of its Ambatovy Joint Venture additional partner loan for up to a maximum 15% equity interest, in aggregate, at any time. Exercise of these rights in full would reduce Sherritt's interest in the Ambatovy Joint Venture to 25%. This right is subject to senior project lender consent and Sherritt's right to repay all three such loans on a pro-rata basis and avoid the reduction in its equity interest. As the capital costs of the Ambatovy Joint Venture have exceeded US$4.52 billion, if Sherritt does not provide its pro-rata share of funding for additional cost overruns, the partners may dilute Sherritt's interest in the Ambatovy Joint Venture below the 25% threshold. There are no other penalties to Sherritt for a failure to fund its pro-rata share of shareholder funding. As at December 31, 2014, the Corporation has provided its full pro-rata share of funding for the capital cost in excess of US$4.52 billion.

The lenders' conversion option incorporated in these loan agreements is an embedded derivative. The lenders' conversion option has been bifurcated from the loan and ascribed a nominal value. These loans carry interest at a rate of six-month LIBOR plus 7.0% per annum.

The principal amount outstanding under this facility at December 31, 2014 was $1,014.3 million, including accrued interest (December 31, 2013 – $863.5 million). This amount is net of financing costs of $2.5 million at December 31, 2014 (December 31, 2013 – $2.7 million).

Ambatovy Joint Venture partner loans

In 2008, the Ambatovy Joint Venture partners finalized agreements to provide Sherritt with loans of up to US$236.0 million to be used to fund Sherritt's contributions for the project. The loans are provided at an interest rate based on a six-month LIBOR plus 1.125% with a 15-year term. Should Ambatovy distributions be insufficient to repay the loans in full, the Corporation will have the option to repay any outstanding balance in either cash or its common shares.

As a condition for providing funding under the Ambatovy Joint Venture additional partner loan agreements (described above), the Corporation was required to repay from the proceeds of these loans US$50.0 million of the existing Ambatovy Joint Venture partner loans such that the principal amount of the original loans is US$85.4 million. The principal amount outstanding under this facility at December 31, 2014 was $111.0 million, including accrued interest (December 31, 2013 – $100.1 million). This amount is net of financing costs of $0.6 million at December 31, 2014 (December 31, 2013 – $0.7 million). The advances continue to bear interest at a rate of LIBOR plus 1.125%. The Corporation's ability to draw additional amounts on the facility expired on August 22, 2014.

Coal revolving credit facility

The Coal revolving credit facility was fully repaid and terminated on April 28, 2014, the closing date of the sale of the Coal operations.

Syndicated 364-day revolving-term credit facility

In November 2014, the Corporation amended the terms of the syndicated 364-day revolving-term credit facility to extend the maturity date to November 30, 2015. The facility is subject to the following financial covenants: net financial debt-to-EBITDA covenant of 3.75:1, financial debt-to-equity covenant of 0.55:1 and EBITDA-to-interest expense covenant of not less than 3:1. The maximum credit available under the facility is $90.0 million and the total available draw is based on eligible receivables and inventory. The interest rate on the syndicated 364-day revolving-term credit facility is prime plus 2.25% per annum or bankers' acceptances plus 3.25%. As at December 31, 2014, $nil was drawn on this facility (December 31, 2013 – $45.0 million) and the Corporation had $56.6 million of letters of credit outstanding on this facility.

Line of credit

In November 2014, the Corporation extended the maturity date of the $20.0 million line of credit to November 30, 2015. This facility is subject to the same financial covenants and borrowing rates as the syndicated 364-day revolving-term credit facility. As at December 31, 2014, $nil was drawn on this line of credit (December 31, 2013 – $20.0 million).

Interest and accretion

Interest and accretion expense on loans and borrowings was $150.7 million for the year ended December 31, 2014 ($132.2 million for the year ended December 31, 2013).

Interest has been capitalized at the rate of interest applicable to the specific borrowings financing the assets under construction, exploration and evaluation efforts and the service concession agreement. Where these assets have been financed through general borrowings, interest has been capitalized at a rate representing the average interest rate on such borrowings. The amount of interest expense capitalized was $0.7 million for the year ended December 31, 2014 (December 31, 2013 – $7.0 million) at a weighted-average capitalization rate of 8.0% (December 31, 2013 – 8.0%).

Covenants

At December 31, 2014, there were no events of default on the Corporation's borrowings or debentures.

OTHER FINANCIAL LIABILITIES

Canadian $ millions, as at	Note	**2014 December 31**	2013 December 31
Other long-term financial liabilities		**$ 0.6**	$ 0.7
Stock compensation liability	25	**6.8**	6.5
		7.4	7.2
Current portion of other financial liabilities		**(3.2)**	(4.4)
		$ 4.2	$ 2.8

OTHER NON-FINANCIAL LIABILITIES

Canadian $ millions, as at	**2014 December 31**	2013 December 31
Deferred revenue	**$ 21.2**	$ 31.8
	21.2	31.8
Current portion of other non-financial liabilities	**(17.2)**	(27.6)
	$ 4.0	$ 4.2

Note 23 Provisions, contingencies and guarantees

Canadian $ millions, as at	**2014 December 31**	2013 December 31
Environmental rehabilitation provisions	**$ 101.7**	$ 83.6
Other provisions	**25.1**	41.3
	126.8	124.9
Current portion of provisions	**(18.0)**	(36.7)
	$ 108.8	$ 88.2

ENVIRONMENTAL REHABILITATION PROVISIONS

Provisions for environmental rehabilitation obligations were recognized in respect of Oil and Gas, Power and mining operations and include associated infrastructure and buildings, such as oil and gas production facilities, refinery, fertilizer and utilities facilities. The obligations normally take place at the end of the asset's useful life.

The Coal related environmental rehabilitation provision was reclassified to liabilities of discontinued operations at December 31, 2013.

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions, for the years ended December 31	Note	**2014**	2013
Balance, beginning of the year		**$ 83.6**	$ 263.2
Additions		**0.3**	15.0
Change in estimates		**18.3**	(19.9)
Utilized during the year		**–**	(17.6)
Accretion	11	**1.4**	4.5
Foreign exchange translation		**(1.9)**	4.3
Reclassified to liabilities of discontinued operations	13	**–**	(165.9)
Balance, end of the year		**$ 101.7**	$ 83.6

The 2014 change in estimates is primarily the result of discount rates decreasing by approximately 0.9% during the year due to lower government bond yields.

The Corporation has estimated that it will require approximately $154.4 million in undiscounted cash flows to settle these obligations. The payments are expected to be funded by cash generated from operations. Discount rates from 2.07% to 12.11% were applied to expected future cash flows to determine the carrying value of the environmental rehabilitation provision.

OTHER PROVISIONS

On October 31, 2013 a breach of an onsite water containment pond occurred at the Coal operations' Obed Mountain mine near Hinton, Alberta.

The release consisted of 670,000 cubic metres of process water, containing water mixed with clay, mud, slate and coal particles. There were no injuries resulting from this incident and remedial work on the containment pond and the affected downstream area is ongoing. The Corporation continues to be subject to financial obligations relating to the Obed breach subsequent to the sale of the Coal operations (note 13).

The following is a reconciliation of other provisions:

Canadian $ millions, for the years ended December 31		2014		2013
Balance, beginning of the year	**$**	**41.3**	$	–
Additions		**–**		52.2
Change in estimates		**9.7**		–
Utilized during the year		**(25.9)**		(10.9)
Balance, end of the year	**$**	**25.1**	$	41.3

As the Obed breach occurred within the Coal operations, the $9.7 million change in estimate recognized in the current year has been included within discontinued operations (note 13).

CONTINGENCIES

A number of the Corporation's subsidiaries and affiliates have operations located in Cuba. The Corporation will continue to be affected by the difficult political relationship between the United States and Cuba. The Corporation has received letters from U.S. citizens claiming ownership of certain Cuban properties or rights in which the Corporation has an indirect interest, and explicitly or implicitly threatening litigation. Having regard to legal and other developments in the United States, and remedies available in Canada and in Europe, the Corporation believes that the impact of any claims against it will not be material.

In addition to the above matter, the Corporation and its subsidiaries are also subject to routine legal proceedings and tax audits. The Corporation does not believe that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated net earnings, cash flow or financial position.

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

GUARANTEES

Ambatovy Joint Venture

Sherritt has provided guarantees of US$715.8 million as its pro-rata share of completion guarantees under the Ambatovy Joint Venture financing. The other Joint Venture partners have cross-guaranteed US$473.8 million and have also agreed to provide letters of credit up to US$242.0 million to the senior lenders. These guarantees are released once the Ambatovy Joint Venture has satisfied certain required completion tests (note 7).

Note 24 Shareholders' equity

NORMAL COURSE ISSUER BID

On October 29, 2014, the Corporation received approval from the TSX to commence a normal course issuer bid (NCIB) to purchase for cancellation up to 14,875,944 common shares, representing approximately 5% of its issued and outstanding common shares until November 2, 2015. Based on the average daily trading volumes, daily purchases will be limited to 300,404 common shares, other than block purchase exceptions.

For the year ended December 31, 2014, the Corporation purchased and cancelled 3,960,300 common shares under the NCIB at an average cost of $2.52 per share for an aggregate cost of $10.0 million. As the stated value of the common shares was greater than the purchase price, $37.5 million was allocated to capital stock and a credit of $27.5 million was allocated to reserves.

CAPITAL STOCK

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

Canadian $ millions, except share amounts, for the years ended December 31		**2014**		2013	
	Note	**Number**	**Capital stock**	Number	Capital stock
Balance, beginning of the year		**296,939,426**	**$ 2,808.5**	296,490,635	$ 2,806.1
Restricted stock plan (vested)	25	**73,500**	**0.7**	90,026	0.8
Employee share purchase plan	25	**218,565**	**1.2**	358,765	1.6
Share repurchase		**(3,960,300)**	**(37.5)**	–	–
Balance, end of the year		**293,271,191**	**$ 2,772.9**	296,939,426	$ 2,808.5

The following dividends were paid or were declared but unpaid:

Canadian $ millions, except share amounts, for the years ended December 31	**2014**		2013	
	Per share	**Total**	Per share	Total
Dividends paid during the year	**$ 0.074**	**$ 21.9**	$ 0.167	$ 49.5
Dividends declared but unpaid	**0.010**	**3.0**	0.043	12.9

On February 11, 2015 the Corporation's Board of Directors approved a quarterly dividend of $0.01 per common share, payable on April 14, 2015 to shareholders of record as of the close of business on March 31, 2015.

RESERVES

Canadian $ millions, for the years ended December 31	Note	**2014**	2013
STATED CAPITAL RESERVE			
BALANCE, BEGINNING OF THE YEAR		**$ 190.3**	$ 190.3
Share repurchase		**27.5**	–
BALANCE, END OF THE YEAR		**217.8**	190.3
STOCK-BASED COMPENSATION RESERVE[1]			
Balance, beginning of the year		**$ 6.2**	$ 4.6
Restricted stock plan (vested)	25	**(0.7)**	(0.8)
Restricted stock plan expense	25	**0.7**	0.6
Employee share purchase plan (vested)	25	**(0.2)**	(0.2)
Employee share purchase plan expense	25	**0.1**	0.4
Stock option plan expense	25	**1.3**	1.6
BALANCE, END OF THE YEAR		**7.4**	6.2
TOTAL RESERVES, END OF THE YEAR		**$ 225.2**	$ 196.5

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

ACCUMULATED OTHER COMPREHENSIVE INCOME

Canadian $ millions, for the years ended December 31	Note	2014	2013
FOREIGN CURRENCY TRANSLATION RESERVE			
Balance, beginning of the year		**$ 63.0**	$ (101.2)
Foreign currency translation differences on foreign operations		**260.8**	164.2
BALANCE, END OF THE YEAR		**323.8**	63.0
ACTUARIAL GAINS (LOSSES) ON DEFINED BENEFIT OBLIGATION			
Balance, beginning of the year		**$ (1.0)**	$ (28.4)
Actuarial gains on defined benefit obligation, net of tax			
Continuing operations		**(1.1)**	0.9
Discontinued operations		**0.6**	3.6
Reclassification due to settlement of pension obligation	13	**(1.8)**	22.9
BALANCE, END OF THE YEAR		**$ (3.3)**	$ (1.0)
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME		**$ 320.5**	$ 62.0

Accumulated foreign currency translation reserve

Accumulated other comprehensive income includes a reserve pertaining to the accumulated foreign currency translation adjustment which relates to deferred exchange gains and losses arising from the translation of the financial statements of the Corporation's foreign operations which have a foreign dollar functional currency.

Accumulated actuarial gains and losses on defined benefit obligations reserve

Accumulated other comprehensive income also includes a reserve relating to changes in defined benefit obligations and plan assets.

The Corporation has elected to reclassify actuarial losses, included in accumulated other comprehensive income (loss), to retained earnings upon settlement of a pension obligation.

Note 25 Stock-based compensation plans

STOCK OPTIONS AND OPTIONS WITH TANDEM STOCK APPRECIATION RIGHTS

The Corporation maintains a stock option plan, pursuant to which securities of the Corporation may be issued as compensation. Eligible participants are those persons designated from time to time by the Human Resources Committee of the Board of Directors (the Committee) from among the executive officers and certain senior employees of the Corporation or its subsidiaries who occupy responsible managerial or professional positions and who have the capacity to contribute to the success of the Corporation.

Under the Corporation's stock option plan, the Committee has the discretion to attach Tandem SARs to options, which entitles the holder to a cash payment of the difference between the option's exercise price and the volume-weighted average trading price of a share on the Toronto Stock Exchange for the five trading days preceding the exercise date. Options with Tandem SARs have not been issued since March 2010.

The maximum number of stock options issuable is 17,500,000. The remaining number of options which may be issued under the stock option plan is 5,248,555 at December 31, 2014. Under the stock option plan, the exercise price of each option equals the volume-weighted average trading price over the five days prior to the date the option is granted. An option's maximum term is 10 years. Options vest on such terms as the Committee determines, generally in three equal instalments on the annual anniversary date of the grant of the options. When options with or without Tandem SARs are exercised, the related options are cancelled and the shares underlying such options are cancelled and are no longer available for issuance under the stock option plan.

The following is a summary of stock option activity:

Canadian $, except number of options, for the years ended December 31	2014		2013	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding, beginning of the year	4,868,249	$ 8.70	4,244,317	$ 9.49
Granted	1,233,200	3.02	888,300	5.14
Forfeited	(582,697)	7.85	(192,700)	7.96
Expired	–	–	(71,668)	13.46
Outstanding, end of the year	5,518,752	$ 7.52	4,868,249	$ 8.70
Options exercisable, end of the year	3,604,288	$ 9.46	3,425,280	$ 9.93

The following table summarizes information on stock options outstanding and exercisable:

As at December 31					2014
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number exercisable	Exercisable weighted-average exercise price
$3.00–$5.05	1,273,200	9.0	$ 3.04	40,000	$ 3.69
$5.06–$9.77	2,788,885	6.2	6.54	2,107,621	6.92
$9.78–$11.64	521,667	1.0	10.27	521,667	10.27
$11.65–$15.23	935,000	2.6	14.99	935,000	14.99
TOTAL	5,518,752	5.7	$ 7.52	3,604,288	$ 9.46

As at December 31, 2014, 2,575,552 options with tandem SARs (December 31, 2013 – 2,872,349) and 2,943,200 options without tandem SARs (December 31, 2013 – 1,995,900) remained outstanding for which the Corporation has recognized a compensation expense of $0.5 million for the year ended December 31, 2014 of which a compensation recovery of $0.1 million is included in earnings from discontinued operations (compensation recovery of $1.4 million for the year ended December 31, 2013 of which $nil is included in loss from discontinued operations). The carrying amount of liabilities associated with cash-settled stock option compensation arrangements is $0.5 million as at December 31, 2014 (December 31, 2013 – $1.3 million, of which $nil is included in liabilities of discontinued operations).

Inputs for measurement of grant date fair values

The fair value at the grant date of the stock options was measured using Black-Scholes. The following summarizes the fair value measurement factors for options granted during the year:

Canadian $, except as noted, for the years ended December 31	2014	2013
Share price at grant date	$ 3.04	$ 5.22
Exercise price	$ 3.02	$ 5.14
Risk-free interest rates (based on 10-year Government of Canada bonds)	2.39%	1.94%
Expected volatility	49.10%	48.81%
Expected dividend yield	1.41%	2.91%
Expected life of options	10 years	10 years
Weighted-average fair value of options granted during the year	$ 1.55	$ 2.11

Expected volatility is estimated based on the average historical share price volatility for a period equal to the expected life of the option. The expected life of the option is estimated to equal its legal life at the time of grant. The expected dividend yield is determined by comparing the most recent dividend payment to the share price at grant date.

OTHER STOCK-BASED COMPENSATION

Restricted Share Units (RSUs)

Under the terms of the Executive Share Unit Plan, the RSUs are available to be granted to executives and employees. The RSUs represent a right to receive a cash amount payable by the Corporation to a participant at the end of the vesting period for RSUs determined by reference to the market price of the common shares multiplied by the number of RSUs held by the participant as adjusted for dividend equivalents credited. RSUs are issued subject to vesting conditions, including performance criteria, if any, which are set by the Committee. The RSUs vest at the sole discretion of the Committee. RSUs vest not later than (a) the earlier of: (i) December 31 of the third calendar year following the calendar year in respect of which the RSUs were granted or (ii) the date set out in the RSU grant agreement; and (b) the date of death of a participant. The vesting date set out in the grant agreement is typically the third anniversary of the grant date. The Corporation shall redeem all of a participant's vested RSUs on the vesting date and may, at the discretion of the Committee, redeem all or any part of a participant's unvested RSUs prior to the vesting date.

Beginning in 2013, the Corporation began issuing performance based RSUs to certain employees, which vest at the end of three years. Under the plan, each unit awarded is equivalent to a common share. A liability is accrued related to the units awarded and a compensation expense is recognized in the consolidated statement of comprehensive income (loss) over the service period required for employees to become fully entitled to the award. At the maturity date, the participant receives cash representing the value of the units. The final number of units that vest will vary from 80% to 120% of the number of outstanding units on the vesting date (initial number awarded plus additional units for dividend equivalents) based on the Corporation's total shareholder return relative to a benchmark index comprised of mining and oil and gas companies.

Deferred Share Units (DSUs)

Under the terms of the Non-executive Directors' Deferred Share Unit Plan, the DSUs are available to be granted to non-executive directors. The DSUs represent a right to receive a cash amount payable by the Corporation to a participant following departure from the Board of Directors. The value payable is determined by reference to the market price of the common shares multiplied by the number of DSUs held by the participant as adjusted for dividend equivalents credited. DSUs vest on the later of (a) the grant date or (b) the date that any terms of vesting conditions attached to the DSUs are satisfied. DSUs generally vest on the grant date. DSUs are redeemed by the Corporation at the election of the participant by filing a notice of redemption not earlier than the participant's termination date and not later than December 1st of the calendar year following the termination date.

Restricted Stock Plan (RSP)

The Corporation has a Restricted Stock Plan intended for senior executives, under which the Committee may grant restricted shares to employees of the Corporation. Under the terms of the plan, shares that are issued are subject to vesting conditions, which are set by the Committee for each grant of restricted stock. The shares granted under this plan are purchased on the open market by a trustee and held in each participant's custodial account until the vesting conditions have been met, or the shares are forfeited. The participant owns the restricted shares but cannot dispose or otherwise transfer ownership of them until the restrictions and performance conditions, if any, specified by the Committee at the time of grant have been satisfied.

For accounting purposes, these shares are excluded from the number of outstanding common shares of the Corporation and reduce the capital stock of the Corporation. As the shares vest, the shares are included in the number of outstanding common shares of the Corporation and the capital stock of the Corporation is increased accordingly. The Corporation purchased nil common shares during the year ended December 31, 2014 (for the year ended December 31, 2013 the Corporation purchased nil common shares). These shares are excluded from the calculation of the weighted-average number of common shares used for the purposes of calculating basic earnings per share.

Employee Share Purchase Plan

The Employee Share Purchase Plan (Share Purchase Plan) is intended to allow eligible employees of the Corporation to purchase shares of the Corporation by means of automatic payroll deductions. Employees of the Corporation are typically eligible to participate in the Share Purchase Plan after one year of continuous service. Under the terms of the Share Purchase Plan, participating employees may purchase shares by electing to have an amount (up to 5% of their previous year's earnings) withheld by payroll deduction over a two-year period (Purchase Period). The purchase price of the shares is the lower of the share price at the beginning of the two-year Purchase Period and the share price at the end of the Purchase Period.

The Corporation is authorized to issue up to 3,300,000 shares under the Share Purchase Plan. The Corporation issued 218,565 common shares to employees during the year ended December 31, 2014 (December 31, 2013 – 358,765) under the Share Purchase Plan for total consideration of $1.0 million (December 31, 2013 – $1.4 million) and has, since its inception in 1996, issued an aggregate of 2,374,605 common shares to employees.

A summary of the Share Purchase Plan units, RSUs, DSUs and RSP units outstanding as at December 31, 2014 and 2013 and changes during the year ended is as follows:

For the year ended December 31				**2014**
	Share Purchase Plan	**RSU**	**DSU**	**RSP**
Outstanding, beginning of the year	**774,560**	**2,838,197**	**422,961**	**360,900**
Issued	**58,595**	**2,534,277**	**189,040**	**–**
Dividends credited	**–**	**73,886**	**9,235**	**–**
Exercised	**(218,565)**	**–**	**–**	**–**
Forfeited	**(355,590)**	**(43,612)**	**–**	**–**
Adjusted on settlement	**34,280**	**–**	**–**	**–**
Vested	**–**	**(706,230)**	**(245,922)**	**(73,500)**
OUTSTANDING, END OF THE YEAR	**293,280**	**4,696,518**	**375,314**	**287,400**
UNITS EXERCISABLE, END OF THE YEAR	**n/a**	**n/a**	**375,314**	**n/a**

For the year ended December 31				2013
	Share Purchase Plan	RSU	DSU	RSP
Outstanding, beginning of the year	822,491	1,934,701	430,649	450,926
Issued	405,390	1,556,240	120,900	–
Dividends credited	–	100,298	20,034	–
Exercised	(358,765)	–	(148,622)	–
Forfeited	(248,763)	(142,585)	–	–
Adjusted on settlement	154,207	–	–	–
Vested	–	(610,457)	–	(90,026)
OUTSTANDING, END OF THE YEAR	774,560	2,838,197	422,961	360,900
UNITS EXERCISABLE, END OF THE YEAR	n/a	n/a	422,961	n/a

For other stock-based compensation plans the Corporation recorded a compensation expense of $4.0 million for the year ended December 31, 2014 of which $0.6 million is included in earnings from discontinued operations (compensation expense of $2.9 million for the year ended December 31, 2013 of which $0.3 million is included in loss from discontinued operations). The carrying amount of liabilities associated with cash-settled compensation arrangements is $6.3 million as at December 31, 2014, of which $nil is included in liabilities of discontinued operations (December 31, 2013 – $5.8 million of which $0.6 million is included in liabilities of discontinued operations).

As a result of the sale of the Coal operations 206,667 RSUs vested on an accelerated basis, resulting in an expense of $0.6 million for the year ended December 31, 2014 being recognized in earnings from discontinued operations. Additionally, there were 144,705 units of the Share Purchase Plan that were cancelled resulting in a recovery of $0.2 million for the year ended December 31, 2014.

Measurement of fair values at grant date

The fair value of the Share Purchase Plan, RSUs, DSUs and RSPs are determined by reference to the market value and performance conditions, as applicable, of the shares at the time of grant.

The number of units subject to the RSU performance conditions outstanding at December 31, 2014 was 3,924,456 (December 31, 2013 – 1,551,405).

The following summarizes the fair value measurement factor for the Share Purchase Plan, RSU and DSU grants during the year:

Canadian $, for the years ended December 31	2014	2013
Employee Share Purchase Plan	$ 3.31	$ 3.90
RSU	3.04	3.96
DSU	3.70	5.91

The intrinsic value of cash-settled stock-based compensation awards vested and outstanding as at December 31, 2014 was $7.0 million (December 31, 2013 – $6.2 million).

Employee share ownership plan

During the third quarter of 2014 the Corporation established an employee share ownership plan (ESOP) for eligible employees. Under the ESOP, contributions by the Corporation and eligible employees will be used by the plan administrator to make purchases of common shares of the Corporation on the open market. Each eligible employee may contribute up to 10% of the employee's salary to the ESOP. The Corporation will match 50% of employee contributions to the plan, up to a maximum annual contribution. Employer contributions will be used by the plan administrator to purchase additional common shares in the Corporation. These additional shares cannot be sold or withdrawn until the employee has participated in the plan for a contiguous 24 month period. Shareholder approval is not required for this plan or any amendments to this plan.

The Corporation accounts for its contributions as compensation and benefits expense when the amounts are contributed to the plan. Compensation and benefits expense related to this plan was $0.2 million for the year ended December 31, 2014.

Note 26 Cash flows

OTHER OPERATING ITEMS

Canadian $ millions, for the years ended December 31	Note	2014	2013
Add (deduct) non-cash items:			
Accretion expense on environmental rehabilitation provisions	11, 23	$ 1.4	$ 1.9
Stock-based compensation (recovery) expense, net	25	4.0	1.2
Other items		11.8	9.7
Cash flow arising from changes in:			
Other finance charges	11	(12.5)	(11.6)
Realized foreign exchange loss	11	(0.2)	(0.1)
		$ 4.5	$ 1.1

NET CHANGE IN NON-CASH WORKING CAPITAL

Canadian $ millions, for the years ended December 31	2014	2013
Trade accounts receivable	$ (7.8)	$ 59.4
Inventories	6.0	(8.6)
Prepaid expenses	(7.4)	(10.7)
Trade accounts payable and accrued liabilities	54.1	1.7
Deferred revenue	(10.7)	11.5
	$ 34.2	$ 53.3

Note 27 Financial risk and capital risk management

RISK MANAGEMENT POLICIES AND HEDGING ACTIVITIES

The Corporation is sensitive to changes in commodity prices, foreign exchange and interest rates. The Corporation's Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. Although the Corporation has the ability to address its price-related exposures through the use of options, futures and forward contracts, it does not generally enter into such arrangements. The Corporation reduces the business-cycle risks inherent in its commodity operations through industry diversification.

CREDIT RISK

Sherritt's sales of nickel, cobalt, oil, gas and electricity expose the Corporation to the risk of non-payment by customers. Sherritt manages this risk by monitoring the creditworthiness of its customers, covering some exposure through receivables insurance, documentary credit and seeking prepayment or other forms of payment security from customers with an unacceptable level of credit risk. In addition, there are certain credit risks that arise due to the fact that all sales of oil and electricity in Cuba are made to agencies of the Cuban government. Although Sherritt seeks to manage its credit risk exposure, there can be no assurance that the Corporation will be successful in eliminating the potential material adverse impacts of such risks.

Cuba

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

Canadian $ millions, as at	Note	**2014 December 31**	2013 December 31
Cash		**$ 19.0**	$ 12.5
Trade accounts receivable, net		**140.7**	159.4
Advances and loans receivable		**609.3**	619.5
Cuban certificates of deposit	17	**–**	6.0
TOTAL		**$ 769.0**	$ 797.4

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

Madagascar

The Corporation has credit risk exposure in Madagascar related to its share (40% basis) of cash and cash equivalents of $19.1 million and net accounts receivable of $27.2 million associated with the Ambatovy Joint Venture including value added tax (VAT) receivables of $10.5 million from the government of Madagascar. Of a total VAT receivable provision of $77.8 million (40% basis), $37.4 million (40% basis) was recorded during the year ended December 31, 2014 ($40.4 million for the year ended December 31, 2013 (40% basis)) to reflect the diminished likelihood of receipt of these amounts. Total overdue accounts receivable including VAT (net of provision) for the Ambatovy Joint Venture amount to $2.5 million (40% basis).

LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. Liquidity risk arises from the Corporation's financial obligations and in the management of its assets, liabilities and capital structure. The Corporation manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner.

The main factors that affect liquidity include realized sales prices, production levels, cash production costs, working capital requirements, capital-expenditure requirements, scheduled repayments of long-term loans and borrowing obligations, credit capacity and debt and equity capital market conditions.

The Corporation's liquidity requirements are met through a variety of sources, including cash and cash equivalents, cash generated from operations, existing credit facilities, leases, and debt and equity capital markets.

At December 31, 2014, considering the Corporation's financial position, the Corporation did not need to access public debt and equity capital markets for financing over the next 12 months. However, the Corporation may access these markets.

Based on management's assessment of its financial position and liquidity profile at December 31, 2014, the Corporation will be able to satisfy its current and long-term obligations as they come due.

In respect of the Ambatovy Joint Venture financing, Sherritt has a completion guarantee of US$715.8 million, all of which is cross-guaranteed or covered by letters of credit to be provided by its partners (note 23).

The agreements establishing certain jointly controlled entities require the unanimous consent of shareholders to pay dividends. It is not expected that this restriction will have a material impact on the ability of the Corporation to meet its obligations.

Financial obligation maturity analysis

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

Canadian $ millions, as at December 31, 2014	Total	Falling due within 1 year	Falling due between 1–2 years	Falling due between 2–3 years	Falling due between 3–4 years	Falling due between 4–5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ 131.6	$ 131.6	$ –	$ –	$ –	$ –	$ –
Income taxes payable	22.0	22.0	–	–	–	–	–
Loans and borrowings[1]	3,290.2	59.7	105.9	152.7	413.5	154.7	2,403.7
Provisions	179.5	19.2	5.1	3.0	0.8	–	151.4
Operating leases[2]	25.4	2.5	2.9	2.9	3.0	3.0	11.1
TOTAL	$ 3,648.7	$ 235.0	$ 113.9	$ 158.6	$ 417.3	$ 157.7	$ 2,566.2

(1) Loans and borrowings is composed primarily of $731.7 million in senior unsecured debentures and note having interest rates of between 7.5% and 8.0% and maturities in 2018, 2020 and 2022, and $1,014.3 million and $111.0 million in loans provided by the Ambatovy Joint Venture partners to finance Sherritt's portion of the funding requirements of the Joint Venture, bearing interest of LIBOR plus a margin of 7.0% and 1.125%, respectively. These partner loans are to be repaid from the Corporation's share of cash distributions from the Ambatovy Joint Venture (note 22). The amounts above are based on management's best estimate of future cash flows including estimating assumptions such as commodity prices, production levels, cash costs of production, capital and reclamation costs. The Ambatovy Joint Venture additional partner loans are non-recourse to Sherritt unless there is a direct breach of certain restrictions stipulated in the loan documents. The maturity analysis table includes an estimate of interest repayments.

(2) Operating lease payments recognized as an expense in the consolidated statements of comprehensive income (loss) were $2.0 million for the year ended December 31, 2014 ($2.0 million for the year ended December 31, 2013).

As a result of the Corporation's 40% interest in the Ambatovy Joint Venture, its proportionate share of significant undiscounted commitments of the Joint Venture include environmental rehabilitation commitments of $201.6 million, other contractual commitments of $33.8 million and senior debt financing of $955.2 million.

As a result of the Corporation's 50% interest in the Moa Joint Venture, its proportionate share of significant undiscounted commitments of the Joint Venture include advances and loans payable of $159.7 million, environmental rehabilitation commitments of $64.1 million and other commitments of $1.5 million.

MARKET RISK

Market risk is the potential for financial loss from adverse changes in underlying market factors, including foreign exchange rates, commodity prices, interest rates and stock-based compensation costs.

Foreign exchange risk

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

Based on financial instrument balances as at December 31, 2014, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have a favourable or unfavourable impact of approximately $13.9 million, respectively, on net earnings, and $41.9 million on other comprehensive income (loss).

Commodity price risk

The Corporation is exposed to fluctuations in certain commodity prices. Realized prices for finished products and for input commodities are the most significant factors affecting the Corporation's revenue and earnings. Revenue, earnings and cash flows from the sale of nickel, cobalt and oil are sensitive to changes in market prices over which the Corporation has little or no control.

The Corporation has the ability to address its price-related exposures through the limited use of options and future and forward contracts, but generally does not enter into such arrangements. Sherritt reduces the business-cycle risks inherent in its commodity operations through industry diversification.

The Corporation has certain provisional pricing agreements in Metals. These provisionally priced transactions are periodically adjusted to actual as prices are confirmed as the settlement occurs within a short period of time. In periods of volatile price movements, adjustments may be material.

Interest rate risk

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

Based on the balance of short-term and long-term loans and borrowings, cash equivalents, short-term and long-term investments, and advances and loans receivable at December 31, 2014, excluding interest capitalized to project costs, a 1.0% decrease or increase in the market interest rate could decrease or increase the Corporation's net earnings by approximately $2.4 million, respectively. The Corporation does not engage in hedging activities to mitigate its interest rate risk.

Stock-based compensation risk

The Corporation is exposed to a financial risk related to stock-based compensation costs.

Potential fluctuations in the price of Sherritt's common shares would have an impact on the stock-based compensation expense. Based on balances at December 31, 2014, a strengthening or weakening of $1.00 in the price of the Corporation's common shares would have had an unfavourable or favourable impact of approximately $2.7 million on annual net earnings, respectively.

CAPITAL RISK MANAGEMENT

In the definition of capital, the Corporation includes, as disclosed on its consolidated statements of financial position and notes to the financial statements: capital stock, retained (deficit) earnings and un-drawn credit facilities.

Canadian $ millions, as at	**2014 December 31**	2013 December 31
Capital stock	**$ 2,772.9**	$ 2,808.5
Retained (deficit) earnings	**(259.9)**	40.2
Un-drawn credit facilities	**53.4**	210.4

The Corporation's objectives, when managing capital, are to maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations throughout the various resource cycles with sufficient capital and capacity to manage unforeseen operational and industry developments and to ensure the Corporation has the capital and capacity to allow for business growth opportunities and/or to support the growth of its existing businesses.

In order to maintain or adjust its capital structure, the Corporation may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, repay outstanding debt, issue new debt (secured, unsecured, convertible and/or other types of available debt instruments), refinance existing debt with different characteristics, acquire or dispose of assets or adjust the amount of cash and short-term investment balances.

Certain of the Corporation's credit facilities, loans and debentures have financial tests and other covenants with which the Corporation and its affiliates must comply. Non-compliance with such covenants could result in accelerated repayment of the related debt or credit facilities and reclassification of the amounts to current liabilities. The Corporation monitors its covenants on an ongoing basis and reports on its compliance with the covenants to its lenders on a quarterly basis.

Refer to note 22 for the Corporation's compliance with financial covenants as at December 31, 2014.

Note 28 Related party transactions

The Corporation and subsidiaries provide goods, labour, advisory and other administrative services to jointly controlled entities and an associate at fair value. 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 controlled entities and an associate in the Metals business.

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated and are not disclosed in this note. A listing of the Corporation's subsidiaries is included in note 2, under principles of consolidation.

A description of the Corporation's interest in an associate and its interest in jointly controlled entities is included in notes 7 and 8, respectively.

Canadian $ millions, for the years ended December 31	**2014**	2013
Total value of goods and services:		
Provided to joint operations	**$ 20.2**	$ 26.1
Provided to joint venture	**165.1**	165.5
Provided to associate	**2.2**	5.7
Purchased from joint operations	**1.0**	3.7
Purchased from joint venture	**192.0**	100.3
Purchased from associate	**58.5**	26.4
Net financing income from joint operations	**15.5**	23.5
Net financing income from associate	**45.5**	–
Net financing income from joint venture	**7.4**	7.0

Canadian $ millions, as at	Note	**2014 December 31**	2013 December 31
Accounts receivable from joint operations	16	**$ 0.1**	$ 0.2
Accounts receivable from joint venture	16	**20.6**	23.2
Accounts receivable from associate	16	**37.5**	36.2
Accounts payable to joint operations		**0.1**	1.9
Accounts payable to joint venture		**34.2**	–
Accounts payable to associate		**2.5**	4.5
Advances and loans receivable from associate	18	**1,489.9**	1,106.9
Advances and loans receivable from joint operations	18	**239.3**	251.7
Advances and loans receivable from joint venture	18	**250.3**	241.7

Transactions between related parties are generally based on standard commercial terms. All amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received on the outstanding amounts. No expense has been recognized in the current or prior periods for bad debts in respect of amounts owed by related parties.

KEY MANAGEMENT PERSONNEL

Key management personnel is composed of the Board of Directors, Chief Executive Officer, Chief Financial Officer and Senior Vice Presidents of the Corporation. The following is a summary of key management personnel compensation:

Canadian $ millions, for the years ended December 31	**2014**	2013
Short-term benefits	**$ 7.8**	$ 8.5
Post-employment benefits[(1)]	**1.4**	2.7
Share-based payments	**5.7**	5.4
	$ 14.9	$ 16.6

(1) Post-employment benefits include a non-registered defined contribution executive supplemental pension plan. The total cash pension contribution for key management personnel was $0.8 million for the year ended December 31, 2014 ($0.4 million for the year ended December 31, 2013). The total pension expense that is attributable to key management personnel was $0.2 million for the year ended December 31, 2014 ($0.3 million for the year ended December 31, 2013).

Note 29 Post-employment benefits

The Corporation maintains defined benefit plans for qualifying employees. These defined benefit plans are administered by Trusts that are legally separated from the Corporation. Under the plans, employees are entitled to benefits based on a percentage of the employee's average salary over the pensionable service period.

The Corporation's defined benefit plans expose the Corporation to actuarial risks such as: investment risk, compensation risk, and longevity risk.

Investment risk – The present value of the defined benefit plans are calculated using a discount rate determined by reference to high quality fixed income investments with cash flows that match expected payments.

Compensation risk – The present value of the defined benefit plans' liability is calculated by reference to the future salaries of plan participants. As such, an increase in the compensation of the plan participants or number of participants will increase the plan's liability.

Longevity risk – The present value of the defined benefit plan's liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

The following table summarizes the significant actuarial assumptions used to calculate the pension expense and obligations under the defined benefit pension plans:

As at December 31	**2014**	2013
SIGNIFICANT ACTUARIAL ASSUMPTIONS		
Discount rate	**3.7%**	4.7%
Rate of compensation increases	**3.5%**	3.5%
Expected long-term rate of return on plan assets	**3.7%**	4.7%
Average longevity (years)	**6.9–11.0**	6.5–17.0

Actuarial reports and updates are prepared by independent actuaries for funding and accounting purposes. Net pension plan expense recognized in total comprehensive income was:

Canadian $ millions, for the years ended December 31	**2014**	2013
CURRENT SERVICE COST:		
Defined benefit	**$ 0.3**	$ 0.5
Defined contribution	**4.6**	4.3
NET PENSION PLAN EXPENSE	**$ 4.9**	$ 4.8

Canadian $ millions, for the years ended December 31	Note	**2014**	2013
AMOUNTS RECOGNIZED IN OTHER COMPREHENSIVE INCOME (LOSS)			
Actuarial losses, beginning of the year	24	**$ (1.0)**	$ (28.4)
Actuarial gains (losses) on pension plans, net of tax			
Continuing operations	24	**(1.1)**	0.9
Discontinued operations	24	**0.6**	3.6
Settlement (loss) gain	24	**(1.8)**	22.9
ACTUARIAL LOSSES, END OF THE YEAR		**$ (3.3)**	$ (1.0)

Information on defined benefit plans, in aggregate, is set out below:

Canadian $ millions, for the years ended December 31	Note	**2014**	2013
ACCRUED BENEFIT OBLIGATIONS			
Balance, beginning of the year		**$ 20.6**	$ 174.5
Current service cost		**0.3**	1.8
Interest cost		**0.9**	2.3
Benefits paid		**(2.4)**	(5.9)
Actuarial loss (gain)		**2.1**	(1.0)
Settlement gain	13	**–**	(111.2)
Reclassified to liabilities of discontinued operations		**–**	(39.9)
BALANCE, END OF THE YEAR		**$ 21.5**	$ 20.6

Canadian $ millions, for the years ended December 31	Note	**2014**	2013
PLAN ASSETS			
Fair value, beginning of the year		**$ 21.3**	$ 125.6
Employer contributions		**0.9**	4.0
Interest on assets		**1.0**	1.2
Benefits paid		**(2.4)**	(5.9)
Actuarial gain		**1.1**	5.2
Settlement decrease	13	**–**	(71.9)
Reclassified to liabilities of discontinued operations		**–**	(36.9)
FAIR VALUE, END OF THE YEAR		**$ 21.9**	$ 21.3

Canadian $ millions, as at	**2014 December 31**	2013 December 31
Accrued benefit obligations	**$ (21.5)**	$ (20.6)
Fair value of plan assets	**21.9**	21.3
NET ASSET	**$ 0.4**	$ 0.7

Total cash payments for post-retirement benefits for the year ended December 31, 2014, consisting of contributions to defined benefit and defined contribution pension plans, were $5.6 million ($4.9 million for the year ended December 31, 2013). Total cash contributions to be paid to the plans for the year ending December 31, 2015 are estimated to be $0.6 million.

As at December 31, 2014, for pension plans with an accrued benefit obligation in excess of plan assets, the accrued benefit obligation was $11.1 million (December 31, 2013 – $10.8 million) and the fair value of the plan assets was $10.2 million (December 31, 2013 – $10.3 million).

The measurement date for the plan assets and the accrued benefit obligations for the Corporation's defined benefit pension plans is December 31. Actuarial valuations are performed at least every three years and rendered to date using current salary levels to determine the actuarial present value of the accrued benefit obligation. An actuarial valuation was performed on the defined benefit plan as at December 31, 2013.

Approximate asset allocations, by asset category, of the Corporation's defined benefit pension plans for continuing operations were as follows:

As at	**2014 December 31**	2013 December 31
Equity securities	**37%**	39%
Debt securities	**36%**	34%
Deposits	**27%**	27%

The average duration of the benefit obligation at December 31, 2014 was 10.8 years (December 31, 2013 – 10.4 years), which excludes active members participating in the employee share purchase plan, as their post-employment benefits are limited to their notional account balances. This number can be analyzed as follows:

- active members 14.5 years (December 31, 2013 – 14.4 years)
- retired members 10.4 years (December 31, 2013 – 9.8 years)

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected compensation increase and longevity. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate was 1% lower, the defined benefit obligation would increase by $2.0 million.
- If the expected compensation increased by 1%, the defined benefit obligation would increase by $nil.
- If the longevity decreased by 10%, the defined benefit obligation would increase by $0.4 million.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Note 30 Government grants

For the year ended December 31, 2014, the Corporation recognized government grants relating to Energas re-investment credits of $1.4 million ($0.8 million for the year ended December 31, 2013). Re-investment credits are earned as a result of providing financing for construction projects approved by the Cuban government. Receipt of these credits is contingent on Energas generating taxable income, and therefore re-investment credits are included in income only as Energas accrues income tax.

Note 31 Operating lease arrangements

CORPORATION ACTS AS A LESSOR

The Corporation acts as a lessor in operating leases related to the Power facilities in Madagascar and in Varadero, Cuba. During 2013, the Corporation recorded an impairment related to its electricity generating facility located in Madagascar. Accordingly, the future minimum lease payments have been determined to be $nil as at December 31, 2014 and December 31, 2013.

All operating lease payments related to the Varadero facility are contingent on power generation. The terms of the leases are for 20 years, ending in February 2017 and March 2018. At the end of the lease terms, the leased assets will be sold at fair market value with the Corporation retaining its share of the net proceeds. For the year ended December 31, 2014, contingent revenue was $13.1 million ($12.8 million for the year ended December 31, 2013).

CORPORATION ACTS AS A LESSEE

Operating lease payments recognized as an expense in consolidated statement of comprehensive income (loss) for the year ended December 31, 2014 were $2.0 million ($2.0 million for the year ended December 31, 2013).

Note 32 Commitments for expenditures

Canadian $ millions, as at December 31		**2014**
Property, plant and equipment commitments	**$**	**29.9**
Joint venture:		
Property, plant and equipment commitments		**11.5**
Other commitments		**0.4**

Corporate Governance

DEMONSTRATING LEADERSHIP

At Sherritt, we believe that sound corporate governance is critical to earning and retaining the trust of our shareholders. Our governance practices reflect the vision and priorities that we promote as a company and are critical to improve overall company performance. This includes promoting ethical behaviour and high performance standards throughout the organization.

The Board of Directors (the "Board") oversees Sherritt International Corporation's (the "Corporation") governance system, in part through the work of the Nominating and Corporate Governance Committee. The mandate of the Nominating and Corporate Governance Committee is to assist the Board in fulfilling its oversight responsibilities in relation to all matters relating to corporate governance.

The fundamental responsibility of the Board is to oversee the management of the business and affairs of the Corporation in accordance with lawful and ethical standards, and the best interests of the Corporation. The Board promotes fair reporting, including financial reporting, to shareholders of the Corporation and other interested persons, as well as ethical and legal corporate conduct, through an appropriate system of corporate governance, internal controls and disclosure controls.

Reflecting the Corporation's commitment to the highest standards of corporate governance and the importance of independent management oversight, all of the directors are independent, except for one, and each of the following Board committees consists entirely of independent directors (and, in the case of the Audit Committee, financially literate): the Audit Committee, the Nominating and Corporate Governance Committee, the Human Resources Committee, the Reserves and Projects Committee, and the Environment, Health, Safety and Sustainability Committee.

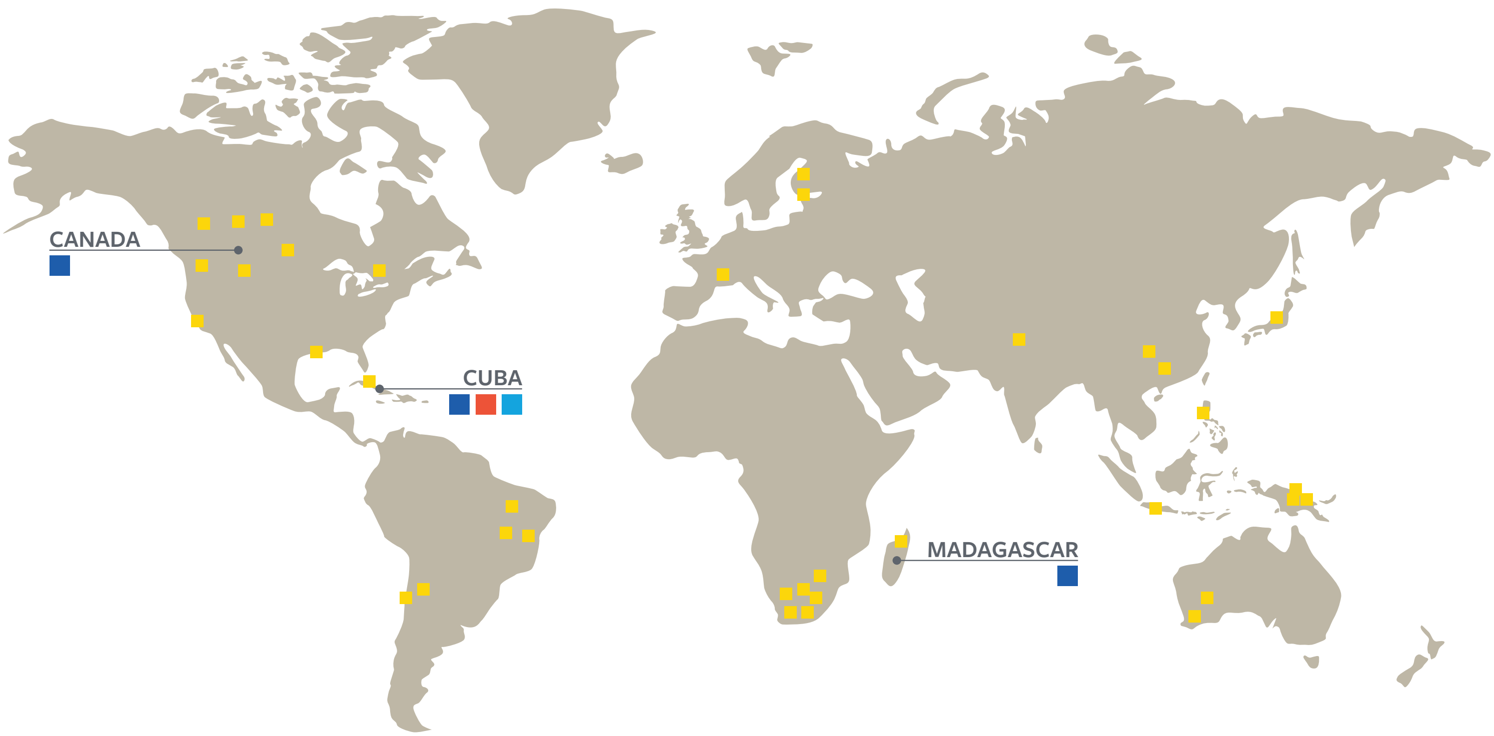
The Nominating and Corporate Governance Committee reviews the Board and Committee mandates annually (or more often if required) and makes recommendations to the Board with respect to each mandate. The Board and Committee mandates are available at www.sherritt.com. Additional information on the Board's corporate governance practices can be found in the Corporation's annual management information circulars, which are available at www.sherritt.com or www.sedar.com.

Global Assets

Sherritt has operations in Canada, Cuba and Madagascar and our technology is used at over 35 locations around the globe.

Global Operations

- Metals
- Oil & Gas
- Power
- Commercial operations developed with Sherritt technologies



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STOCK EXCHANGE LISTING

Toronto Stock Exchange
Common shares – S

Photography

JAMES HODGINS Cover (row 1: photo 2; row 2: photo 3; row 3: all; row 4: all), p. 8, p. 12, p. 13 (right photo), p. 14, p. 15 (right photo), p. 16 (all photos), p. 17, p. 20, p. 21 (left photo), p. 24 **RIX RAFAHELY** Cover (row 1: photo 1; row 2: photo 2), p. 1, p. 10, p. 13 (left photo), p. 18, p. 21 (right photo) **PETER CHRISTOPHER** Cover (row 4: photo 2), p. 15 (left photo) **BRIAN PIETERS** p. 2, p. 23 (all photos)

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