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2014 FIRST QUARTER REPORT

Sherritt International Corporation

For the three months ended March 31, 2014

PRESS RELEASE

Sherritt Reports First-Quarter 2014 Results

NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES

IN THIS SECTION

All amounts are Canadian dollars unless otherwise indicated.

Sherritt International Corporation Reports First-Quarter 2014 Results

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Toronto, April 30, 2014 – Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S) today reported a first-quarter 2014 loss of $48.2 million ($0.16 per share), compared to earnings of $23.1 million ($0.08 per share) for first-quarter 2013. Earnings were affected by the impact of higher financing expense related to foreign exchange losses as a result of the weakening of the Canadian dollar against the U.S. dollar ($9.8 million, after-tax, or $0.03 per share), and by depreciation, depletion, and amortization being recognized at Ambatovy for the first time following the declaration of commercial production in January 2014 ($27.5 million for Sherritt's 40% share, or $0.09 per share).

Despite the impact of lower nickel prices, which averaged US$6.64 per pound in first-quarter 2014, Adjusted EBITDA remained strong at $54.9 million ($0.18 per share). Adjusted operating cash flow for first-quarter 2014 was $0.26 per share, compared to $0.18 per share in first-quarter 2013.

First-Quarter Highlights

- Ambatovy met the requirements for commercial production, (70% of ore throughput of nameplate capacity in the pressure acid leach (PAL) circuit, averaged over 30 days) in January 2014.
- Ambatovy sold the first two months of commercial production at market prices, generating $127.1 million (100% basis) in revenue. Net direct cash costs for nickel of US$6.83 per pound at Ambatovy were within guidance at reported production rates and lower than current market prices.
- On April 28, 2014 Sherritt completed the agreements to sell its Coal operations. As a result of the sale, Sherritt received $793 million in cash and expects to record a gain on the sale of the Coal royalty operations in second-quarter 2014 in addition to changes to working capital and other closing adjustments. The transaction is a part of the Corporation's strategic focus of strengthening its balance sheet, streamlining its business model and concentrating its focus on the base metals and Cuba assets.
- Unit operating costs were lower on a year-over-year basis in the main businesses. In Metals, mining and processing costs were lower, primarily due to lower sulphur and sulphuric acid input commodity prices. In Oil and Gas, unit operating costs in Cuba decreased primarily due to higher net production.
- The Corporation continues to target savings in excess of $33 million in 2014 in general and administrative, and other costs. In the first quarter of 2014, approximately 58% ($19 million) of the projected savings were realized, including reduced headcount, salary freezes and lower bonus payouts across the organization, as well as other cost structure reductions. The cost saving measures will be partly offset by other non-recurring costs such as the Coal transaction costs, consulting costs related to the special Shareholders' meeting and severance costs.

"Momentum in our business increased during the quarter due to a number of factors," said David Pathe, President and CEO. "We achieved an important milestone at Ambatovy in meeting the requirements for commercial production. Finished nickel sales volumes in our Metals business increased by 64%, largely due to the first commercial sales at Ambatovy, further enhancing Sherritt's position to benefit from the strengthening nickel price. We also closed the Coal transaction and made significant strides in our ongoing efforts to reduce costs. The market has begun to recognize the progress we have made in our business and the improvements in our operating environment. Our near-term focus continues to be paying down debt, meeting our cost reduction targets, and moving Ambatovy forward."

CONSOLIDATED FINANCIAL DATA

($ millions unless otherwise noted)	Three months ended March 31, 2014	2013
Revenue		
Metals	$ 160.1	$ 103.7
Oil and Gas	76.9	71.1
Power	11.9	16.0
Corporate, other	1.8	1.2
Adjustments for Metals Joint Ventures[1]	(129.8)	(85.0)
Total revenue	120.9	107.0
Adjusted EBITDA[2]		
Metals	2.8	16.9
Oil and Gas	60.4	57.4
Power	4.9	3.5
Corporate, other	(13.2)	(16.5)
Total Adjusted EBITDA[2]	54.9	61.3
Operating profit (loss)[2]		
Metals	(34.1)	7.0
Oil and Gas	43.6	41.4
Power	0.9	0.9
Corporate, other	(14.2)	(17.4)
Adjustments for Metals Joint Ventures[1]	(12.5)	(4.8)
Earnings (loss) from operations, associate and joint venture	(16.3)	27.1
Net finance expense	40.8	26.9
Income tax expense	13.4	2.8
Net (loss) from continuing operations	(70.5)	(2.6)
Net earnings from discontinued operations, net of tax	22.3	25.7
Net earnings (loss)	(48.2)	23.1
Basic and diluted earnings (loss) per share ($ per share)		
Net earnings (loss) from continuing operations	(0.24)	(0.01)
Net earnings (loss)	(0.16)	0.08
Adjusted operating cash flow – total ($ per share)[2]	0.26	0.18
Net working capital balance[3]	478.2	850.1
Spending on capital and intangibles[4]	25.6	23.3
Total assets	6,605.5	6,664.7
Shareholders' equity	3,176.7	3,707.9
Long-term debt to total assets (%)	38	32
Weighted-average number of shares (millions)		
Basic	297.0	296.5
Diluted	297.3	296.9

(1) Reflects the adjustments for equity-accounted investments in the Moa and Ambatovy Joint Ventures that are included within the Metals segment.
(2) For additional information see the 'Non-GAAP Measures' section of this release.
(3) Net working capital is calculated as total current assets less total current liabilities.
(4) Spending on capital and intangibles includes accruals and does not include spending at Coal, which is classified as a discontinued operation, or service concession arrangements.

CONSOLIDATED SALES DATA

(units as noted)	For the period ended March 31, 2014	2013
Sales volumes		
Nickel (thousands of pounds)		
Moa Joint Venture (50% basis)	**8,428**	8,631
Ambatovy Joint Venture (40% basis)(1)	**5,738**	–
Total nickel (Sherritt's share)	**14,166**	8,631
Cobalt (thousands of pounds)		
Moa Joint Venture (50% basis)	**858**	909
Ambatovy Joint Venture (40% basis)(1)	**425**	–
Total cobalt (Sherritt's share)	**1,283**	909
Oil and gas (boepd, net working-interest production)	**11,776**	10,871
Electricity (GWh, 33 1/3% basis)	**187**	160
Thermal coal – Prairie Operations (millions of tonnes)	**4.9**	5.7
Thermal coal – Mountain Operations (millions of tonnes)	**0.9**	0.6
Average-realized prices(2)		
Nickel ($/lb)(1)	**7.23**	7.85
Cobalt ($/lb)(1)	**14.78**	11.52
Oil and gas ($/boe)	**71.24**	70.34
Electricity ($/MWh)	**46.21**	41.87
Thermal coal – Prairie Operations ($/tonne)	**20.99**	18.20
Thermal coal – Mountain Operations ($/tonne)	**87.95**	94.44

(1) Includes the impact of the Ambatovy Joint Venture from February 1, 2014 onward.
(2) For additional information, see the "Non-GAAP Measures" section of this release.

CORPORATE AND OTHER

The Corporation continues to target savings in excess of $33 million in 2014 in general and administrative, and other costs. In the first quarter of 2014, approximately 58% ($19 million) of the projected savings were realized, including reduced headcount, salary freezes and lower bonus payouts across the organization, as well as other cost structure reductions. The cost saving measures will be partly offset by other non-recurring costs such as the Coal transaction costs, consulting costs related to the special Shareholders' meeting and severance costs.

LIQUIDITY, CAPITAL RESOURCES AND USE OF PROCEEDS FROM COAL TRANSACTION

Cash, cash equivalents and short-term investments were $603.9 million at March 31, 2014. This does not include cash, cash equivalents and short-term investments of $31.5 million (100% basis) held by the Moa Joint Venture, $53.7 million (100% basis) held by the Ambatovy Joint Venture, or the $793 million of cash proceeds from the sale of the Coal business.

Total long-term debt at March 31, 2014 was $2.2 billion, including approximately $0.9 billion related to non-recourse Ambatovy partner loans to Sherritt. Sherritt intends to use the proceeds of the Coal transaction to pay down a significant portion of the outstanding debentures and to retain sufficient flexibility to fund Ambatovy and investment opportunities in the core businesses.

Review of Operations

METALS – Consolidated Results

($ millions)	For the period ended March 31, 2014				Three months ended March 31, 2013			
	Moa (50%)[1]	**Ambatovy (40%)[4]**	**Other (100%)[2]**	**Sherritt Metals[3]**	Moa (50%)	Ambatovy (40%)[4]	Other (100%)	Sherritt Metals[3]
Sales volumes (Sherritt's share)								
Nickel, finished (000 lbs)	**8,428**	**5,738**	**–**	**14,166**	8,631	–	–	8,631
Cobalt, finished (000 lbs)	**858**	**425**	**–**	**1,283**	909	–	–	909
Fertilizer (tonnes)	**36,882**	**4,628**	**–**	**41,510**	31,513	–	–	31,513
Average reference prices								
Nickel (US$/lb)	**6.64**	**6.77**	**–**	**–**	7.85	–	–	7.85
Cobalt (US$/lb)[6]	**13.90**	**14.43**	**–**	**–**	11.95	–	–	11.95
Average-realized prices[1]								
Nickel ($/lb)	**7.11**	**7.37**	**–**	**7.23**	7.85	–	–	7.85
Cobalt ($/lb)	**14.86**	**14.66**	**–**	**14.78**	11.52	–	–	11.52
Fertilizer ($/tonne)	**358**	**195**	**–**	**328**	435	–	–	435
Revenue								
Nickel	**$ 60.0**	**$ 43.0**	**$ –**	**$ 103.0**	$ 67.8	$ –	$ –	$ 67.8
Cobalt	**12.7**	**6.8**	**–**	**19.5**	10.5	–	–	10.5
Fertilizer	**16.2**	**1.0**	**–**	**17.2**	17.2	–	–	17.2
Other	**1.5**		**18.9**	**20.4**	1.8	–	6.4	8.2
Total revenue	**90.4**	**50.8**	**18.9**	**160.1**	97.3	–	6.4	103.7
Cost of sales	**81.1**	**50.1**	**18.4**	**149.6**	78.8		5.9	84.7
Administrative expenses	**2.3**	**5.1**	**0.3**	**7.7**	1.9	0.5	(0.3)	2.1
Adjusted EBITDA[5]	**7.0**	**(4.4)**	**0.2**	**2.8**	16.6	(0.5)	0.8	16.9
Depletion and amortization	**9.4**	**27.5**	**–**	**36.9**	9.3	–	0.6	9.9
Earnings (loss) from operations	**(2.4)**	**(31.9)**	**0.2**	**(34.1)**	7.3	(0.5)	0.2	7.0
Spending on capital	**4.6**	**3.9**	**–**	**8.5**	4.7	5.0	–	9.7

(1) Moa Joint Venture (50%) + Fort Site operations (100%) that service the Moa Joint Venture. For three months ended March 31, 2014.
(2) Under the Ambatovy Joint Venture agreements, the Corporation established a marketing organization to buy, market and sell certain Ambatovy nickel production.
(3) Sherritt's share of Joint Ventures + 100%-owned Fort Site Operations + marketing support for the Ambatovy Joint Venture.
(4) Effective February 1, 2014, Ambatovy ceased capitalizing project costs and commenced recognizing operating revenues and costs for accounting purposes. Financial results are presented for the post-commercial period only.
(5) For additional information, see the "Non-GAAP Measures" section of this release.
(6) Average Metal Bulletin – Low Grade Cobalt published price.

In January 2014, Ambatovy met the requirements for commercial production (70% of ore throughput of nameplate capacity in the pressure acid leach circuit on average over a thirty-day period). Effective February 1, 2014, Ambatovy ceased capitalizing project costs and commenced recognizing operating revenues and costs for accounting purposes.

Average reference prices differ between Moa and Ambatovy, as Moa reference prices are for a three-month period (January 1 to March 31) and Ambatovy reference prices are for a two-month period (effective February 1 to March 31). The average nickel reference price decreased compared to the prior-year period as global nickel markets remained oversupplied despite the enactment of a mineral export ban on raw ore exports on January 12, 2014 in Indonesia. The average cobalt reference price strengthened compared to the prior-year period due to ongoing power issues in the Democratic Republic of the Congo and Zambia resulting in a shortage of certain cobalt metal grades as well as improving demand in the rechargeable battery and superalloy sectors.

METALS – Unit Operations

Moa Joint Venture (50%) + Sherritt Fort Site Operations (100%)

Operating results at the **100% level** are summarized in the following table:

	Three months ended, March 31,	
(100% basis)	**2014**	2013
Production volumes		
Mixed sulphides (Ni+Co contained, tonnes)	**7,981**	8,333
Nickel (tonnes)	**7,278**	7,803
Cobalt (tonnes)	**712**	810
Fertilizer (tonnes)		
Moa Joint Venture	**41,174**	40,779
Fort Site	**39,266**	39,006
Total fertilizer	**80,440**	79,785
Sales volumes		
Nickel (thousands of pounds)	**16,856**	17,262
Cobalt (thousands of pounds)	**1,716**	1,818
Fertilizer (tonnes)		
Moa Joint Venture	**28,254**	19,988
Fort Site	**22,755**	21,519
Total fertilizer	**51,009**	41,507
Average unit operating costs (US$/lb)(1)		
Mining, processing and refining costs	**6.59**	7.00
Third-party feed costs	**0.23**	0.22
Cobalt by-product credits	**(1.37)**	(1.20)
Fort-site credits	**(0.39)**	(0.65)
Other	**0.24**	(0.03)
Net direct cash costs of nickel (NDCC)(2)	**5.30**	5.34
Natural gas ($/GJ)	**5.60**	3.21
Fuel oil (US$/tonne)	**604**	641
Sulphur (US$/tonne)	**127**	238
Sulphuric acid (US$/tonne)	**128**	163
Spending on capital		
Sustaining	**3.8**	4.7
Expansion	**0.8**	–
Total	**4.6**	4.7

(1) For additional information, see the “Non-GAAP Measures” section of this release.
(2) Net direct cash costs of nickel (NDCC) after cobalt and other by-product credits.
(3) Moa Joint Venture (50% interest) + Fort Site operations (100% interest) that provides services to the Moa Joint Venture.

Production of mixed sulphides in first-quarter 2014 was 4% (352 tonnes, 100% basis) lower than in the prior-year period, due to poor metallurgical recoveries of mined ore (first encountered on transition to a new mining concession in fourth-quarter 2013) and low leach train availability due to unplanned maintenance activities on one of the five pressure acid leach (PAL) trains. Measures taken to improve leaching of the ore improved production by the end of the quarter with production returning to normal levels. Repairs to the one leach train were completed during the quarter and full availability was restored.

Consolidated metals sales volumes reflected production trends. Fertilizer sales volumes were 23% (9,502 tonnes, 100% basis) higher than in the prior-year period, reflecting a strong spring fertilizer season as customers have taken shipments of ammonium sulphate earlier in the season than is usual.

The net direct cash cost (NDCC) decreased 1% (U.S.$ 0.04/lb) compared to the prior-year period as lower mining and processing costs and higher cobalt by-product credits were offset by lower net fertilizer by-product credits. Lower mining and processing costs largely reflected lower sulphur and sulphuric acid input commodity prices, partly offset by the impact of lower mixed sulphide production. Lower net fertilizer by-product credits largely reflected lower realized sale prices and higher natural gas input commodity prices.

Spending on capital during the quarter was focused on sustaining activities. Mobilization of resources for the construction of the 2,000 tonne per day acid plant at Moa continued during the quarter. Acid plant project expenditures were included in expansion spending and largely related to engineering and procurement activities. The Moa Joint Venture has obtained project financing for the estimated capital cost of the plant (U.S.$65 million) from a Cuban financial institution, and completed additional draws of $1.1 million (50% basis) on the facility during the quarter.

Ambatovy Joint Venture (40%)

In January 2014, Ambatovy met the requirements for commercial production (70% of ore throughput of nameplate capacity in the pressure acid leach circuit on average over a thirty-day period). Effective February 1, 2014, Ambatovy ceased capitalizing project costs and commenced recognizing operating revenues and costs for accounting purposes.

Operating results at the **100% level** are summarized in the following table:

	For the period ended March 31,	
(100% basis)	**2014**	2013
Production volumes[1] (3 months)		
Mixed sulphides (Ni+Co contained, tonnes)[2]	**9,631**	7,803
Nickel (tonnes)	**8,782**	5,830
Cobalt (tonnes)	**693**	540
Fertilizer (tonnes)	**20,842**	21,958
Sales volumes[3] (2 months)		
Nickel (thousands of pounds)	**14,345**	-
Cobalt (thousands of pounds)	**1,063**	-
Fertilizer (tonnes)	**11,571**	-
Average unit operating costs (US$/lb)[3],[4] (2 months)		
Mining, processing and refining costs	**7.42**	-
Cobalt by-product credits	**(0.98)**	-
Other	**(0.39)**	-
Net direct cash costs of nickel (NDCC) [5]	**6.83**	-
Sulphur (US$/tonne)	**171**	-
Limestone (US$/tonne)	**19**	-
Coal (US$/tonne)	**97**	-
Spending on capital ($ millions)[6]	**3.9**	5.0

(1) Production volumes are presented for three months ended March 31, 2014.
(2) Net of recycle to the refinery.
(3) Sales volumes are presented from February 1, 2014 onward.
(4) For additional information, see the "Non-GAAP Measures" section of this release.
(5) Net direct cash costs of nickel (NDCC) after cobalt and other by-product credits for the period from February 1, 2014 onward.
(6) Sustaining capital only.

The average ore throughput in the PAL circuit was 67% for the quarter (compared to 53% in fourth-quarter 2013) as further improvement in autoclave availability, solids density and volumetric flow to the autoclaves continued to advance the ramp-up. All autoclaves were available for service during the quarter. Finished nickel production volumes averaged 108 tonnes per day in February and March. Nickel reduction volumes peaked at record 159 tonnes per day for one day in March.

Finished metal sales volumes were consistent with production levels. Fertilizer sales volumes were lower than production volumes due largely to inventory establishment in key warehouses and the timing of sales.

The net direct cash cost (NDCC) of nickel for the quarter was within guidance and expectation for the facility when operating at approximately 60% of its finished metal production capacity. Guidance was for NDCC of U.S.$6.00 per pound to U.S.$8.00 per pound when operating near this rate.

Spending on capital focused on sustaining activities and construction of Phase II of the Tailings Management Facility.

Subsequent to the end of the quarter, Ambatovy received ISO 9001:2008 certification for the management system for refining, analytical services and shipping of nickel, cobalt and ammonium sulphate products from the plant site in Toamasina. ISO 9001:2008 certification is a requirement for registration of primary nickel brands on the London Metal Exchange.

Ambatovy ceased capitalizing project costs on January 31, 2014. Cumulative spending on capital at Ambatovy was US$5.3 billion (100% basis), excluding financing charges, working capital and foreign exchange, below the US$5.5 billion (100% basis) estimate established in June 2011. Cumulative total project costs at January 31, 2014 (including operating costs, financing charges, working capital and foreign exchange, and net of sales revenue) were US$7.2 billion (100% basis), with US$49.9 million (100% basis) spent in January 2014.

In first-quarter 2014, a total of US$90.0 million (100% basis) in funding was provided by the Ambatovy Joint Venture partners. Sherritt's 40% share of funding for first-quarter 2014 was US$36.0 million ($39.5 million), and was sourced from cash on hand.

OIL AND GAS

	Three months ended March 31,	
($ millions unless otherwise noted)	**2014**	2013
Production volumes (boepd)[1]		
Gross working-interest – Cuba[2), (3]	**20,200**	19,551
Net working-interest[4]		
Cuba – cost recovery	**3,844**	2,631
Cuba – profit oil	**7,341**	7,614
Cuba – total	**11,185**	10,245
Spain	**278**	290
Pakistan	**313**	336
Total net working-interest	**11,776**	10,871
Average reference prices (US$/bbl)		
U.S. Gulf Coast Fuel Oil No.6 (GCF6)	**89.30**	97.07
Brent crude	**109.13**	113.59
Average-realized prices[5]		
Cuba ($/bbl)	**71.80**	71.17
Spain ($/bbl)	**118.75**	112.99
Pakistan ($/boe)	**9.13**	8.26
Weighted average ($/boe)	**71.24**	70.34
Average unit operating costs[5]		
Cuba ($/bbl)	**12.10**	12.24
Spain ($/bbl)	**49.43**	14.62
Pakistan ($/boe)	**5.97**	7.95
Weighted average ($/boe)	**12.91**	12.18
Revenue	**76.9**	71.1
Cost of sales	**13.7**	11.9
Administrative expenses	**2.8**	1.8
Adjusted EBITDA[5]	**60.4**	57.4
Depletion, depreciation and amortization	**16.8**	16.0
Earnings from operations	**43.6**	41.4
Spending on capital[6]	**15.8**	11.5

(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. Oil and natural gas production are referred to collectively as "boepd".

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

(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 oil production', includes: (i) cost recovery oil (based upon the recoverable capital and operating costs incurred by Oil and Gas under each production-sharing contract), and (ii) a percentage of profit oil (gross working-interest production remaining after cost recovery oil is allocated to Oil and Gas). Cost recovery pools for each production-sharing contract include cumulative recoverable costs, subject to certification by CUPET, less cumulative proceeds from cost recovery oil allocated to Oil and Gas. Cost recovery revenue equals capital and operating costs eligible for recovery under the production-sharing contracts.

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

(5) For additional information see the 'Non-GAAP Measures' section of this release.

(6) Exploration and evaluation spending incurred prior to the technical feasibility and commercial viability of extracting the resources is recorded as an intangible asset.

Gross working-interest (GWI) oil production in Cuba increased 3% (649 bopd) primarily due to production increases from a new well drilled and the optimization of production from existing wells. Cost-recovery production in Cuba increased 46% (1,213 bopd) primarily due to higher recoverable spending, partly offset by higher oil prices. Profit-oil production, which represents Sherritt's share of production after cost recovery volumes are deducted from GWI volumes, decreased by 4% (273 bopd) in 2014 due to the increase in cost recovery oil. Production in Spain and Pakistan was lower than the prior-year period due to natural reservoir declines.

The average-realized price for oil produced in Cuba and Spain both increased compared to the prior-year period as the impact of a weaker Canadian dollar more than offset a decline in the reference prices (GCF6 and Brent respectively).

Unit operating costs in Cuba decreased 1% ($0.14/bbl) primarily due to higher net production. Unit operating costs in Spain increased 238% ($34.81/bbl) compared to the prior-year period due to an adjustment in first-quarter 2013 related to 2012 costs, the impact of a weaker Canadian dollar relative to the Euro, and costs associated in 2014 related to a major well work-over.

Spending on capital was 37% ($4.3 million) higher than in the prior-year period, reflecting the planned increase in development drilling in Cuba, partly offset by lower equipment and inventory purchases. During the quarter, one development well was drilled and completed, and is currently producing oil. A second development well was initiated during the quarter and was completed in April 2014.

Negotiations with Cuban authorities have been completed with respect to four new exploratory production sharing contracts (PSCs) and the extension of the term of the existing PSC covering the Puerto Escondido/Yumuri oil fields until March 2028 for all development wells drilled. The contracts are now under internal review by certain Cuban ministries with final approval anticipated in second-quarter 2014.

POWER

	Three months ended March 31,	
($ millions unless otherwise noted)	**2014**	2013
Electricity sold (GWh, 33 1/3% basis)	**187**	160
Average-realized price ($/MWh)[3]	**46.21**	41.87
Average unit operating cost ($/MWh)[3]		
Base[1]	**14.93**	16.79
Non-base[2]	**2.50**	9.91
Total unit cash operating costs	**17.43**	26.70
Net capacity factor (%)	**56%**	69%
Revenue	**11.9**	16.0
Cost of sales	**4.5**	11.0
Administrative expenses	**2.5**	1.5
Adjusted EBITDA[3]	**4.9**	3.5
Depletion, depreciation and amortization	**4.0**	2.6
Earnings from operations	**0.9**	0.9
Spending on capital (33 1/3% basis)[4]	**1.0**	1.8
Spending on SCAs (33 1/3% basis)[5]	**1.2**	6.1
Total spending on capital and SCAs	**2.2**	7.9

(1) Base costs relate to the operations in Cuba and do not include the impairment of receivables and property, plant and equipment related to the operations in Madagascar or the impairment of intangible assets.

(2) 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.

(3) For additional information see the 'Non-GAAP Measures' section of this release.

(4) Spending on capital includes sustaining capital at the Varadero site as well as capitalized interest relating to the 150 MW Boca de Jaruco Combined Cycle Project.

(5) Service Concession Arrangement ("SCA") spending is primarily related to the 150 MW Boca de Jaruco Combined Cycle Project. Sherritt provided 100% of the funding for the 150 MW Boca de Jaruco Combined Cycle Project and accounts for the Project as an SCA. Two thirds of the project spending (relating to the non-Sherritt partners' share) is recorded as a loan receivable. The remaining one third of project spending (Sherritt's share) is recorded as a construction cost, and is offset by the same amount recorded as construction revenue.

Electricity production was 17% (27 GWh) higher for first-quarter 2014, primarily due to a decrease in maintenance activity which resulted in less downtime, and additional production from the 150 MW Boca de Jaruco Combined Cycle which became operational on February 2, 2014. The net capacity factor declined 13% primarily due to the completion of the 150 MW Boca de Jaruco Combined Cycle which is forecast to operate at 47% of capacity until additional fuel sources are identified. A project to capture natural gas that is otherwise being flared has been initiated and is expected to be completed before the end of the year. This incremental natural gas will be consumed at the Boca de Jaruco facility to produce electricity.

The average-realized price of electricity was 10% ($4.34/MWh) higher in first-quarter 2014 primarily due to the impact of a weaker Canadian dollar relative to the U.S. dollar.

Average unit operating costs were 35% ($9.27/MWh) lower than in 2013 due to lower scheduled turbine maintenance costs and higher production in 2014.

Spending on capital is primarily related to capitalized interest on the 150 MW Boca de Jaruco Combined Cycle Project, which became operational on February 2, 2014. In addition, service concession arrangement expenditures primarily relate to the 150 MW Boca de Jaruco Combined Cycle Project. As a result of the Project becoming operational, interest on the Project ceased to be capitalized (recorded as spending on expansion capital) and SCA spending will no longer include any expenditures related to the Project.

DISCONTINUED OPERATIONS - COAL

On April 28, 2014, the Corporation completed the agreements to sell its Coal operations. As a result of the sale, the Corporation received $793 million in cash and expects to record a gain on the sale of the Coal royalty operations in second-quarter 2014 in addition to changes to working capital and other closing adjustments. Coal was classified as a discontinued operation for first-quarter 2014.

($ millions unless otherwise noted)	**Three months ended March 31, 2014**			Three months ended March 31, 2013		
	Prairie Operations	**Mountain Operations**	**Total**	Prairie Operations	Mountain Operations	Total
Production (millions of tonnes)	**5.2**	**0.8**	**6.0**	5.6	0.8	6.4
Sales (millions of tonnes)	**4.9**	**0.9**	**5.8**	5.7	0.6	6.3
Average-realized prices ($/tonne)[1]	**20.99**	**87.95**	**–**	18.20	94.44	–
Unit operating costs ($/tonne)[1]	**15.74**	**75.69**	**–**	13.97	91.05	–
Revenue [2]	**121.4**	**82.2**	**203.6**	122.9	56.6	179.5
Cost of sales	**89.8**	**76.1**	**165.9**	85.3	52.5	137.8
Administrative expenses	**5.7**	**–**	**5.7**	2.1	2.0	4.1
Adjusted EBITDA[3]	**32.7**	**11.5**	**44.2**	35.5	2.1	37.6
Depletion, depreciation and amortization[4]	**–**	**–**	**–**	15.4	10.8	26.2
Earnings (loss) from operations	**25.9**	**6.1**	**32.0**	42.1	(8.7)	33.4
Spending on capital	**8.1**	**6.8**	**14.9**	13.0	20.3	33.3

(1) Prairie Operations realized pricing and unit operating costs exclude royalties and the results of the char and activated carbon businesses.
(2) Prairie Operations revenue is comprised of mining revenue, coal royalties and potash royalties ($110.5 million, $8.5 million and $2.4 million for 2014; $112.2 million, $7.5 million and $3.2 million for 2013).
(3) For additional information see the 'Non-GAAP Measures' section of this release.
(4) Depletion, depreciation and amortization is not recognized for the three months ended March 31, 2014 as a result of being classified as a discontinued operation in December 2013.

Prairie Operations production volumes were 7% (0.4 million tonnes) lower than the prior-year period, reflecting lower Highvale sales volumes and reduced customer demand at the Boundary Dam mine.

Mountain Operations sales volumes were 50% (0.3 million tonnes) higher in 2014 as a result of the incident at the Westshore Terminals which reduced throughput at the port from December 2012 through February 2013.

Prairie Operations average-realized pricing increased due to contract price escalations and the impact of a contract extension for a new mining area at the Paintearth mine. Mountain Operations average-realized pricing for the quarter reflected weaker international coal reference pricing due to oversupply in the international coal market.

Prairie Operations unit operating costs increased primarily due to the impact of the mining area at the Paintearth mine. Mountain Operations unit operating costs decreased due to Coal's successful cost reduction initiative that was a focus in 2013. This included streamlining mining to lower cost areas, raising equipment utilization and a significant reduction in workforce and administration expenses.

Coal royalties were 13% ($1.0 million) higher than in 2013 due to mining in royalty-assessable areas. Potash royalties were 25% ($0.8 million) lower than the prior-year period due to weaker global potash pricing.

Spending on capital was lower at both the Prairie and Mountain Operations (38% or $4.9 million and 67% or $13.5 million, respectively) due to deferrals and cost-cutting programs aimed at maintaining a disciplined capital spending profile in light of challenging coal market conditions.

On October 31, 2013, a breach of an onsite water containment pond occurred at the Obed Mountain mine near Hinton, Alberta. The total costs of assessment, clean-up, and remediation (including ongoing water management, but excluding insurance recoveries) remain unchanged at $52.2 million. Total costs incurred to date and for first-quarter 2014 were $23.5 million and $12.6 million respectively. Following closing of the Coal sale transaction, Sherritt has retained the obligations associated with the October 2013 Obed water containment pond breach.

Outlook

Production volumes and spending on capital projected for full-year 2014 are shown below.

(units as noted)	Projected for the year ending December 31, 2014
Production volumes	
Mixed sulphides (tonnes, Ni+Co contained, 100% basis)	
Moa Joint Venture	38,000
Ambatovy Joint Venture	44,000 – 50,000
Total	82,000 – 88,000
Nickel, finished (tonnes, 100% basis)	
Moa Joint Venture	34,000
Ambatovy Joint Venture	40,000 – 45,000
Total	74,000 – 79,000
Cobalt, finished (tonnes, 100% basis)	
Moa Joint Venture	3,350
Ambatovy Joint Venture	3,300 – 3,800
Total	6,650 – 7,150
Oil – Cuba (gross working-interest, bopd)	19,000
Oil – All operations (net working-interest, boepd)	11,200
Electricity (GWh, 33 1/3% basis)	750
Spending on capital ($ millions)	
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis)(1)	70
Metals – Ambatovy Joint Venture (40% basis)	34
Oil and Gas (2)	73
Power (33 1/3% basis)(3)	4
Spending on capital (excluding Corporate)	181

(1) Spending on capital relating to the Corporation's 50% share of the Moa Joint Venture and to the Corporation's 100% interest in the fertilizer and utilities assets in Fort Saskatchewan.

(2) Exploration and evaluation spending incurred prior to the technical feasibility and commercial viability of extracting the resources is recorded as an intangible asset.

(3) Spending on capital for Power includes sustaining capital at the Varadero site as well as capitalized interest in respect of the 150 MW Boca de Jaruco Combined Cycle Project.

- Projected numbers remain unchanged from the 2013 year-end results release issued in February 2014.

Non-GAAP Measures

The Corporation uses adjusted net earnings, adjusted EBITDA, average-realized price, unit operating cost, and adjusted operating cash flow to monitor the 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. See Sherritt's Management's Discussion and Analysis for the period ended March 31, 2014 for further information.

About Sherritt

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 on 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".

Forward-Looking Statements

This press release 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 press release and those respecting certain expectations regarding the closing of the Coal sale transaction; certain expectations about capital costs and expenditures; capital project commissioning and completion dates; production and sales volumes; revenue, costs, and earnings; sufficiency of working capital and capital project funding; completion of development and exploration wells; amounts of certain joint venture commitments; compliance and ability to remedy financial covenant breaches in a timely manner.

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 2014. 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 press release 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 press release 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; risk of inability to remedy covenant breaches; 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; uncertainties in pension liabilities; 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 aboriginal 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 press release 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 press release 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 press release 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.

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For further investor information contact:
Investor Relations
Telephone: 416.935.2451
Toll-free: 1.800.704.6698
E-mail: investor@sherritt.com

Sherritt International Corporation
1133 Yonge Street
Toronto, Ontario, Canada
M4T 2Y7
www.sherritt.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 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 April 29, 2014, should be read in conjunction with Sherritt's interim condensed consolidated financial statements for the three months ended March 31, 2014 and the MD&A for the year ended December 31, 2013. 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.

Key financial and operational data

$ millions, except as otherwise noted, for the three months ended March 31	2014	2013	Change
FINANCIAL HIGHLIGHTS[1][2]			
Revenue	**$ 120.9**	$ 107.0	13%
Adjusted EBITDA[3]	**54.9**	61.3	(10%)
(Loss) earnings from operations, associate and joint venture	**(16.3)**	27.1	(160%)
Loss from continuing operations[1]	**(70.5)**	(2.6)	2612%
Earnings from discontinued operations, net of tax	**22.3**	25.7	(13%)
Net (loss) earnings for the period	**(48.2)**	23.1	(309%)
(Loss) earnings per common share (basic and diluted)($ per share):			
Net loss from continuing operations	**(0.24)**	(0.01)	
Net (loss) earnings	**(0.16)**	0.08	
CASH FLOW[1]			
Cash provided by operating activities	**26.8**	48.0	(44%)
Adjusted operating cash flow per share ($ per share)[3]	**0.26**	0.18	44%
OPERATIONAL DATA - CONTINUING OPERATIONS:			
SPENDING ON CAPITAL AND INTANGIBLE ASSETS[4]	**$ 25.6**	$ 23.3	10%
PRODUCTION VOLUMES[2]			
Finished nickel (tonnes)			
Moa Joint Venture (50% basis)	**3,639**	3,902	(7%)
Ambatovy Joint Venture (40% basis)	**3,513**	2,332	51%
Finished cobalt (tonnes)			
Moa Joint Venture (50% basis)	**356**	405	(12%)
Ambatovy Joint Venture (40% basis)	**277**	216	28%
Oil (boepd, net working-interest production)[5]	**11,776**	10,871	8%
Electricity (gigawatt hours) (33⅓% basis)	**187**	160	17%
AVERAGE-REALIZED PRICES[2][3]			
Nickel ($ per pound)	**$ 7.23**	$ 7.85	(8%)
Cobalt ($ per pound)	**14.78**	11.95	24%
Oil ($ per net boe)[5]	**71.24**	70.34	1%
Electricity ($ per megawatt hour)	**46.21**	41.87	10%
UNIT OPERATING COSTS[2][3]			
Nickel (US$ per pound)[6]			
Moa Joint Venture	**$ 5.30**	$ 5.34	(1%)
Ambatovy Joint Venture	**6.83**	–	–
Oil ($ per boe)[5]	**12.91**	12.18	6%
Electricity ($ per megawatt hour)	**17.43**	26.70	(35%)

$ millions, except as noted, as at	**2014 March 31**	2013 December 31	Change
FINANCIAL CONDITION[1]			
Current ratio	**1.82:1**	1.87:1	(2%)
Net working capital balance	**$ 478.2**	$ 481.8	(1%)
Cash, cash equivalents and short-term investments	**603.9**	651.8	(7%)
Total assets	**6,605.5**	6,457.8	2%
Total loans and borrowings	**2,528.8**	2,489.8	2%
Shareholders' equity	**3,176.7**	3,107.2	2%
Long-term debt to total assets[7]	**38%**	39%	(3%)

(1) As a result of entering into agreements in December 2013 to sell the Coal operations, Coal is classified as a discontinued operation. As a result, the loss for Coal is reported in (loss) earnings from discontinued operations, cash provided (used) by Coal is reported in cash provided (used) by discontinued operations for the three months ended March 31, 2014 and 2013 and total assets and liabilities of Coal (other than cash, cash equivalent, loans and borrowings which do not form part of the net assets to be sold) are reported as assets and liabilities of discontinued operations, respectively, as at March 31, 2014 and December 31, 2013.

(2) 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. Production volumes are presented for the three months ended March 31, 2014. Financial results, including sales volumes, unit operating costs and average realized prices, are presented for the post-commercial production period.

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

(4) Spending on capital and intangible assets includes accruals and does not include spending at Coal, which is classified as a discontinued operation, or on service concession arrangements.

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

(6) Net direct cash cost is inclusive of by-product credits and third-party feed costs, as applicable.

(7) Calculated as total loans and borrowings divided by total assets. This leverage ratio is monitored by management.

Executive summary

Q1 2014 HIGHLIGHTS

Sale of Coal

- On April 28, 2014, the Corporation completed the agreements to sell its Coal operations. As a result of the sale, the Corporation received $793 million in cash and expects to record a gain on the sale of the Coal royalty operations in the second quarter of 2014 in addition to changes to working capital and other closing adjustments. The transaction is a part of the Corporation's strategic focus of strengthening its balance sheet, streamlining its business model and concentrating its focus on the base metals and Cuba assets.

Ambatovy Joint Venture

- On January 22, 2014, Sherritt announced that Ambatovy had 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 within the statement of comprehensive income.

Results

- Revenue from continuing operations for the three months ended March 31, 2014 was $120.9 million compared to $107.0 million in the same period in the prior year. With the inclusion of the Moa Joint Venture and Ambatovy Joint Venture, total revenue for the three months ended March 31, 2014 was $250.7 million compared to $192.0 million in the same period in the prior year. The increase in total revenue was primarily due to $50.8 million of revenue recognized at Ambatovy following declaration of commercial production in January 2014.
- Adjusted EBITDA from continuing operations for the three months ended March 31, 2014 was $54.9 million compared to $61.3 million in the same period in the prior year. The decrease in Adjusted EBITDA was primarily impacted by operating losses in Metals as a result of lower nickel prices and from the continued ramp-up at the Ambatovy Joint Venture.
- Loss from continuing operations for the three months ended March 31, 2014 was $70.5 million compared to $2.6 million in the same period in the prior year. In addition to the impact of the lower Adjusted EBITDA, described above, the loss from continuing operations includes the impact of higher finance expense relating to foreign exchange losses and depreciation, depletion and amortization in the Ambatovy Joint Venture commencing during the quarter.
- Net loss for the three months ended March 31, 2014 was $48.2 million compared to net earnings of $23.1 million in the same period in the prior year due to the factors noted above.
- Operating cash flow used by continuing operations for the three months ended March 31, 2014 was $22.4 million compared to operating cash flow provided of $22.2 million in the same period in the prior year. Lower operating cash flow resulted from lower Adjusted EBITDA and the change in non-cash working capital due an increase in oil and gas receivables.

Financial Position

At March 31, 2014, total available liquidity was $603.9 million. Total debt at March 31, 2014 was $2.5 billion, including $897.5 million related to non-recourse Ambatovy Partner Loans. The Corporation's liquidity profile includes a current ratio of 1.82:1; a net working capital balance of $478.2 million; and cash, cash equivalents and short-term investments of $603.9 million. The Corporation's long-term debt to total assets ratio was 38%. At March 31, 2014, current assets and current liabilities exclude those of Coal (other than cash and cash equivalents, and loans and borrowings which do not form part of net assets to be sold). With the close of the Coal sale transaction on April 28, 2014, the Coal revolving credit facility was terminated; the Corporation was required to repay any amounts outstanding and outstanding letters of credit will be replaced by the purchaser following the closing.

Consolidated financial results

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:

- The Corporation's significant continuing operations include Moa Joint Venture and Fort Site, Ambatovy Joint Venture (together included within Metals), Oil and Gas, Power and Corporate and Other. As a discontinued operation, Coal is excluded from continuing operations.
- This Consolidated financial results section, where amounts have been presented by operating segment, is based on the Corporation's economic or ownership interest and reconciled to the financial statement amounts, where applicable, consistent with note 4 of the interim condensed financial statements.
- The Review of operations section discusses the results of the Corporation's significant operating divisions and is presented based on the Corporation's economic or ownership interest in the division.

$ millions, except per share amounts, for the three months ended March 31		2014(1)		2013(1)	Change
Revenue by segment					
Metals(2)	$	**160.1**	$	103.7	54%
Oil and Gas		**76.9**		71.1	8%
Power		**11.9**		16.0	(26%)
Corporate and Other		**1.8**		1.2	50%
		250.7		192.0	31%
Adjust joint venture and associate revenue		**(129.8)**		(85.0)	
Financial statement revenue		**120.9**		107.0	13%
Adjusted EBITDA(3) by segment					
Metals(2)	$	**2.8**	$	16.9	(83%)
Oil and Gas		**60.4**		57.4	5%
Power		**4.9**		3.5	40%
Corporate and Other		**(13.2)**		(16.5)	(20%)
		54.9		61.3	(10%)
(Loss) earnings from operations by segment					
Metals(2)	$	**(34.1)**	$	7.0	(587%)
Oil and Gas		**43.6**		41.4	5%
Power		**0.9**		0.9	–
Corporate and Other		**(14.2)**		(17.4)	(18%)
		(3.8)		31.9	(112%)
Adjust earnings from joint venture and associate		**(12.5)**		(4.8)	
Financial statement (loss) earnings from operations, associate and joint venture		**(16.3)**		27.1	(160%)
Net finance expense		**40.8**		26.9	52%
Income tax expense		**13.4**		2.8	379%
Net loss from continuing operations		**(70.5)**		(2.6)	2612%
Earnings from discontinued operations, net of tax		**22.3**		25.7	(13%)
Net (loss) earnings	$	**(48.2)**	$	23.1	(309%)
Net (loss) earnings per share (basic and diluted)					
Net loss from continuing operations	$	**(0.24)**	$	(0.01)	
Net (loss) earnings		**(0.16)**		0.08	

(1) As a result of entering into agreements in December 2013 to sell the Coal operations, Coal is classified as a discontinued operation. As a result, the earnings for Coal is reported in earnings from discontinued operations for the current and prior-year period.

(2) Consistent with note 4 – Segmented information of the interim condensed consolidated financial statements for the three months ended March 31, 2014, Metal's operating results in the above table 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. 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.

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

Detailed information on the performance of each continuing division can be found in the Review of operations section. In summary:

- Metals' loss from operations was $34.1 million for the three months ended March 31, 2014 compared to earnings of $7.0 million in the same period in the prior year. Total sales of nickel and cobalt were higher for the three months ended March 31, 2014 compared to the same period in the prior year, primarily as a result of the addition of sales volume from Ambatovy for the post-commercial production period. Total sales were impacted by lower nickel prices across Metals and the recognition of depletion, depreciation and amortization costs related to Ambatovy;
- Oil and Gas' earnings from operations of $43.6 million for the three months ended March 31, 2014 were relatively unchanged from the same period in the prior year as higher production and sales volumes were partly offset by higher operating costs;
- Power's earnings from operations of $0.9 million for the three months ended March 31, 2014 was unchanged from the same period in the prior year. Higher production and sales volumes and lower scheduled maintenance costs were offset by higher amortization and administrative costs related to the start up of the 150 MW Boca de Jaruco Combined Cycle Project;
- Net finance expense of $40.8 million for the three months ended March 31, 2014 was $13.9 million higher than in the same period in the prior year primarily due to unrealized foreign exchange losses of $9.9 million in the current period compared to a gain of $5.7 million in the same period in the prior year and higher interest and accretion expense primarily due to higher loans and borrowing balances, partly offset by higher interest income on advances and loans receivable;
- Income tax expense relates primarily to the Oil and Gas and Power earnings. In the first quarter of 2014, the tax benefit of losses incurred by the Corporate head office was not recognized in the financial statements; whereas, in the first quarter of 2013, the tax benefit of Corporate head office losses was recognized. With the anticipated sale of the Coal business, and the reclassification of Coal as a discontinued operation in the fourth quarter of 2013, the tax benefit that had been previously set up was reversed.

  In general, in addition to the non-recognition of tax benefits on Corporate head office losses, the income tax expense and effective tax rates of the Corporation are a function of the relative total earnings/losses, including foreign exchange gains and losses, incurred in lower tax rate jurisdictions relative to the amount of earnings/losses generated in higher tax rate jurisdictions in each year and the inability of the Corporation to recognize tax benefits on losses in certain jurisdictions while at the same time recognizing tax expense on earnings in other jurisdictions. The income tax expense of the Coal operations is captured in the net income from discontinued operations, whereas the income tax expense/recovery relating to the operations of the Moa Joint Venture and Ambatovy are captured in the share of earnings/losses in joint venture and associates.

Review of operations

METALS

Financial review

$ millions, for the three months ended March 31				2014				2013	Change
	Moa JV and Fort Site	Ambatovy JV(2)	Other(3)	Total	Moa JV and Fort Site	Ambatovy JV(2)	Other(3)	Total	
FINANCIAL HIGHLIGHTS(1)									
Revenue	$ 90.4	$ 50.8	$ 18.9	$ 160.1	$ 97.3	$ -	$ 6.4	$ 103.7	54%
Cost of sales(4)	81.1	50.1	18.4	149.6	78.8	-	5.9	84.7	77%
	9.3	0.7	0.5	10.5	18.5	-	0.5	19.0	(45%)
Administrative expenses(4)	2.3	5.1	0.3	7.7	1.9	0.5	(0.3)	2.1	267%
Depletion, depreciation and amortization	9.4	27.5	-	36.9	9.3	-	0.6	9.9	273%
(Loss) earnings from operations	(2.4)	(31.9)	0.2	(34.1)	7.3	(0.5)	0.2	7.0	(587%)
Adjusted EBITDA(5)	7.0	(4.4)	0.2	2.8	16.6	(0.5)	0.8	16.9	(83%)
PRODUCTION VOLUMES(5) (tonnes)									
Mixed Sulphides	3,991	3,852	-	7,843	4,167	3,121	-	7,288	8%
Finished Nickel	3,639	3,513	-	7,152	3,902	2,332	-	6,234	15%
Finished Cobalt	356	277	-	633	405	216	-	621	2%
Fertilizer	59,853	8,337	-	68,190	59,395	8,783	-	68,178	-
SALES VOLUMES(5)									
Finished Nickel (thousands of pounds)	8,428	5,738	-	14,166	8,631	-	-	8,631	64%
Finished Cobalt (thousands of pounds)	858	425	-	1,283	909	-	-	909	41%
Fertilizer (tonnes)	36,882	4,628	-	41,510	31,513	-	-	31,513	32%
AVERAGE-REFERENCE PRICES(5) (US$ per pound)									
Nickel	$ 6.64	$ 6.77			$ 7.85	$ -			
Cobalt(6)	13.90	14.43			11.95	-			
AVERAGE-REALIZED PRICES(5)									
Nickel ($ per pound)	$ 7.11	$ 7.37	$ -	$ 7.23	$ 7.85	$ -	$ -	$ 7.85	(8%)
Cobalt ($ per pound)	14.86	14.66	-	14.78	11.52	-	-	11.52	28%
Fertilizer ($ per tonne)	358	195	-	328	435	-	-	435	(25%)
UNIT OPERATING COSTS(5)(US$ per pound)									
Nickel - net direct cash cost	$ 5.30	$ 6.83			$ 5.34	$ -			
SPENDING ON CAPITAL(1)	$ 4.6	$ 3.9	$ -	$ 8.5	$ 4.7	$ 5.0	$ -	$ 9.7	(12%)

(1) The Moa Joint Venture and Ambatovy are accounted for using the equity method of accounting for financial statement purposes which recognizes the Corporation's share of earnings (loss) in earnings (loss) from joint venture and associate, respectively. Operating results and spending on capital for the Moa Joint Venture and Fort Site in the above table include the Corporation's 50% interest in the Moa Joint Venture and its 100% interest in the utility and fertilizer operations in Fort Saskatchewan, as applicable. Operating results and spending on capital for Ambatovy include the Corporation's 40% interest in the Ambatovy Joint Venture.

(2) Production volumes for Ambatovy are presented for the three months ended March 31, 2014. Financial results, including sales volumes, unit operating costs, reference prices and average realized prices, are presented for the post-commercial production period.

(3) "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.

(4) Excludes depletion, depreciation and amortization.

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

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

Moa Joint Venture and Fort Site

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

$ millions, for the three months ended March 31		2014
Lower U.S. dollar denominated realized nickel prices	$	**(11.6)**
Higher U.S. dollar denominated realized cobalt prices		**1.9**
Lower fertilizer prices		**(3.0)**
Lower metals sales volumes		**(0.4)**
Higher fertilizer sales volumes		**0.4**
Lower mining, processing and refining costs net of higher third-party feed and fertilizer costs		**0.4**
Weaker Canadian dollar relative to the U.S. dollar		**1.3**
Other		**1.3**
Change in earnings from operations, compared to 2013	$	**(9.7)**

Revenue is composed of the following:

$ millions, for the three months ended March 31		2014		2013	Change
Nickel	$	**60.0**	$	67.8	(12%)
Cobalt		**12.7**		10.5	21%
Fertilizers		**16.2**		17.2	(6%)
Other		**1.5**		1.8	(17%)
	$	**90.4**	$	97.3	(7%)

The average reference price for nickel decreased for the three months ended March 31, 2014 compared to the same period in the prior year as global nickel markets remained oversupplied despite the enactment of the Indonesian mineral export ban on raw ore exports in January 2014. The average reference price for cobalt increased in 2014 compared to the same period in the prior year reflecting continued strength in cobalt demand and shortages in certain cobalt metal grades. The average-realized nickel price decreased $0.74 per pound in 2014 compared to the same period in the prior year while the average-realized cobalt price increased $3.34 per pound in 2014 compared to the same period in the prior year. The weaker Canadian dollar relative to the U.S. dollar had a positive impact on average-realized prices.

Finished nickel and cobalt sales volumes were lower in 2014 compared to the same period in the prior year in line with production. Fertilizer sales volumes increased 5,369 tonnes in 2014 compared to the same period in the prior year primarily reflecting the timing of spring season sales.

Production of 7,981 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides was 352 tonnes (100% basis) lower than the same period in the prior year, reflecting poor metallurgical characteristics of mined ore initially encountered in the fourth quarter of 2013 and continuing into 2014, as well as unplanned maintenance on one of the five high pressure acid leach (HPAL) trains. Measures taken to improve leaching of the ore from the newer mining concession improved production towards the end of the quarter. Repairs to the failed HPAL train were carried out and leach train availability was restored near the end of the quarter. Finished nickel production of 7,278 tonnes (100% basis) and finished cobalt production of 712 tonnes (100% basis) were lower by 525 tonnes and 98 tonnes, respectively, than in the same period in the prior year due to decreased availability of Moa mixed sulphides. Limited third-party feed availability restricted the refinery's ability to compensate significantly for the lower Moa mixed sulphides volumes.

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

$ millions, for the three months ended March 31		2014		2013	Change
Mining, processing and refining	$	**61.8**	$	60.7	2%
Third-party feed costs		**2.1**		1.9	11%
Fertilizers		**11.8**		9.6	23%
Selling costs		**3.8**		3.8	–
Other		**1.6**		2.8	(43%)
	$	**81.1**	$	78.8	3%

(1) Excludes depletion, depreciation and amortization

The increase in mining, processing and refining costs was due to the weaker Canadian dollar relative to the U.S. dollar.

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

For the three months ended March 31	2014	2013	Change
Mining, processing and refining costs	$ 6.59	$ 7.00	(6%)
Third-party feed costs	0.23	0.22	5%
Cobalt by-product credits	(1.37)	(1.20)	14%
Other[2]	(0.15)	(0.68)	(78%)
Net direct cash cost (US$ per pound of nickel)	$ 5.30	$ 5.34	(1%)
Natural gas costs ($ per gigajoule)	5.60	3.21	74%
Fuel oil (US$ per tonne)	604	641	(6%)
Sulphur (US$ per tonne)	127	238	(47%)
Sulphuric acid (US$ per tonne)	128	163	(21%)

(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$0.39 and US$0.65 for the three months ended March 31, 2014 and 2013, 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 period has been adjusted accordingly.

Net direct cash cost of nickel decreased US$0.04 per pound compared to the same period in the prior year as lower mining and processing costs and higher cobalt by-product credits were offset by lower net fertilizer by-product credits. Lower mining and processing costs largely reflected lower sulphur and sulphuric acid input commodity prices, partly offset by the impact of lower mixed sulphide production. Lower net fertilizer by-product credits largely reflected lower realized sales prices and higher natural gas input commodity prices.

Mining, processing and refining costs are composed of the following:

Components of mining, processing and refining costs[1], for the three months ended March 31	2014	2013
Fixed costs	26%	22%
Sulphur	5%	9%
Sulphuric acid	13%	14%
Fuel oil	22%	21%
Maintenance	15%	14%
Other variable	19%	20%
	100%	100%

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

Capital spending is composed of the following:

$ millions, for the three months ended March 31	2014	2013	Change
Sustaining[1]	$ 3.8	$ 4.7	(19%)
Expansion	0.8	–	–
	$ 4.6	$ 4.7	(2%)

(1) Includes assets acquired under finance leases of $nil for the three months ended March 31, 2014 (2013 – $0.2 million).

Capital spending for the Moa Joint Venture focused on sustaining activities and was relatively consistent with the same period in the prior year. Mobilization of resources for the construction of the 2,000 tonne per day acid plant at Moa continued during the first quarter of 2014. Acid plant project expenditures were included in expansion spending and largely related to engineering and procurement activities.

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. As such, effective February 1, 2014, Ambatovy ceased capitalizing project costs and commenced recognizing operating revenues and costs for accounting purposes.

In 2014, prior to declaration of commercial production, the Corporation's share of loss of an associate consisted primarily of its non-capitalized administrative costs and foreign exchange gains or losses.

For the three months ended March 31, 2014, the Corporation's share of loss of an associate was $40.1 million which primarily consisted of its share of Ambatovy's loss from operations of $31.9 million and net financing expense.

Ambatovy's loss from operations was primarily due to high depletion, depreciation, and amortization relative to revenue during the ramp up period and due to the impact of a low nickel reference price in the quarter.

Production and sales volumes, below, are presented for the three months ended March 31, 2014. Financial results, including net direct cash cost, are presented for the post-commercial production period.

Revenue[1] is composed of the following:

$ millions, for the three months ended March 31	2014
Nickel	$ 43.0
Cobalt	6.8
Fertilizers	1.0
	$ 50.8

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

The average-realized nickel price post-commercial production was $7.37/lb (US$6.68/lb).

In the three months ended March 31, 2014, Ambatovy sold 19,251 thousand pounds (100% basis) of finished nickel and 1,572 thousand pounds (100% basis) of finished cobalt; an increase of 8,034 thousand pounds and 602 thousand pounds of nickel and cobalt, respectively, compared to the same period in the prior year. For the post-commercial production period, Ambatovy sold 14,345 thousand pounds (100% basis) of finished nickel and 1,063 thousand pounds (100% basis) of finished cobalt.

In the three months ended March 31, 2014, Ambatovy produced 9,631 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides (net of recycle from the refinery), 8,782 tonnes (100% basis) of finished nickel, and 693 tonnes (100% basis) of finished cobalt; an increase of 1,828 tonnes, 2,953 tonnes, and 153 tonnes, respectively, compared to the same period in the prior year. Overall, production was higher due to continued ramp-up of operations.

The average ore throughput during the first quarter of 2014 was approximately 67% of nameplate capacity which was the highest quarterly throughput achieved since commencing start-up. The higher ore throughput was primarily due to improved autoclave mechanical availability, higher solids density and higher volumetric flows to the leach autoclaves. Autoclave operating hours during the first quarter of 2014 were 6,740 hours, significantly higher than the previous quarter due largely to Autoclave 3 returning to service in mid-January following repairs arising from the acid injection system failure in mid-2013.

Cost of sales[1][2] is composed of the following:

$ millions, for the three months ended March 31	2014
Mining, processing and refining	$ 46.8
Selling costs	2.3
Other	1.0
	$ 50.1

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

Net direct cash cost[(1)(2)] is composed of the following:

Net direct cash cost[(1)], for the three months ended March 31		2014
Mining, processing and refining costs	$	**7.42**
Cobalt by-product credits		**(0.98)**
Other[(2)]		**0.39**
Net direct cash cost (US$ per pound of nickel)	$	**6.83**
Sulphur (US$ per tonne)		**171**
Limestone (US$ per tonne)		**19**
Coal (US$ per tonne)		**97**

(1) For additional information see the Non-GAAP measures section.
(2) Includes marketing costs, discounts, and other by-product credits.

Net direct cash cost of nickel was US$6.83 per pound, consistent with expectation for the facility when operating at approximately 60% of its finished metal production capacity.

Post-commercial production mining, processing and refining costs are composed of the following:

Components of mining, processing and refining costs[(1)], for the three months ended March 31	2014
Sulphur	**13%**
Limestone	**4%**
Coal	**7%**
Other Commodities	**18%**
Maintenance	**33%**
Other	**25%**
	100%

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

Capital spending is composed of the following:

$ millions, for the three months ended March 31		2014		2013	Change
Sustaining	$	**3.9**	$	5.0	(22%)

Capital spending for Ambatovy is focused on sustaining activities and construction of Phase II of the Tailings Management Facility.

In the first quarter of 2014, a total of US$90.0 million (100% basis) in funding was provided by the Ambatovy Joint Venture partners. Sherritt's 40% share of funding for the first quarter of 2014 was US$36.0 million ($39.5 million), sourced from cash on hand.

Outlook for 2014

Production volumes and spending on capital, for the three and twelve months ended	**Actual 2014 March 31**	Projected 2014 December 31
PRODUCTION		
Mixed sulphides (tonnes, 100% basis):		
Moa Joint Venture	**7,981**	38,000
Ambatovy Joint Venture	**9,631**	44,000 – 50,000
	17,612	82,000 – 88,000
Finished nickel (tonnes, 100% basis):		
Moa Joint Venture	**7,278**	34,000
Ambatovy Joint Venture	**8,782**	40,000 – 45,000
	16,060	74,000 – 79,000
Finished cobalt (tonnes, 100% basis):		
Moa Joint Venture	**712**	3,350
Ambatovy Joint Venture	**693**	3,300 – 3,800
	1,405	6,650 – 7,150
SPENDING ON CAPITAL ($ millions):		
Moa Joint Venture (50% basis), Fort Site[1]	**5**	70
Ambatovy Joint Venture (40% basis)	**4**	34

(1) Spending on capital related to the Corporation's 50% interest in the Moa Joint Venture and 100% interest in the utility and fertilizer operations in Fort Saskatchewan.

OIL AND GAS

Financial review

$ millions, except as otherwise noted, for the three months ended March 31	2014	2013	Change
FINANCIAL HIGHLIGHTS			
Revenue	$ 76.9	$ 71.1	8%
Cost of sales[1]	13.7	11.9	15%
	63.2	59.2	7%
Administrative expenses[1]	2.8	1.8	56%
Depletion, depreciation and amortization	16.8	16.0	5%
Earnings from operations	43.6	41.4	5%
Adjusted EBITDA[2]	60.4	57.4	5%
PRODUCTION AND SALES[3] (net working-interest)			
Cuba (heavy oil)	11,185	10,245	9%
Spain (light oil)	278	290	(4%)
Pakistan (natural gas)	313	336	(7%)
	11,776	10,871	8%
AVERAGE-REFERENCE PRICE (US$ per barrel)			
Gulf Coast Fuel Oil No. 6	$ 89.30	$ 97.07	(8%)
Brent	109.13	113.59	(4%)
AVERAGE REALIZED PRICE[2]			
Cuba ($ per barrel)	$ 71.80	$ 71.17	1%
Spain ($ per barrel)	118.75	112.99	5%
Pakistan ($ per boe)[4]	9.13	8.26	11%
Weighted-average	71.24	70.34	1%
UNIT OPERATING COSTS[2] ($ per net boe)			
Cuba	$ 12.10	$ 12.24	(1%)
Spain	49.43	14.62	238%
Pakistan	5.97	7.95	(25%)
Weighted-average	12.91	12.18	6%
SPENDING ON CAPITAL	$ 15.8	$ 11.5	37%

(1) Excludes depletion, depreciation and amortization.
(2) For additional information see the Non-GAAP measures section.
(3) 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.
(4) Average-realized price for natural gas production is stated in barrels of oil equivalent (boe), which is converted at 6,000 cubic feet per barrel.

Oil and Gas revenue is composed of the following:

$ millions, for the three months ended March 31	2014	2013	Change
Cuba	$ 72.3	$ 65.6	10%
Spain	3.0	3.0	–
Pakistan	0.2	0.2	–
Processing	1.4	2.3	(39%)
	$ 76.9	$ 71.1	8%

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

$ millions, for the three months ended March 31		2014
Lower realized oil and gas prices, denominated in U.S. dollars	$	**(4.7)**
Higher gross working-interest volumes		**1.7**
Higher cost recovery revenue due to higher recoverable spending		**3.2**
Higher operating costs		**(1.4)**
Higher administrative costs		**(1.0)**
Lower depletion, depreciation and amortization		**0.7**
Weaker Canadian dollar relative to the U.S. dollar		**4.6**
Other		**(0.9)**
Change in earnings from operations, compared to 2013	$	**2.2**

The average-realized price for oil produced in Cuba increased by $0.63 per barrel primarily as a result of a weaker Canadian dollar relative to the U.S. dollar, partly offset by a lower Gulf Coast Fuel Oil No. 6 reference price.

The average-realized price for oil produced in Spain increased by $5.76 per barrel as a result of a weaker Canadian dollar relative to the U.S. dollar, partly offset by a lower Brent reference price.

Production and sales volumes were as follows:

Daily production volumes[(1)], for the three months ended March 31	2014	2013	Change
Gross working-interest oil production in Cuba[(2)(3)]	**20,200**	19,551	3%
Net working-interest oil production[(4)]			
Cuba (heavy oil)			
Cost recovery	**3,844**	2,631	46%
Profit oil	**7,341**	7,614	(4%)
Total	**11,185**	10,245	9%
Spain (light oil)[(4)]	**278**	290	(4%)
Pakistan (natural gas)[(4)]	**313**	336	(7%)
	11,776	10,871	8%

(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. Gross working-interest oil production excludes (i) production from wells for which commerciality has not been established in accordance with production-sharing contracts, and (ii) working-interests of other participants in the production-sharing contracts.

(3) For further information on gross working-interest oil production in Cuba, cost recovery and profit oil see page 41 of the 2013 annual report.

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

Gross working-interest (GWI) oil production in Cuba increased 649 bopd primarily due to production increases from a new well drilled and the optimization of production from existing wells.

Cost-recovery oil production in Cuba increased 1,213 bopd, primarily due to higher recoverable spending, partly offset by higher oil prices. Profit-oil production, which represents Sherritt's share of production after cost recovery volumes are deducted from GWI volumes, decreased by 273 bopd in 2014.

Production in Spain and Pakistan was lower due to natural reservoir declines.

Unit operating cost for Cuba is composed of the following:

Components of unit operating cost (%), for the three months ended March 31	2014	2013
Labour	**22%**	23%
Maintenance	**10%**	10%
Treatment and transportation	**19%**	19%
Fuel and electricity	**10%**	10%
Production chemicals	**7%**	9%
Freight and duty	**6%**	6%
Insurance	**5%**	3%
Other	**21%**	20%
	100%	100%

Unit operating cost in Cuba decreased $0.14 per barrel, primarily due to higher net production.

Unit operating cost in Spain increased by $34.81 per barrel, due to an adjustment in the first quarter of 2013 related to 2012 costs, the effect of a weaker Canadian dollar relative to the Euro, and an increase in costs in 2014 related to a major well work-over.

Spending on capital is composed of the following:

$ millions, for the three months ended March 31	2014	2013	Change
Development, facilities and other	**$ 15.4**	$ 10.8	43%
Exploration	**0.4**	0.7	(43%)
	$ 15.8	$ 11.5	37%

Spending on capital in the first quarter of 2014 was $4.3 million higher than in the same period in the prior year, primarily due to increased development drilling costs in Cuba, partly offset by lower equipment and inventory purchases in Cuba.

In the first quarter of 2014, development and facilities capital spending was composed primarily of $9.0 million for development drilling activities, $1.8 million related to facility improvements and $2.8 million related to equipment and inventory purchases.

During 2014, one development well was drilled and completed in Cuba, and is currently producing oil. A second development well was initiated and was completed on April 20, 2014.

Prior to 2014, exploration spending was focused on the United Kingdom North Sea prospect area. The Corporation is seeking partners to participate in the further development of the prospect area, which would involve the drilling of one or more exploratory wells.

Outlook for 2014

Production volumes and spending on capital, for the three and twelve months ended	**Actual 2014 March 31**	Projected 2014 December 31
Production		
Gross working-interest oil (Cuba) (bopd)	**20,200**	19,000
Net working-interest production, all operations (boepd)	**11,776**	11,200
Spending on capital ($ millions)	**16**	73

Negotiations with Cuban authorities have now been completed with respect to four new exploratory production-sharing contracts (PSC's) and the extension of the term of the existing PSC covering the Puerto Escondido/Yumuri oil fields until March 2028 for all development wells drilled. The contracts are now under internal review by certain Cuban ministries with final approval anticipated in the second quarter of 2014.

POWER

Financial review

$ millions (33⅓% basis), except as otherwise noted, for the three months ended March 31	2014	2013	Change
FINANCIAL HIGHLIGHTS			
Revenue	$ **11.9**	$ 16.0	(26%)
Cost of sales[1]	**4.5**	11.0	(59%)
	7.4	5.0	48%
Administrative expenses[1]	**2.5**	1.5	67%
Depletion, depreciation and amortization	**4.0**	2.6	54%
Earnings from operations	**0.9**	0.9	–
Adjusted EBITDA[2]	**4.9**	3.5	40%
PRODUCTION AND SALES			
Electricity (GWh[3])	**187**	160	17%
AVERAGE-REALIZED PRICES[2]			
Electricity (per MWh[3])	$ **46.21**	$ 41.87	10%
UNIT OPERATING COSTS[2](per MWh)			
Base[4]	$ **14.93**	$ 16.79	(11%)
Non-base[5]	**2.50**	9.91	(75%)
	17.43	26.70	(35%)
SPENDING ON CAPITAL AND SERVICE CONCESSION ARRANGEMENTS			
Capital	$ **1.0**	$ 1.8	(44%)
Service concession arrangements	**1.2**	6.1	(80%)
	2.2	7.9	(72%)

(1) Excludes depletion, depreciation and amortization.
(2) For additional information see the Non-GAAP measures section.
(3) Gigawatt hours (GWh), Megawatt hours (MWh).
(4) Excludes the impact of impairment of receivables in 2013.
(5) 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 March 31	2014	2013	Change
Electricity sales	$ **8.6**	$ 6.7	28%
By-products and other	**2.1**	1.9	11%
Fixed-price lease contracts[1]	**–**	1.3	(100%)
Construction activity[2]	**1.2**	6.1	(80%)
	$ **11.9**	$ 16.0	(26%)

(1) Relates to the 25 MW power plant in Madagascar. Lease revenue ceased to be recognized effective July 1, 2013.
(2) Construction activity revenue related to the costs 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 were treated as service concession arrangements for accounting purposes.

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

$ millions, for the three months ended March 31		2014
Higher electricity volumes	$	**1.3**
Lower realized by-product prices		**(0.1)**
Lower scheduled maintenance costs		**1.1**
Higher administrative expenses		**(1.0)**
Higher depletion, depreciation and amortization		**(1.4)**
Weaker Canadian dollar relative to the U.S. dollar		**0.8**
Other		**(0.7)**
Change in earnings from operations, compared to 2013	$	**–**

Production increased by 27 GWh in 2013 compared to the prior year. This increase was primarily due to a decrease in maintenance activities, which resulted in less downtime, and increased production from the Boca de Jaruco Combined Cycle Project.

The average-realized price of electricity was $4.34 per MWh higher in the first quarter of 2014 compared to the same period in the prior year primarily due to a weaker Canadian dollar relative to the U.S. dollar.

Unit operating cost is composed of the following:

Components of unit operating cost (%), for the three months ended March 31	2014	2013
Labour	**34%**	21%
Maintenance	**23%**	43%
Freight and duty	**4%**	7%
Insurance	**10%**	7%
Other	**29%**	22%
	100%	100%

Overall, unit operating cost decreased by $9.27 per MWh. Base unit operating cost decreased by $1.86 per MWh due to lower scheduled turbine maintenance costs and higher production. Non-base unit operating cost were higher in 2013 by $7.41 per MWh primarily due to a scheduled major inspection at Boca de Jaruco, which occurred in the first quarter of 2013, and accounted for $5.23 per MWh.

Spending on capital and service concession arrangements is composed of the following:

$ millions (33⅓% basis), for the three months ended March 31		2014		2013	Change
Sustaining	$	**0.3**	$	0.1	200%
Growth		**0.7**		1.7	(59%)
	$	**1.0**	$	1.8	(44%)

Sustaining capital expenditures were primarily related to facilities and the purchase of equipment. Growth spending is capitalized interest on the 150 MW Boca de Jaruco Combined Cycle Project. Interest ceased to be capitalized on February 2, 2014.

$ millions (33⅓% basis), for the three months ended March 31		2014		2013	Change
Service concession arrangements	$	**1.2**	$	6.1	(80%)

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

Outlook for 2014

Production volumes and spending on capital (33⅓% basis), for the three and twelve months ended	**Actual 2014 March 31**	Projected 2014 December 31
Production		
Electricity (GWh)	**187**	750
Spending on capital ($ millions)		
Cuba[1]	**1**	4

DISCONTINUED OPERATIONS – COAL

On April 28, 2014, the Corporation completed the agreements to sell its Coal operations. As a result of the sale, the Corporation received $793 million in cash and expects to record a gain on the sale of the Coal royalty operations in the second quarter of 2014 in addition to changes to working capital and other closing adjustments.

Financial review

$ millions, except as otherwise noted, for the three months ended March 31	2014 Prairie Operations	2014 Mountain Operations(1)	2014 Total	2013 Prairie Operations	2013 Mountain Operations(1)	2013 Total	Change
FINANCIAL HIGHLIGHTS							
Revenue	$ 121.4	$ 82.2	$ 203.6	$ 122.9	$ 56.6	$ 179.5	13%
Cost of sales(2)	89.8	76.1	165.9	85.3	52.5	137.8	20%
	31.6	6.1	37.7	37.6	4.1	41.7	(10%)
Administrative expenses(2)	5.7	-	5.7	2.1	2.0	4.1	39%
Depletion, depreciation and amortization(3)	-	-	-	15.4	10.8	26.2	(100%)
Gain on termination of contract(4)	-	-	-	(22.0)	-	(22.0)	(100%)
Earnings (loss) from operations	$ 25.9	$ 6.1	$ 32.0	$ 42.1	$ (8.7)	$ 33.4	(4%)
Adjusted EBITDA(5)	$ 32.7	$ 11.5	$ 44.2	$ 35.5	$ 2.1	$ 37.6	18%
PRODUCTION VOLUMES (millions of tonnes)	5.2	0.8	6.0	5.6	0.8	6.4	(6%)
SALES VOLUMES (millions of tonnes)	4.9	0.9	5.8	5.7	0.6	6.3	(8%)
AVERAGE-REALIZED PRICES(5)(6)($ per tonne)	$ 20.99	$ 87.95		$ 18.20	$ 94.44		
UNIT OPERATING COSTS(5)($ per tonne)	$ 15.74	$ 75.69		$ 13.97	$ 91.05		
SPENDING ON CAPITAL	$ 8.1	$ 6.8	$ 14.9	$ 13.0	$ 20.3	$ 33.3	(55%)

(1) Includes results for coal development assets which the Corporation proportionately consolidates its 50% interest.
(2) Excludes depletion, depreciation and amortization.
(3) Depletion, depreciation, and amortization is not recognized for the three months ended March 31, 2014 as a result of being classified as a discontinued operation in December 2013.
(4) Net non-cash gain on termination of the Highvale mining contract.
(5) For additional information see the Non-GAAP measures section.
(6) For Prairie Operations average-realized price, revenue excludes royalties, activated carbon, char and other of $18.6 million for the three months ended March 31, 2014 (2013 – $18.9 million) and tonnes sold excludes activated carbon and char of 29.8 thousand tonnes for the three months ended March 31, 2014 (2013 – 35.9 thousand tonnes). Average-realized price may not calculate based on amounts presented due to rounding.

Prairie Operations

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

$ millions, for the three months ended March 31	2014
Higher mining margin, net of change in sales volumes	$ 0.6
Higher administrative expense	(3.4)
Non-cash gain on Highvale contract termination in 2013	(22.0)
Depletion, depreciation, and amortization not recorded in 2014	15.9
Other	(7.3)
Change in earnings from operations, compared to 2013	$ (16.2)

Prairie Operations revenue is composed of the following:

$ millions, for the three months ended March 31	2014	2013	Change
Mining revenue	$ 110.5	$ 112.2	(2%)
Coal royalties	8.5	7.5	13%
Potash royalties	2.4	3.2	(25%)
	$ 121.4	$ 122.9	(1%)

Excluding the contract mining business, mining revenue increased 12% reflecting general contract price escalations and the impact of a contract extension for a new mining area at the Paintearth mine. Including the contract mining business, this increase was more than offset by lower Highvale sales volumes and reduced customer demand at the Boundary Dam mine. Higher administrative expense included restructuring charges which were incurred as part of the ongoing cost reduction initiative. The one-time non-cash gain of $22.0 million was recorded in the first quarter of 2013 upon transferring the Highvale mining contract to the customer.

Unit operating cost is composed of the following:

Components of unit operating cost (%), for the three months ended March 31	2014	2013
Labour	**44%**	47%
Repairs and maintenance	**30%**	29%
Fuel	**17%**	15%
Other (1)	**9%**	9%
	100%	100%

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

Spending on capital is composed of the following:

$ millions, for the three months ended March 31	2014	2013	Change
Sustaining			
Assets acquired under finance lease	**$ –**	$ 3.4	(100%)
Cash capital	**8.1**	9.6	(16%)
	$ 8.1	$ 13.0	(38%)

Capital spending decreased due to deferrals and cost-cutting reductions aimed at maintaining a disciplined capital spending profile in light of challenging coal market conditions.

Mountain Operations

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

$ millions, for the three months ended March 31	2014
Lower export coal prices, denominated in U.S. dollars	**$ (8.1)**
Weaker Canadian dollar relative to the U.S. dollar	**6.6**
Lower mining costs, net of change in sales volumes	**9.2**
Depletion, depreciation, and amortization not recorded in 2014	**12.5**
Other	**(5.4)**
Change in earnings from operations, compared to 2013	**$ 14.8**

Earnings from operations increased as a result of lower mining costs and the strength of the U.S. dollar relative to the Canadian dollar. These increases were offset by weaker international coal reference prices largely due to oversupply in the international coal market.

Sales volumes were higher as a result of the Westshore incident on December 7, 2012 which negatively impacted through-put at Berth 1 until February 8, 2013. Administrative expenses in the first quarter of 2014 were fully offset by a business interruption insurance settlement relating to this incident at the end of first quarter 2014.

Unit operating cost is composed of the following:

Components of unit operating cost (%), for the three months ended March 31	**2014**	2013
Labour	**21%**	23%
Repairs and maintenance	**10%**	12%
Fuel	**14%**	12%
Rentals and contractors	**7%**	9%
Ex-Mine(1)	**40%**	33%
Other (2)	**8%**	11%
	100%	100%

(1) Primarily composed of commissions, royalties, freight and port fees.

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

Spending on capital consists of the following:

$ millions, for the three months ended March 31	**2014**	2013	Change
Sustaining			
Assets acquired under finance lease	**$ –**	$ 15.7	(100%)
Cash capital	**6.8**	4.6	48%
	$ 6.8	$ 20.3	(67%)

Capital spending decreased due to deferrals and cost-cutting reductions aimed at maintaining a disciplined capital spending profile in light of challenging coal market conditions.

On October 31, 2013 a breach of an onsite water containment pond occurred at the Obed Mountain mine near Hinton, Alberta. The total costs of clean-up, assessment and remediation, including ongoing water management but excluding insurance recoveries, remains unchanged at $52.2 million; total costs incurred to date and for the first quarter of 2014 were $23.5 million and $12.6 million, respectively. Upon close of the transaction, the Corporation will retain the obligations associated with the Obed containment pond breach which occurred in October 2013.

Liquidity and capital resources

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):

$ millions, as at March 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	$ 118.7	$ 118.7	$ –	$ –	$ –	$ –	$ –
Income taxes payable	30.1	30.1	–	–	–	–	–
Loans and borrowings(1)	3,486.8	459.5	367.6	131.6	206.1	617.7	1,704.3
Provisions	158.8	0.2	0.3	0.4	0.1	0.3	157.5
Operating leases	13.1	1.9	1.9	1.9	1.9	2.0	3.5
Capital commitments	3.4	3.4	–	–	–	–	–
	$ 3,810.9	$ 613.8	$ 369.8	$ 133.9	$ 208.1	$ 620.0	$ 1,865.3

(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. These 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 $68.0 million, with no significant repayments due in the next four years;
- Advances and loans payable of $141.7 million; and
- Other commitments of $2.4 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 $175.6 million, with no significant repayments due in the next four years;
- Other contractual commitments of $32.2 million; and
- Ambatovy Joint Venture senior debt financing of US$791.2 million ($874.5 million). On an undiscounted basis, principal and interest repayments are $989.1 million.

INVESTMENT LIQUIDITY

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

$ millions, as at March 31, 2014	Cash[1]	Cash equivalents[1] and Short-term investments	Total
Canada	$ 16.6	$ 570.0	$ 586.6
Cuba	12.1	–	12.1
Other	5.2	–	5.2
	$ 33.9	$ 570.0	$ 603.9

(1) Cash and cash equivalents include amounts at Coal as these did not form part of the assets to be sold as part of the Coal sale transaction.

Cash and short-term investments

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

At March 31, 2014, cash equivalents included $201.6 million in Government of Canada treasury bills having original maturity dates of less than three months and short-term investments included $368.4 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 $31.5 million (100% basis) held by the Moa Joint Venture, nor $53.7 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 and Poor's.

AVAILABLE CREDIT FACILITIES

At March 31, 2014, the Corporation and its divisions had borrowed $2.5 billion under available credit facilities and through the issuance of debentures.

At December 31, 2013, the Corporation exceeded the limitation on Funded Indebtedness as defined under the bond Indentures, primarily as a result of write-downs recorded after entering into agreements to sell the Coal operations. The Corporation is restricted from incurring any new financial indebtedness until the Funded Indebtedness ratio falls below 40%.

The Corporation expects to be back in compliance with these financial tests after the sale of the Coal operations and the revolving-term credit facility, line of credit and Coal revolving credit facilities are repaid. For additional information see the Covenants section.

The following table outlines the maximum amounts undrawn/available to the Corporation for credit facilities that had amounts undrawn at March 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, 2013.

$ millions, as at			2014 March 31			2013 December 31
	Maximum	**Undrawn**	**Available**	Maximum	Undrawn	Available
Short-term						
Syndicated 364-day revolving-term credit facility(1)	$ **90**	$ **6**	$ **–**	$ 90	$ 9	$ –
Line of credit	**20**	**–**	**–**	20	–	–
Long-term						
Ambatovy Joint Venture partner loans (US$)(2)	**213**	**127**	**–**	213	127	–
Coal revolving credit facility(3)	**525**	**66**	**–**	525	66	–
Total Canadian equivalent	$ **871**	$ **213**	$ **–**	$ 862	$ 211	$ –
Supplementary information						
Ambatovy Project financing (US$) (40%)(4)	$ **791**	$ **–**	$ **–**	$ 791	$ –	$ –
Finance leases(5)	**166**	**52**	**–**	169	49	–

(1) Established for general corporate purposes. Total available draw is based on eligible receivables and inventory. At March 31, 2014, the Corporation had $39.4 million of letters of credit outstanding on this facility. The change in the undrawn amount at March 31, 2014 from the prior period is due to foreign exchange translation on outstanding letters of credit.
(2) Established to fund Sherritt's contributions to the Ambatovy Joint Venture.
(3) Established for Prairie Mines & Royalty Ltd. (PMRL) and CVRI. At March 31, 2014, a total of $300.0 million has been drawn on this facility and $159.4 million of letters of credit are outstanding. This facility was repaid and terminated immediately prior to completing the sale of Coal on April 28, 2014.
(4) Due to the equity accounting for the Ambatovy Joint Venture, this loan is not included in loans and borrowings on the Corporation's statement of financial position.
(5) Finance leases include only those that have been committed by lenders. These leases are to be sold as part of the Coal sale transaction.

Coal sale transaction

As a result of completing the sale on April 28, 2014, the Corporation received $793 million in cash proceeds. In addition, the Corporation expects to record working capital and other closing adjustments related to the sale in the second quarter of 2014. Immediately prior to closing, Coal's revolving credit facility was repaid and terminated. Any outstanding letters of credit will be replaced by the purchaser following the 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.

At December 31, 2013, the Corporation breached the financial debt-to-equity covenant of the Syndicated 364-day revolving-term credit facility and line of credit as a result of asset write-downs recorded after entering into agreements to sell the Coal operations and other charges against equity. The Corporation subsequently received a waiver for this covenant for periods ending December 31, 2013 to June 30, 2014 inclusive. Additionally, the Corporation exceeded the limitation on Funded Indebtedness as defined under the bond Indentures. This restricts the Corporation from incurring any new financial indebtedness until this ratio falls below 40% of total assets. Funded Indebtedness is defined as total loans and borrowings plus finance leases divided by total assets, excluding goodwill. At March 31, 2014, the Corporation exceeded the financial debt-to-EBITDA covenant of the Coal revolving credit facility. This facility was terminated and fully repaid in April 2014 in connection with the sale of the Coal operations.

The Corporation expects to be back in compliance with its covenants once the Syndicated 364-day revolving-term credit facility and line of credit are repaid; however, if certain market conditions persist, the Corporation may exceed the Funded Indebtedness limitation in 2014.

Other than the covenants required for the debt facilities, the Corporation is not subject to any externally imposed capital restrictions.

SOURCES AND USES OF CASH

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

$ millions, for the three months ended March 31		2014[1]		2013[1]	Change
Cash provided by operating activities					
Cash provided by continuing operating activities before change in non-cash working capital	$	**30**	$	29	3%
Change in non-cash working capital		**(52)**		(7)	643%
Cash used by continuing operations		**(22)**		22	
Cash provided by discontinued operations		**49**		26	88%
	$	**27**	$	48	(44%)
Cash (used) provided by investing and financing activities					
Property, plant, equipment and intangible expenditures	$	**(18)**	$	(18)	–
Net increase of loans, borrowings and other financial liabilities		**–**		(15)	(100%)
Loans to an associate		**(39)**		(43)	(9%)
Investment in an associate		**–**		(13)	(100%)
Decrease in investments		**6**		7	(14%)
Dividends paid on common shares		**(13)**		(11)	18%
Cash used by discontinued operations		**(21)**		(9)	133%
Other		**10**		(7)	(243%)
	$	**(75)**	$	(109)	(31%)
		(48)		(61)	(21%)
Cash, cash equivalents and short-term investments:					
Beginning of the period		**652**		503	30%
End of the period	$	**604**	$	442	37%

(1) As a result of entering into agreements to sell the Coal operations in December 2013, Coal is classified as a discontinued operation. Cash provided (used) by Coal is reported in cash provided (used) by discontinued operations. Amounts for the prior-year period have been restated.

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

- The change in non-cash working capital in the three months ended March 31, 2014 is unfavorable compared to the prior-year period primarily due to an increase in accounts receivable in Oil and Gas;
- A total of $39.5 million (US$36.0 million) was provided in cash to the Ambatovy Joint Venture as Sherritt's share of the joint venture funding requirements in the three months ended March 31, 2014. This funding was provided as a loan.
- The change in operating cash flow provided by discontinued operations is primarily due to a favourable change in non-cash working capital due high inventory levels at Coal in the prior-year period due to the Westshore incident. The investing and financing cash used by discontinued operations is higher primarily due to the repayment of finance lease receivables net of repayment of finance lease obligations on the transfer of mobile equipment related to the termination of the Highvale contract in the prior-year period.

COMMON SHARES

As at April 29, 2014, the Corporation had 296,996,126 common shares outstanding. An additional 5,558,752 common shares are issuable upon exercise of outstanding stock options granted to employees pursuant to the Corporation's stock option plan.

On February 18, 2014, the Corporation's Board of Directors approved a quarterly dividend of $0.01 per common share, paid on April 14, 2014 to shareholders of record as of the close of business on March 31, 2014.

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. A comprehensive list of the Corporation's significant business risks and strategies designed to manage these risks can be found in the Corporation's Annual Information Form.

Accounting Pronouncements

There have been no new accounting pronouncements issued in the first quarter of 2014 that are expected to impact the Corporation. For a summary of accounting pronouncements, see the accounting pronouncements note in the Corporation's audited consolidated financial statements for the year ended December 31, 2013.

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 June 30, 2012 to March 31, 2014(1)(2).

$ millions, except per share amounts, for the three months ended	**2014 Mar 31**	2013 Dec 31	2013 Sept 30	2013 June 30	2013 Mar 31	2012 Dec 31	2012 Sept 30	2012 June 30
Revenue								
Metals	**$ 160.1**	$ 101.6	$ 104.8	$ 120.6	$ 103.7	$ 138.4	$ 89.6	$ 141.2
Oil and Gas	**76.9**	74.9	74.2	71.2	71.1	68.2	74.2	76.3
Power	**11.9**	10.6	14.7	13.5	16.0	17.0	18.8	17.6
Corporate and Other	**1.8**	2.0	1.6	1.7	1.2	2.3	3.7	3.2
	$ 250.7	$ 189.1	$ 195.3	$ 207.0	$ 192.0	$ 225.9	$ 186.3	$ 238.3
Adjust joint venture and associate revenue	**(129.8)**	(80.5)	(84.1)	(85.3)	(85.0)	(95.6)	(81.9)	(111.8)
Financial statement revenue	**$ 120.9**	$ 108.6	$ 111.2	$ 121.7	$ 107.0	$ 130.3	$ 104.4	$ 126.5
Net (loss) earnings from continuing operations	**(70.5)**	(134.8)	1.9	(15.2)	(2.6)	7.2	(31.6)	27.6
(Loss) earnings from discontinued operations, net of tax	**22.3**	(539.0)	(0.8)	4.5	25.7	(24.1)	9.0	13.2
Net (loss) earnings	**$ (48.2)**	$ (673.8)	$ 1.1	$ (10.7)	$ 23.1	$ (16.9)	$ (22.6)	$ 40.8
Net (loss) earnings per share, basic and diluted ($ per share)								
Net (loss) earnings from continuing operations	**$ (0.24)**	$ (0.45)	$ 0.01	$ (0.05)	$ (0.01)	$ 0.02	$ (0.11)	$ 0.09
Net (loss) earnings	**(0.16)**	(2.27)	–	(0.04)	0.08	(0.06)	(0.08)	0.14

(1) As a result of entering into agreements to sell the Coal operations in December 2013, Coal is classified as a discontinued operation. As a result, the loss for Coal is reported in earnings (loss) from discontinued operations for the three months ended March 31, 2014. For the 2013 and 2012 quarters, amounts previously reported have been restated.

(2) The adoption date of IFRS 11 was January 1, 2013 which resulted in the Corporation changing the accounting for the Moa Joint Venture from proportionate consolidation to equity accounting effective January 1, 2012. Comparative period figures for 2012 have been restated to comply with these requirements.

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 been relatively consistent, ranging from $0.99 to $1.10. 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 first quarter of 2014 includes the Corporation's share of operating losses of the Ambatovy Joint Venture partly offset by a reduction in depletion, depreciation, and amortization as a result of treating 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 includes 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;
- the first quarter of 2013 included a non-cash gain on termination of the Highvale mining contract of $22.0 million (in (loss) earnings of discontinued operations);
- the fourth quarter of 2012 included the recognition of total impairments of $18.7 million; and,
- the third quarter of 2012 included an early redemption premium on the redemption/repurchase of debentures of $27.0 million.

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 and has letters of credit issued under the Coal revolving credit facility and the Corporation's revolving-term credit facility.

Transactions with related parties

The Corporation and subsidiaries provide goods, labour, advisory and other administrative services to joint operations 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 joint operations and an associate in the Metals business.

$ millions, for the three months ended March 31	**2014**	2013
Total value of goods and services:		
Provided to joint operations	**$ 5.7**	$ 5.2
Provided to joint venture	**38.1**	34.6
Provided to associate	**0.6**	5.7
Purchased from joint operations	**0.7**	0.9
Purchased from joint venture	**20.7**	20.7
Purchased from associate	**17.2**	5.0
Net financing income from joint operations	**5.1**	5.7
Net financing income from associate	**7.6**	–
Net financing income from joint venture	**1.7**	1.6

$ millions, as at	**2014 March 31**	2013 December 31
Accounts receivable from joint operations	**$ 0.4**	$ 0.2
Accounts receivable from joint venture	**19.8**	23.2
Accounts receivable from associate	**55.1**	36.2
Accounts payable to joint operations	**0.2**	–
Accounts payable to joint venture	**15.5**	1.9
Accounts payable to associate	**4.0**	4.5
Advances and loans receivable from associate	**1,190.0**	1,106.9
Advances and loans receivable from joint operations	**256.7**	251.7
Advances and loans receivable from joint venture entities	**241.2**	241.7

All 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 year for bad debts in respect of amounts owed by related parties.

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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.

As at March 31, 2014, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended March 31, 2014 the Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

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 three months ended March 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 quarterly net earnings ($ millions) Increase/(decrease)	Approximate change in quarterly basic EPS Increase/(decrease)
Prices				
Nickel – LME price per pound(1)	US$	0.50	$ 6	$ 0.02
Cobalt – Metal Bulletin price per pound(1)	US$	5.00	5	0.02
Oil –U.S. Gulf Coast Fuel Oil No. 6 price per barrel	US$	5.00	3	0.01
Volume				
Nickel – tonnes(1)		1,000	4	0.01
Cobalt – tonnes(1)		250	6	0.02
Oil – gross working-interest barrels per day		1,000	1	–
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	US$	0.05	(13)	(0.04)
Operating costs(1)				
Natural gas – per gigajoule (Moa Joint Venture)	$	1.00	(1)	–
Sulphur – per tonne (Moa Joint Venture and Ambatovy)	US$	25.00	(1)	–
Sulphuric acid – per tonne (Moa Joint Venture)	US$	25.00	(1)	–
Coal – per tonne (Ambatovy)	US$	20.00	(1)	–
Limestone – per tonne (Ambatovy)	US$	5.00	(1)	–

(1) Price and volume increases 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.

NON-GAAP MEASURES

Management uses 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.

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 table below reconciles Adjusted EBITDA to net earnings (loss) from operations, associate and joint venture:

$ millions, for the three months ended March 31									2014
	Metals							Adjustment for	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Joint Venture and Associate	Total
(Loss) earnings from operations, associate and joint venture per financial statements (note 4)	$ (2.4)	$ (31.9)	$ 0.2	$ (34.1)	$ 43.6	$ 0.9	$ (14.2)	$ (12.5)	$ (16.3)
Add (deduct):									
Depletion, depreciation and amortization	2.4	-	-	2.4	16.8	4.0	1.0	-	24.2
Adjustments for share of associate and joint venture:									
Associate									
Depletion, depreciation and amortization	-	27.5	-	27.5	-	-	-	-	27.5
Net finance expense	-	-	-	-	-	-	-	11.7	11.7
Income tax recovery	-	-	-	-	-	-	-	(3.8)	(3.8)
Joint venture									
Depletion, depreciation and amortization	7.0	-	-	7.0	-	-	-	-	7.0
Net finance expense	-	-	-	-	-	-	-	2.8	2.8
Income tax recovery	-	-	-	-	-	-	-	1.8	1.8
Adjusted EBITDA	$ 7.0	$ (4.4)	$ 0.2	$ 2.8	$ 60.4	$ 4.9	$ (13.2)	$ -	$ 54.9

$ millions, for the three months ended March 31									2013
	Metals							Adjustment for	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Joint Venture and Associate	Total
Earnings (loss) from operations, associate and joint venture per financial statements (note 4)	$ 7.3	$ (0.5)	$ 0.2	$ 7.0	$ 41.4	$ 0.9	$ (17.4)	$ (4.8)	$ 27.1
Add:									
Depletion, depreciation and amortization	2.3	-	(0.1)	2.2	16.0	2.6	0.9	-	21.7
Adjustments for share of associate and joint venture:									
Associate									
Depletion, depreciation and amortization	-	-	0.7	0.7	-	-	-	-	0.7
Net finance income	-	-	-	-	-	-	-	-	-
Income tax recovery	-	-	-	-	-	-	-	-	-
Joint venture									
Depletion, depreciation and amortization	7.0	-	-	7.0	-	-	-	-	7.0
Net finance expense	-	-	-	-	-	-	-	3.9	3.9
Income tax expense	-	-	-	-	-	-	-	0.9	0.9
Adjusted EBITDA	$ 16.6	$ (0.5)	$ 0.8	$ 16.9	$ 57.4	$ 3.5	$ (16.5)	$ -	$ 61.3

Average-realized price

Average-realized price is generally calculated by dividing revenue by sales volume for the given product in a given division. For Coal's Prairie Operations, average-realized price excludes the impact related to royalties, activated carbon and char activities.

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 and certain 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.

For Coal's Prairie Operations, the unit operating cost excludes the impact related to royalties, activated carbon and char activities.

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

$ millions, except unit cost and sales volume, for the three months ended March 31						2014
	Metals					
	Moa JV and Fort Site	Ambatovy JV[1]	Other	Total	Oil and Gas	Power
Cost of sales per financial statements (note 4)	$ 90.5	$ 77.6	$ 18.4	$ 186.5	$ 30.5	$ 8.5
Less:						
Depletion, depreciation and amortization in cost of sales	(9.4)	(27.5)	-	(36.9)	(16.8)	(4.0)
Cost of sales per review of operations	81.1	50.1	18.4	149.6	13.7	4.5
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(30.4)	(6.3)			-	-
Impact of opening/closing inventory and other	(1.6)	(0.7)			-	-
Service concession arrangements - Cost of construction	-	-			-	(1.2)
Cost of sales for purposes of unit cost calculation	49.1	43.1			13.7	3.3
Sales volume for the period	8.4	5.7			1.1	187
Volume units	Millions of pounds	Millions of pounds			Millions of barrels[4]	Gigawatts
Unit operating cost[2][3]	$ 5.83	$ 7.51			$ 12.91	$ 17.43
Unit operating cost (U.S. dollars)	$ 5.30	$ 6.83				

(1) 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. Unit operating cost is presented for the post-commercial production period only.
(2) Unit operating costs may not calculate based on amounts presented due to rounding.
(3) Power, unit operating cost per MWh.
(4) Net working-interest oil production.

$ millions, except unit cost and sales volume, for the three months ended March 31						2013
	Metals					
	Moa JV and Fort Site	Ambatovy JV[1]	Other	Total	Oil and Gas	Power
Cost of sales per financial statements (note 4)	$ 88.1	$ –	$ 6.5	$ 94.6	$ 27.9	$ 13.6
Less:						
Depletion, depreciation and amortization in cost of sales	(9.3)	–	(0.6)	(9.9)	(16.0)	(2.6)
Cost of sales per review of operations	78.8	–	5.9	84.7	11.9	11.0
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(29.5)				–	–
Impact of opening/closing inventory and other	(2.7)				–	–
Service concession arrangements - Cost of construction	–				–	(6.1)
Other	–				–	(0.6)
Cost of sales for purposes of unit cost calculation	46.6				11.9	4.3
Sales volume for the period	8.6				1.0	160
Volume units	Millions of pounds				Millions of barrels[4]	Gigawatts
Unit operating cost[2][3]	$ 5.40				$ 12.18	$ 26.70
Unit operating cost (U.S. dollars)	$ 5.34					

(1) 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. Unit operating cost is presented for the post-commercial production period only.

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

(3) Power, unit operating cost per MWh.

(4) Net working-interest oil production.

Adjusted operating cash flow per share

The Corporation defines adjusted operating cash flow per share as cash provided by 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 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 March 31	**2014**	2013
Cash provided by operating activities	**$ 26.8**	$ 48.0
Adjust: net change in non-cash working capital	**51.5**	6.5
Adjusted operating cash flow	**$ 78.3**	$ 54.5
Weighted-average number of common shares - basic	**297.0**	296.5
Adjusted operating cash flow per share	**$ 0.26**	$ 0.18

Discontinued operations – Coal

ADJUSTED EBITDA

$ millions, for the three months ended March 31	**2014**	2013
Earnings from operations per financial statements (note 10)	**$ 32.0**	$ 33.4
Add (deduct):		
Depletion, depreciation and amortization	**–**	26.2
Gain on termination of contract	**–**	(22.0)
Other	**12.2**	–
Adjusted EBITDA	**$ 44.2**	$ 37.6

UNIT OPERATING COST

$ millions, except unit cost and sales volume, for the three months ended March 31			2014			2013
	Prairie	**Mountain**	**Total**	Prairie	Mountain	Total
Cost of sales per financial statements (note 10)	**$ 89.8**	**$ 76.1**	**$ 165.9**	$ 100.5	$ 63.3	$ 163.8
Less:						
Depletion, depreciation and amortization in cost of sales[1]	**–**	**–**	**–**	(15.2)	(10.8)	(26.0)
Cost of sales per discontinued operations – Coal	**89.8**	**76.1**	**165.9**	85.3	52.5	137.8
Adjustments to cost of sales:						
Cost of sales – royalties, activated carbon and char	**(5.1)**	**–**	**(5.1)**	(4.3)	–	(4.3)
Other	**(7.4)**	**(7.5)**	**(14.9)**	(1.1)	1.9	0.8
Cost of sales for purposes of unit cost calculation	**77.3**	**68.6**	**145.9**	79.9	54.4	134.3
Sales volume for the period	**4.9**	**0.9**		5.7	0.6	
Volume units	**Millions of tonnes**	**Millions of tonnes**		Millions of tonnes	Millions of tonnes	
Unit operating cost[2]	**$ 15.74**	**$ 75.69**		$ 13.97	$ 91.05	

(1) Depletion, depreciation, and amortization is not recognized for the three months ended March 31, 2014 as a result of being classified as a discontinued operation in December 2013.

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

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 those respecting certain expectations regarding the closing of the Coal sale transaction; certain expectations about capital costs and expenditures; capital project commissioning and completion dates; production and sales volumes; revenue, costs, and earnings; sufficiency of working capital and capital project funding; completion of development and exploration wells; amounts of certain joint venture commitments; compliance and ability to remedy financial covenant breaches in a timely manner.

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 2014.   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; risk of inability to remedy covenant breaches; 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; uncertainties in pension liabilities; 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 aboriginal 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.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2014

Condensed consolidated statements of comprehensive income

Unaudited, Canadian $ millions, except per share amounts, for three months ended March 31	Note		2014		2013
Revenue		$	**120.9**	$	107.0
Cost of sales	5		**73.4**		65.6
Gross profit			**47.5**		41.4
Administrative expenses			**16.8**		14.1
Operating profit			**30.7**		27.3
Share of loss of an associate, net of tax	6		**(40.1)**		–
Share of loss of a joint venture, net of tax	7		**(6.9)**		(0.2)
(Loss) earnings from operations, associate and joint venture			**(16.3)**		27.1
Financing income	8		**(8.1)**		(2.6)
Financing expense	8		**48.9**		29.5
Net finance expense			**40.8**		26.9
(Loss) earnings before tax			**(57.1)**		0.2
Income tax expense	9		**13.4**		2.8
Net loss from continuing operations			**(70.5)**		(2.6)
Earnings from discontinued operations, net of tax	10		**22.3**		25.7
Net (loss) earnings for the period		$	**(48.2)**	$	23.1
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	18		**119.2**		48.1
Items that will not be subsequently reclassified to profit or loss:					
Actuarial gains on pension plans, net of tax					
Continuing operations	18		**0.5**		0.2
Discontinued operations	18		**0.5**		2.7
Other comprehensive income			**120.2**		51.0
Total comprehensive income		$	**72.0**	$	74.1
Net loss from continuing operations per common share, basic and diluted	11	$	**(0.24)**	$	(0.01)
Net (loss) earnings per common share, basic and diluted	11	$	**(0.16)**	$	0.08

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

Condensed consolidated statements of financial position

Unaudited, Canadian $ millions, as at	Note	2014 March 31	2013 December 31
ASSETS			
Current assets			
Cash and cash equivalents	12	**$ 235.5**	$ 324.2
Restricted cash		**1.0**	1.0
Short-term investments	12	**368.4**	327.6
Investments		**–**	6.0
Advances, loans receivable and other financial assets	13	**68.0**	76.7
Trade accounts receivable, net	12	**338.4**	253.9
Income taxes receivable		**1.2**	1.2
Inventories	14	**35.1**	35.5
Prepaid expenses		**10.9**	10.1
		1,058.5	1,036.2
Non-current assets			
Advances, loans receivable and other financial assets	13	**1,644.1**	1,549.2
Other non-financial assets	13	**2.5**	2.2
Property, plant and equipment	15	**403.1**	392.8
Investment in an associate	6	**1,665.6**	1,652.5
Investment in a joint venture	7	**354.6**	352.0
Intangible assets		**168.6**	163.7
Deferred income taxes		**3.2**	3.7
		4,241.7	4,116.1
Assets of discontinued operations	10	**1,305.3**	1,305.5
Total assets		**$ 6,605.5**	$ 6,457.8
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Loans and borrowings	16	**$ 365.5**	$ 365.2
Trade accounts payable and accrued liabilities		**118.7**	104.7
Income taxes payable		**30.1**	15.8
Other financial liabilities	16	**4.2**	4.4
Other non-financial liabilities	16	**37.8**	27.6
Provisions	17	**24.0**	36.7
		580.3	554.4
Non-current liabilities			
Loans and borrowings	16	**2,163.3**	2,124.6
Other financial liabilities	16	**2.2**	2.8
Other non-financial liabilities	16	**4.2**	4.2
Provisions	17	**96.0**	88.2
Deferred income taxes		**54.4**	51.7
		2,320.1	2,271.5
Liabilities of discontinued operations	10	**528.4**	524.7
Total liabilities		**3,428.8**	3,350.6
Shareholders' equity			
Capital stock	18	**2,809.1**	2,808.5
Retained (deficit) earnings		**(11.0)**	40.2
Reserves	18	**196.4**	196.5
Accumulated other comprehensive income	18	**182.2**	62.0
		3,176.7	3,107.2
Total liabilities and shareholders' equity		**$ 6,605.5**	$ 6,457.8

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

Condensed consolidated statements of cash flow

Unaudited, Canadian $ millions, for the three months ended March 31	Note	2014	2013
Operating activities			
Net loss from continuing operations		$ (70.5)	$ (2.6)
Add (deduct):			
Depletion, depreciation and amortization		24.2	21.7
Share of loss of an associate, net of tax	6	40.1	–
Share of loss of a joint venture, net of tax	7	6.9	0.2
Finance costs (less accretion expenses)	8	40.6	26.6
Income tax expense	9	13.4	2.8
Service concession arrangement		(1.2)	(6.1)
Net change in non-cash working capital	20	(51.5)	(6.5)
Decrease in provision		(8.4)	–
Interest received		2.7	3.5
Interest paid		(19.3)	(18.8)
Income tax paid		(0.4)	(0.5)
Other operating items	20	1.0	1.9
Cash (used) provided by continuing operations		(22.4)	22.2
Cash provided by discontinued operations	10	49.2	25.8
Cash provided by operating activities		26.8	48.0
Investing activities			
Property, plant and equipment expenditures	4	(17.2)	(15.7)
Intangible expenditures	4	(1.1)	(2.5)
Increase in advances, loans receivable and other financial assets		(1.7)	(10.4)
Repayment of advances, loans receivable and other financial assets		9.8	3.6
Investments		6.2	6.9
Loans to an associate		(39.4)	(42.8)
Investment in an associate		–	(13.2)
Net proceeds from sale of property, plant and equipment		0.2	–
Short-term investments		(40.8)	169.1
Cash (used) provided by continuing operations		(84.0)	95.0
Cash used by discontinued operations	10	(13.7)	(10.7)
Cash (used) provided by investing activities		(97.7)	84.3
Financing activities			
Repayment of loans and borrowings and other financial liabilities		(0.1)	(15.0)
Increase in loans, borrowings and other financial liabilities		0.3	–
Dividends paid on common shares	18	(12.9)	(11.3)
Cash used by continuing operations		(12.7)	(26.3)
Cash (used) provided by discontinued operations	10	(6.8)	1.7
Cash used by financing activities		(19.5)	(24.6)
Effect of exchange rate changes on cash and cash equivalents		1.7	0.4
(Decrease) increase in cash and cash equivalents		(88.7)	108.1
Cash and cash equivalents at beginning of the period		324.2	147.1
Cash and cash equivalents at end of the period		$ 235.5	$ 255.2

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

Condensed consolidated statements of changes in shareholders' equity

Unaudited, Canadian $ millions

	Note	Capital stock	Retained earnings (deficit)	Reserves	Accumulated other comprehensive (loss) income	Total
Balance as at January 1, 2013		**$ 2,806.1**	**$ 774.5**	**$ 194.9**	**$ (129.6)**	**$ 3,645.9**
Total comprehensive (loss) income:						
Net earnings for the period		–	23.1	–	–	23.1
Foreign currency translation:						
Differences on foreign operations	18	–	–	–	48.1	48.1
Reclasification on settlement of pension obligation		–	(22.9)	–	22.9	–
Actuarial gains on defined benefit obligation, net of tax	18	–	–	–	2.9	2.9
		–	0.2	–	73.9	74.1
Shares issued for:						
Restricted stock plan (vested)	18	0.8	–	(0.8)	–	–
Restricted stock plan amortization	19	–	–	0.2	–	0.2
Employee share purchase plan expense	19	–	–	0.1	–	0.1
Stock option plan expense	19	–	–	0.3	–	0.3
Dividends declared to common shareholders		–	(12.7)	–	–	(12.7)
Balance as at March 31, 2013		**$ 2,806.9**	**$ 762.0**	**$ 194.7**	**$ (55.7)**	**$ 3,707.9**
Total comprehensive (loss) income:						
Net loss for the period		–	(683.4)	–	–	(683.4)
Foreign currency translation:						
Differences on foreign operations	18	–	–	–	116.1	116.1
Actuarial gains on defined benefit obligation, net of tax	18	–	–	–	1.6	1.6
		–	(683.4)	–	117.7	(565.7)
Shares issued for:						
Employee share purchase plan	18	1.6	–	(0.2)	–	1.4
Restricted stock plan amortization	19	–	–	0.4	–	0.4
Employee share purchase plan expense	19	–	–	0.3	–	0.3
Stock option plan expense	19	–	–	1.3	–	1.3
Dividends declared to common shareholders		–	(38.4)	–	–	(38.4)
Balance as at December 31, 2013		**$ 2,808.5**	**$ 40.2**	**$ 196.5**	**$ 62.0**	**$ 3,107.2**
Total comprehensive (loss) income:						
Net loss for the period		–	(48.2)	–	–	(48.2)
Foreign currency translation:						
Differences on foreign operations	18	–	–	–	119.2	119.2
Actuarial gains on defined benefit obligation, net of tax	18	–	–	–	1.0	1.0
		–	(48.2)	–	120.2	72.0
Shares issued for:						
Restricted stock plan (vested)	18	0.6	–	(0.6)	–	–
Restricted stock plan amortization	19	–	–	0.3	–	0.3
Employee share purchase plan expense	19	–	–	0.1	–	0.1
Stock option plan expense	19	–	–	0.1	–	0.1
Dividends declared to common shareholders		–	(3.0)	–	–	(3.0)
		0.6	(3.0)	(0.1)	–	(2.5)
Balance as at March 31, 2014		**$ 2,809.1**	**$ (11.0)**	**$ 196.4**	**$ 182.2**	**$ 3,176.7**

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

Notes to the interim condensed consolidated financial statements

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

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

The Corporation is domiciled in Ontario, Canada and its registered office is 1133 Yonge Street, Toronto, Ontario, M4T 2Y7. These interim condensed consolidated financial statements were approved and authorized for issuance by the Audit Committee on behalf of the Board of Directors of Sherritt on April 29, 2014. The Corporation is listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Corporation as at and for the year ended December 31, 2013, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were applicable from January 1, 2014 and disclosed in the annual consolidated financial statements of the Corporation as at and for the year ended December 31, 2013. The adoption of these amendments and interpretations did not have a material impact on the accounting policies, methods of computation or presentation applied by the Corporation.

Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013.

4. SEGMENTED INFORMATION

Business segments

Canadian $ millions, for the three months ended March 31	Metals[1]	Oil and Gas	Power	Corporate and Other[2]	Discontinued operations (note 10)	Adjustments for Joint Venture and Associate[3]	2014 Total
Revenue	$ 160.1	$ 76.9	$ 11.9	$ 1.8	$ –	$ (129.8)	$ 120.9
Cost of sales	186.5	30.5	8.5	5.8	–	(157.9)	73.4
Gross (loss) profit	(26.4)	46.4	3.4	(4.0)	–	28.1	47.5
Administrative expenses	7.7	2.8	2.5	10.2	–	(6.4)	16.8
Operating (loss) profit	(34.1)	43.6	0.9	(14.2)	–	34.5	30.7
Share of loss of associate, net of tax	–	–	–	–	–	(40.1)	(40.1)
Share of loss of a joint venture, net of tax	–	–	–	–	–	(6.9)	(6.9)
(Loss) earnings from operations, associate and joint venture	(34.1)	43.6	0.9	(14.2)	–	(12.5)	(16.3)
Financing income	(5.3)	–	–	(2.9)	–	0.1	(8.1)
Financing expense	24.1	30.7	(11.7)	20.4	–	(14.6)	48.9
Net finance expense (income)	18.8	30.7	(11.7)	17.5	–	(14.5)	40.8
(Loss) earnings before tax	(52.9)	12.9	12.6	(31.7)	–	2.0	(57.1)
Income tax (recovery) expense	(2.0)	14.8	0.5	(1.9)	–	2.0	13.4
Net (loss) earnings from continuing operations	(50.9)	(1.9)	12.1	(29.8)	–	–	(70.5)
Earnings from discontinued operations, net of tax	–	–	–	–	22.3	–	22.3
(Loss) earnings for the period	$ (50.9)	$ (1.9)	$ 12.1	$ (29.8)	$ 22.3	$ –	$ (48.2)
Supplementary information							
Depletion, depreciation and amortization	$ 36.9	$ 16.8	$ 4.0	$ 1.0	$ –	$ (34.5)	$ 24.2
Property, plant and equipment expenditures	5.2	14.6	0.3	0.3	–	(3.2)	17.2
Intangible asset expenditures	–	0.4	0.7	–	–	–	1.1

Canadian $ millions, as at March 31							2014
Non-current assets[4]	$ 4,188.0	$ 214.8	$ 203.9	$ 15.4	$ –	$ (4,050.4)	$ 571.7
Total assets	6,199.9	1,201.1	463.9	106.4	1,305.3	(2,671.1)	6,605.5

Canadian $ millions, for the three months ended March 31	Metals[1]	Oil and Gas	Power	Corporate and Other[2]	Discontinued operations (note 10)	Adjustments for Joint Venture and Associate[3]	2013 Total
Revenue	$ 103.7	$ 71.1	$ 16.0	$ 1.2	$ –	$ (85.0)	$ 107.0
Cost of sales	94.6	27.9	13.6	8.9	–	(79.4)	65.6
Gross profit (loss)	9.1	43.2	2.4	(7.7)	–	(5.6)	41.4
Administrative expenses	2.1	1.8	1.5	9.7	–	(1.0)	14.1
Operating profit (loss)	7.0	41.4	0.9	(17.4)	–	(4.6)	27.3
Share of loss of joint venture, net of tax	–	–	–	–	–	(0.2)	(0.2)
Earnings (loss) from operations, associate and joint venture	7.0	41.4	0.9	(17.4)	–	(4.8)	27.1
Financing income	1.4	(0.8)	(0.6)	(2.7)	–	0.1	(2.6)
Financing expense	9.6	12.0	(8.5)	20.4	–	(4.0)	29.5
Net finance expense (income)	11.0	11.2	(9.1)	17.7	–	(3.9)	26.9
(Loss) earnings before tax	(4.0)	30.2	10.0	(35.1)	–	(0.9)	0.2
Income tax expense (recovery)	0.9	9.6	0.6	(7.4)	–	(0.9)	2.8
Net (loss) earnings from continuing operations	(4.9)	20.6	9.4	(27.7)	–	–	(2.6)
Earnings from discontinued operations, net of tax	–	–	–	–	25.7	–	25.7
Net (loss) earnings for the period	$ (4.9)	$ 20.6	$ 9.4	$ (27.7)	$ 25.7	$ –	$ 23.1
Supplementary information							
Depletion, depreciation and amortization	$ 9.9	$ 16.0	$ 2.6	$ 0.9	$ –	$ (7.7)	$ 21.7
Property, plant and equipment expenditures	9.7	12.3	0.1	0.3	–	(6.7)	15.7
Intangible asset expenditures	–	0.7	1.8	–	–	–	2.5

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 and costs of $17.6 million for the three months ended March 31, 2014 (revenues and costs for the three months ended March 31, 2013 – $5.1 million) 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

	2014		2013	
Canadian $ millions, as at		March 31		December 31
	Non-current assets (1)	Total assets (2)	Non-current assets(1)	Total assets(2)
North America	$ 162.3	$ 2,539.3	$ 160.0	$ 2,613.1
Cuba	380.5	1,109.0	370.7	1,023.9
Madagascar	1.9	2,879.5	2.0	2,764.7
Europe	26.5	31.8	23.5	32.4
Asia	0.5	1.9	0.3	1.7
Other	–	44.0	–	22.0
	$ 571.7	$ 6,605.5	$ 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 three months ended March 31	2014	2013
	Total revenue(1)	Total revenue(1)
North America	$ 30.4	$ 18.8
Cuba	85.5	82.6
Madagascar	0.8	2.0
Europe	3.0	3.0
Asia	0.9	0.3
Other	0.3	0.3
	$ 120.9	$ 107.0

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

Revenue segments

Revenue includes the following significant categories:

Canadian $ millions, for the three months ended March 31	2014	2013
Commodity and electricity	$ 115.2	$ 96.7
Other	5.7	10.3
	$ 120.9	$ 107.0

5. COST OF SALES

Cost of sales includes the following select information:

Canadian $ millions, for the three months ended March 31	2014	2013
Employee costs	$ 15.6	$ 14.4
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	23.5	21.0
Exploration and evaluation expenses	3.3	7.2

The exploration and evaluation expenses incurred by the Corporation related to the Sulawesi Project in Indonesia. The Corporation expensed $3.3 million relating to this project during the three months ended March 31, 2014 ($7.2 million for the three months ended March 31, 2013). 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.

6. 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 March 31**		2013 December 31
Assets				
Cash and cash equivalents(1)	**$**	**53.7**	$	36.6
Other current assets		**20.6**		21.4
Trade accounts receivable, net		**70.3**		109.0
Inventories		**358.5**		333.9
Other non-current assets(2)		**11.1**		5.3
Property, plant and equipment		**9,579.8**		9,174.5
Total assets		**10,094.0**		9,680.7
Liabilities				
Trade accounts payable and accrued liabilities		**348.9**		286.3
Other financial liabilities		**8.2**		6.4
Current portion of loans and borrowings(3)		**208.2**		200.4
Loans and borrowings:				
Ambatovy revolving credit facility(4)		**33.1**		28.5
Ambatovy Joint Venture financing(3)		**1,946.5**		1,871.6
Ambatovy Subordinated loan payable(5)		**2,975.3**		2,767.3
Environmental rehabilitation provision		**91.0**		78.2
Other long-term liabilities		**0.2**		0.3
Deferred income taxes		**318.7**		310.5
Total liabilities		**5,930.1**		5,549.5
Net assets(6)	**$**	**4,163.9**	$	4,131.2
Investment in associate carrying value (40%)	**$**	**1,665.6**	$	1,652.5

(1) In accordance with *La loi établissant un régime special pour les grands investissements dans le secteur minier Malagasay* (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. 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) As at March 31, 2014, the Ambatovy Joint Venture has earned investment tax credits of $563.0 million (December 31, 2013 - $532.0 million) for which a deferred income tax asset has not been recognized. The investment tax credits have an indefinite carry forward period and may be used to partially offset Malagasy income tax otherwise payable by the Ambatovy Joint Venture in subsequent years.

(3) The Ambatovy Joint Venture financing totalling US$2,100.0 million is limited recourse project financing with a group of international lenders that matures June 15, 2024. For the three months ended March 31, 2014, total repayments were US$nil million. The project financing is guaranteed by the partners until the project passes certain completion tests at which point the project financing is 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 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 lenders. Interest is currently payable based on LIBOR rates plus applicable margins of approximately 1.4%. As part of the project financing, Sherritt is required to demonstrate its financial capacity to fund its share of the project. Sherritt is required to have available cash or un-drawn partner loans equal to three months of its shareholder contributions. If Sherritt's net tangible assets fall below $1,600.0 million or the ratio of debt-to-total-capitalization on a three-year rolling average basis is equal to or greater than 0.55:1, Sherritt will be required to set aside its remaining shareholder contributions. As at March 31, 2014, the Ambatovy Joint Venture had borrowed US$1,977.9 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$32.0 million revolving and US$9.0 million overdraft credit facility agreement with local financial institutions. The facilities bear interest rates between 9.00% and 11.85% and expire on December 19, 2014. The facilities are subordinated to the Ambatovy Joint Venture financing. As at March 31, 2014, US$29.9 million and US$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 subordinated loan receivable in advances, loans receivable, other financial assets and finance lease receivables (note 13).

(6) Net assets include the elimination of certain items, the most significant of which is the capitalization of interest and accumulated depreciation relating to the subordinated loans payable to the Ambatovy Joint Venture partners of $742.0 million (December 31, 2013 - $698.7 million).

Results of operations

Canadian $ millions, 100% basis, for the three months ended March 31		2014		2013
Revenue	$	**127.1**	$	–
Cost of sales(1)		**194.6**		–
Gross loss		**(67.5)**		–
Administrative expenses		**12.6**		1.3
Operating loss		**(80.1)**		(1.3)
Net financing expense (income)		**29.6**		(0.7)
Loss before tax		**(109.7)**		(0.6)
Income tax recovery		**(9.5)**		(0.5)
Net loss for the period(2)	$	**(100.2)**	$	(0.1)
Share of loss of a joint venture, net of tax (40% basis)	$	**(40.1)**	$	–
Other comprehensive income				
Foreign currency translation differences on foreign operations		**157.2**		50.2
Total comprehensive income	$	**57.0**	$	50.1

(1) Included in Cost of Sales for the three months ended March 31, 2014 is depreciation and amortization of $68.8 million.

(2) Net loss includes the elimination of interest and depreciation expense for capitalized interest relating to the subordinated loan payable due to the Ambatovy Joint Venture partners. For the three months ended March 31, 2014, $15.3 million of interest and depreciation expense was eliminated ($nil for the three months ended March 31, 2013).

The Ambatovy Joint Venture generated pre-commercial production revenue of $42.5 million ($17.0 million – 40% basis) for the month ended January 2014 ($102.2 million ($40.9 million – 40% basis) for the three months ended March 31, 2013).

7. 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 March 31	2013 December 31
Assets		
Cash and cash equivalents	**$ 31.5**	$ 62.9
Other current assets	**8.0**	2.4
Trade accounts receivable, net	**69.6**	61.7
Inventories	**178.4**	175.9
Other non-current assets	**11.1**	11.2
Property, plant and equipment	**999.9**	975.3
Deferred income taxes	**9.0**	12.5
Total assets	**1,307.5**	1,301.9
Liabilities		
Trade accounts payable and accrued liabilities	**65.5**	74.6
Other current financial liabilities	**55.4**	70.9
Loans and borrowings	**3.6**	1.4
Environmental rehabilitation provision	**56.7**	51.0
Other long-term financial liabilities	**398.3**	380.6
Deferred income taxes	**18.9**	19.4
Total liabilities	**598.4**	597.9
Net assets(1)	**$ 709.1**	$ 704.0
Investment in joint venture carrying value (50%)	**$ 354.6**	$ 352.0

(1) Net assets include the elimination of certain items, the most significant of which is the capitalization of interest relating to advances and loans payable due to the Moa Joint Venture partners. As at March 31, 2014, $82.7 million of capitalized interest was eliminated (December 31, 2013 – $79.9 million).

Results of operations

Canadian $ millions, 100% basis, for the three months ended March 31	2014	2013
Revenue	**$ 158.0**	$ 169.9
Cost of sales(1)	**160.2**	158.0
Gross (loss) profit	**(2.2)**	11.9
Administrative expenses	**2.5**	2.0
Operating (loss) profit	**(4.7)**	9.9
Financing income	**(0.1)**	(0.2)
Financing expense	**5.7**	8.4
Net finance expense	**5.6**	8.2
(Loss) earnings before tax	**(10.3)**	1.7
Income tax expense	**3.6**	2.1
Net loss for the period(2)	**$ (13.9)**	$ (0.4)
Share of loss of a joint venture, net of tax (50% basis)	**$ (6.9)**	$ (0.2)
Other comprehensive income		
Foreign currency translation differences on foreign operations	**25.9**	13.6
Total comprehensive income	**$ 12.0**	$ 13.2

(1) Included in Cost of Sales for the three months ended March 31, 2014 is depreciation and amortization of $13.9 million (for the three months ended March 31, 2013 – $13.9 million).

(2) Net loss includes the elimination of certain items the most significant of which is interest expense relating to advances and loans payable due to the Moa Joint Venture partners. For the three months ended March 31, 2014, $3.6 million of interest expense was eliminated ($3.6 million for the three months ended March 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 March 31	2013 December 31
Entity	**Principal activities**	**Economic Interest**	
Carbon Development Partnership	Coal recovery and coal gasification project	**50%**	50%
Energas	Power generation	**33⅓%**	33⅓%
Bienfait Activated Carbon	Operator of activated carbon plant facilities	**50%**	50%

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 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 10).

The following table is a summary of the Corporation's interests in its joint operations:

Canadian $ millions, as at March 31			**2014**
	Bienfait Activated Carbon	**Carbon Development Partnership**	**Energas**
	50%	**50%**	**33⅓%**
Current assets	**$ 5.2**	**$ 1.2**	**$ 27.2**
Non-current assets	**32.4**	**12.7**	**170.8**
Current liabilities	**22.7**	**0.9**	**15.7**
Non-current liabilities	**0.7**	**0.5**	**120.2**
Net assets	**$ 14.2**	**$ 12.5**	**$ 62.1**

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

Canadian $ millions, for the three months ended March 31			**2014**
	Bienfait Activated Carbon	**Carbon Development Partnership**	**Energas**
	50%	**50%**	**33⅓%**
Revenue	**$ 3.9**	**$ 0.4**	**$ 11.8**
Expense	**2.5**	**–**	**6.0**
Net earnings	**$ 1.4**	**$ 0.4**	**$ 5.8**

Canadian $ millions, for the three months ended March 31				2013
		Bienfait Activated Carbon	Carbon Development Partnership	Energas
		50%	50%	33⅓%
Revenue	$	3.6	$ 0.2	$ 14.7
Expense		2.1	0.3	10.7
Net earnings (loss)	$	1.5	$ (0.1)	$ 4.0

8. NET FINANCE EXPENSE

Canadian $ millions, for the three months ended March 31	Note	2014	2013
Net unrealized loss on financial instruments	12	$ **(2.2)**	$ (1.5)
Interest income on cash, cash equivalents and short-term investments		**0.8**	1.2
Interest income on investments		**-**	1.2
Interest income on advances and loans receivable		**9.5**	1.7
Total financing income		**8.1**	2.6
Interest expense and accretion on loans and borrowings		**35.6**	32.1
Unrealized foreign exchange loss (gain)		**9.9**	(5.7)
Realized foreign exchange loss		**-**	0.1
Other finance charges		**3.2**	2.7
Accretion expense on environmental rehabilitation provisions	20	**0.2**	0.3
Total financing expense		**48.9**	29.5
Net finance expense		$ **40.8**	$ 26.9

9. INCOME TAXES

Canadian $ millions, for the three months ended March 31	2014	2013
Current income tax expense		
Current period	$ **14.0**	$ 12.4
Deferred income tax (recovery) expense		
Origination and reversal of temporary differences	**(5.4)**	(12.0)
Non-recognition of tax assets	**4.8**	2.4
	(0.6)	(9.6)
Income tax expense	$ **13.4**	$ 2.8

10. DISCONTINUED OPERATIONS

Disposition of Coal

On December 24, 2013, the Corporation announced it had entered into agreements to sell its Coal operations. The Corporation's Coal operations are Canada's largest thermal coal producer and operate eight surface mines in Alberta and Saskatchewan. The transaction is expected to provide the Corporation with the opportunity to enhance liquidity and develop and grow its core businesses. The transaction was concluded on April 28, 2014.

For the three months ended March 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 for the three months ended March 31, 2014 and 2013. Total assets and liabilities of Coal (excluding cash and cash equivalents and loans and borrowings which did not form part of the net assets sold) are reported as assets and liabilities of discontinued operations, respectively, as at March 31, 2014 and as at December 31, 2013.

The net earnings from Coal for the three months ended March 2014 and 2013 are as follows:

Canadian $ millions, for the three months ended March 31	2014	2013
Revenue	$ **203.6**	$ 179.5
Cost of sales(1)	**165.9**	163.8
Gross profit	**37.7**	15.7
Administrative expenses	**5.7**	4.3
Operating profit	**32.0**	11.4
Gain on termination of contract	**–**	22.0
Earnings from operations	**32.0**	33.4
Financing income	**(3.7)**	(3.9)
Financing expense	**6.8**	5.1
Net finance expense	**3.1**	1.2
Earnings before tax	**28.9**	32.2
Income tax expense	**6.6**	6.5
Net earnings for the period	$ **22.3**	$ 25.7

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

Gain on termination of 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.

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

Canadian $ millions, as at	2014 March 31	2013 December 31
ASSETS		
Current assets		
Advances, loans receivable and other financial assets	$ **4.0**	$ 3.7
Other non-financial assets	**0.7**	0.7
Finance lease receivable	**16.3**	15.9
Trade accounts receivable, net	**68.3**	68.0
Income taxes receivable	**1.6**	1.6
Inventories	**144.3**	149.7
Prepaid expenses	**1.6**	3.1
	236.8	242.7
Non-current assets		
Advances, loans receivable and other financial assets	**24.4**	24.6
Other non-financial assets	**3.0**	4.3
Finance lease receivable	**155.2**	159.0
Property, plant and equipment	**468.7**	457.6
Intangible assets	**417.2**	417.3
	1,068.5	1,062.8
Assets of discontinued operations	$ **1,305.3**	$ 1,305.5
LIABILITIES		
Current liabilities		
Trade accounts payable and accrued liabilities	$ **91.1**	$ 84.4
Other financial liabilities	**40.7**	41.3
Other non-financial liabilities	**0.2**	2.1
Environmental rehabilitation provisions	**19.4**	19.8
	151.4	147.6
Non-current liabilities		
Other financial liabilities	**98.7**	106.7
Other non-financial liabilities	**1.0**	3.8
Environmental rehabilitation provisions	**152.0**	146.1
Deferred income taxes	**125.3**	120.5
	377.0	377.1
Liabilities of discontinued operations	$ **528.4**	$ 524.7
Net assets of discontinued operations	$ **776.9**	$ 780.8

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

Canadian $ millions, for the three months ended March 31	2014	2013
Operating activities		
Net earnings from operations	$ 22.3	$ 25.7
Add (deduct):		
Depletion, depreciation and amortization	–	26.2
Gain on termination of contract	–	(22.0)
Finance costs (less accretion expenses)	2.6	0.5
Income tax expense	6.6	6.5
Loss on settlement of environmental rehabilitation provisions	1.0	1.4
Net change in non-cash working capital	7.4	(4.9)
Interest received	2.7	3.9
Interest paid	(3.3)	(2.5)
Liabilities settled for environmental rehabilitation provisions	(3.2)	(6.2)
Other operating items	13.1	(2.8)
Cash provided by operating activities	49.2	25.8
Investing activities		
Property, plant and equipment expenditures	(14.2)	(15.5)
Increase in advances, loans receivable and other financial assets	(0.5)	(0.7)
Repayment of advances, loans receivable and other financial assets	0.9	1.5
Net proceeds from sale of property, plant and equipment	0.1	4.0
Cash used by investing activities	(13.7)	(10.7)
Financing activities		
Repayment of other financial liabilities	(10.4)	(24.5)
Increase in finance lease receivables	(0.9)	(4.2)
Repayment of finance lease receivables	4.5	30.4
Cash (used) provided by financing activities	(6.8)	1.7
Increase in cash and cash equivalents	$ 28.7	$ 16.8

11. (LOSS) EARNINGS PER SHARE

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

Canadian $ millions, except share amounts in millions and per share amounts in dollars, for the three months ended March 31	2014	2013
Net loss from continuing operations	$ (70.5)	$ (2.6)
Earnings from discontinued operations, net of tax	22.3	25.7
Net (loss) earnings – basic and diluted	$ (48.2)	$ 23.1
Weighted-average number of common shares – basic	297.0	296.5
Weighted-average effect of dilutive securities(1):		
Restricted stock plan	0.3	0.4
Weighted-average number of common shares – diluted	297.3	296.9
Net loss from continuing operations per common share, basic and diluted	$ (0.24)	$ (0.01)
Earnings from discontinued operations per common share, basic and diluted	$ 0.08	$ 0.09
Net (loss) earnings per common share, basic and diluted	$ (0.16)	$ 0.08

(1) The determination of the weighted-average number of common shares – diluted excludes 5.6 million shares related to stock options that were anti-dilutive for the three months ended March 31, 2014 (5.0 million for the three months ended March 31, 2013). There were 0.7 million shares related to the employee share purchase plan that were anti-dilutive for the three months ended March 31, 2014 (0.8 million shares for the three months ended March 31, 2013).

12. FINANCIAL INSTRUMENTS

Financial instrument hierarchy

Canadian $ millions, as at	Note	Hierarchy level	2014 March 31	2013 December 31
Recurring financial assets held for trading, measured at fair value:				
Cash equivalents		1	$ **201.6**	$ 272.5
Short-term investments		1	**368.4**	327.6
Ambatovy call option	13	3	**20.8**	22.1

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

Canadian $ millions	For the three months ended 2014 March 31	For the year ended 2013 December 31
Balance, beginning of the period	$ **22.1**	$ 21.5
Total loss in net earnings(1)	**(2.2)**	(1.2)
Effect of movements in exchange rates	**0.9**	1.8
Balance, end of the period	$ **20.8**	$ 22.1

(1) Gains and losses are recognized in net finance expense (note 8).

During the three months ended March 31, 2014, the Corporation recognized downward fair value adjustments of $2.2 million (downward fair value adjustment of $1.5 million for the three months ended March 31, 2013) in financing income on 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	Hierarchy level	2014 March 31 Carrying value	2014 March 31 Fair value	2013 December 31 Carrying value	2013 December 31 Fair Value
7.75% senior unsecured debentures due 2015	16	1	$ **274.1**	$ **289.2**	$ 273.9	$ 283.3
8.00% senior unsecured debentures due 2018	16	1	**393.6**	**396.0**	393.3	393.0
7.50% senior unsecured debentures due 2020	16	1	**491.1**	**487.5**	490.8	463.8
Ambatovy Joint Venture Additional Partner loans(2)	16	2	**897.5**	**874.1**	863.5	780.0
Ambatovy Joint Venture Partner loans(2)	16	2	**104.1**	**82.0**	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 8.26% and 8.00%, respectively. These rates are based on market rates adjusted for the Corporation's credit quality for instruments with similar maturity horizons.

As at March 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.

As at March 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 March 31		2013 December 31
Cash equivalents	$	**201.6**	$	272.5
Cash on hand and balances with banks		**33.9**		51.7
	$	**235.5**	$	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 $12.1 million at March 31, 2014 (December 31, 2013 - $8.0 million).

As at March 31, 2014, $9.9 million of cash on the Corporation's interim condensed 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 March 31, 2014, the Corporation had $201.6 million in Government of Canada treasury bills (December 31, 2013 - $272.5 million) included in cash and cash equivalents and $368.4 million in short-term investments (December 31, 2013 - $327.6 million).

Trade accounts receivable

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

Canadian $ millions, as at	Note		2014 March 31		2013 December 31
Trade accounts receivable		$	**253.5**	$	189.0
Allowance for doubtful accounts			**(12.9)**		(12.9)
Accounts receivable from joint operations	22		**0.4**		0.2
Accounts receivable from joint venture	22		**19.8**		23.2
Accounts receivable from associate	22		**55.1**		36.2
Other			**22.5**		18.2
		$	**338.4**	$	253.9

Aging of receivables not impaired:

Canadian $ millions, as at		2014 March 31		2013 December 31
Not past due	$	**260.7**	$	245.6
Past due no more than 30 days		**67.7**		1.8
Past due for more than 30 days but no more than 60 days		**4.4**		0.2
Past due for more than 60 days		**5.6**		6.3
	$	**338.4**	$	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. The increase in receivables mainly relates to the timing of receipts at the Corporation's Oil and Gas operations in Cuba.

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

13. ADVANCES, LOANS RECEIVABLE, OTHER FINANCIAL ASSETS AND FINANCE LEASE RECEIVABLES

Advances, loans receivable and other financial assets

Canadian $ millions, as at	Note		2014 March 31		2013 December 31
Advances, loans receivable					
Ambatovy subordinated loans receivable	22	$	**1,190.0**	$	1,106.9
Energas conditional sales agreement	22		**256.6**		251.7
Moa Joint Venture loans receivable	22		**241.2**		241.7
Other			**3.5**		3.5
Other financial assets					
Ambatovy call option	12		**20.8**		22.1
			1,712.1		1,625.9
Current portion of advances, loan receivable and other financial assets			**(68.0)**		(76.7)
		$	**1,644.1**	$	1,549.2

Other non-financial assets

Canadian $ millions, as at	Note		2014 March 31		2013 December 31
Pension asset	23	$	**1.2**	$	0.7
Other			**1.3**		1.5
		$	**2.5**	$	2.2

14. INVENTORIES

Canadian $ millions, as at		2014 March 31		2013 December 31
Materials in process	$	**0.2**	$	0.1
Finished products		**13.1**		16.8
		13.3		16.9
Spare parts and operating materials		**21.8**		18.6
	$	**35.1**	$	35.5

For the three months ended March 31, 2014, the cost of inventories included in cost of sales was $11.8 million ($11.4 million for the three months ended March 31, 2013).

15. PROPERTY, PLANT AND EQUIPMENT

Canadian $ millions, for the three months ended March 31						2014
		Oil and Gas properties		Plant, equipment and land		Total
Cost						
Balance, beginning of the period	$	**1,176.0**	$	**581.9**	$	**1,757.9**
Additions		**12.6**		**5.4**		**18.0**
Capitalized closure costs		**1.8**		**3.9**		**5.7**
Disposals and derecognition		**–**		**(0.2)**		**(0.2)**
Effect of movements in exchange rates		**44.2**		**11.4**		**55.6**
Balance, end of the period	$	**1,234.6**	$	**602.4**	$	**1,837.0**
Depletion, depreciation and impairment losses						
Balance, beginning of the period	$	**1,091.6**	$	**273.5**	$	**1,365.1**
Depletion and depreciation		**15.3**		**5.5**		**20.8**
Disposals and derecognition		**–**		**(0.1)**		**(0.1)**
Effect of movements in exchange rates		**41.9**		**6.2**		**48.1**
Balance, end of the period		**1,148.8**		**285.1**		**1,433.9**
Net book value	$	**85.8**	$	**317.3**	$	**403.1**

Unaudited, Canadian $ millions, for the year ended December 31								2013
		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		(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		(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 March, 2014(1)	$	**16.5**
As at December 31, 2013(1)		15.6

(1) As at March 31, 2014, $136.2 million of assets under finance lease at net book value (December 31, 2013 – $144.6 million) and $0.3 million of assets under construction (December 31, 2013 – $0.1 million) are included in assets of discontinued operations not included in the above March 31, 2014 totals.

16. LOANS, BORROWINGS AND OTHER LIABILITIES

Loans and borrowings

Canadian $ millions, as at	Note		**2014 March 31**		2013 December 31
Long-term loans					
7.75% senior unsecured debentures due 2015	12	$	**274.1**	$	273.9
8.00% senior unsecured debentures due 2018	12		**393.6**		393.3
7.50% senior unsecured debentures due 2020	12		**491.1**		490.8
Ambatovy Joint Venture Additional Partner loans	12		**897.5**		863.5
Ambatovy Joint Venture Partner loans	12		**104.1**		100.1
Coal revolving credit facility			**299.9**		299.7
Syndicated 364-day revolving-term credit facility			**45.0**		45.0
Line of credit			**20.0**		20.0
Vendor financing			**3.5**		3.5
			2,528.8		2,489.8
Current portion of loans and borrowings			**(365.5)**		(365.2)
		$	**2,163.3**	$	2,124.6

Covenants

At December 31, 2013, the Corporation had breached the financial debt to equity covenant of the Syndicated 364-day revolving-term credit facility and line of credit as a result of asset write-downs recorded after entering into agreements to sell the Coal operations and other charges against equity. The Corporation has received a waiver for this covenant for periods ending December 31, 2013 to June 30, 2014 inclusive. Additionally, the Corporation has exceeded the limitation on Funded Indebtedness as defined under the bond Indentures. This restricts the Corporation from incurring any new financial indebtedness until the ratio falls below 40% of total assets. Funded Indebtedness ratio is defined as total loans and borrowings plus finance leases divided by total assets, excluding goodwill. At March 31, 2014, the Corporation exceeded the financial debt-to-EBITDA covenant of the Coal revolving credit facility. This facility was terminated and fully repaid in April 2014 in connection with the sale of the Coal operations.

The Corporation expects to be back in compliance with its covenants once the Syndicated 364-day revolving-term credit facility and line of credit are repaid, however if certain market conditions persist, the Corporation may exceed the Funded Indebtedness limitation in 2014.

Other financial liabilities

Canadian $ millions, as at	Note		**2014 March 31**		2013 December 31
Other long-term financial liabilities		$	**0.7**	$	0.7
Stock compensation liability	19		**5.7**		6.5
			6.4		7.2
Current portion of other financial liabilities			**(4.2)**		(4.4)
		$	**2.2**	$	2.8

Other long-term financial liabilities

Canadian $ millions, as at		**2014 March 31**		2013 December 31
Less than one year	$	**0.1**	$	0.1
Between one and five years		**0.1**		0.1
More than five years		**0.5**		0.5
	$	**0.7**	$	0.7

As at March 31, 2014, $5.0 million of other long-term financial liabilities are included in liabilities of discontinued operations and not included in the March 31, 2014 totals above (note 10) ($5.4 million as at December 31, 2013).

Other non-financial liabilities

Canadian $ millions, as at	Note	2014 March 31	2013 December 31
Deferred revenue		$ **42.0**	$ 31.8
Current portion of other non-financial liabilities		**(37.8)**	(27.6)
		$ **4.2**	$ 4.2

As at March 31, 2014, $nil of pension liability and $1.2 million of deferred revenue are included in liabilities of discontinued operations and not included in the totals above (note 10) (As at December 31, 2013, $3.0 million and $2.9 million, respectively).

17. PROVISIONS, CONTINGENCIES AND GUARANTEES

Canadian $ millions, as at	2014 March 31	2013 December 31
Environmental rehabilitation provisions	$ **91.3**	$ 83.6
Provisions	**28.7**	41.3
	$ **120.0**	$ 124.9
Current portion of provisions	**(24.0)**	(36.7)
	$ **96.0**	$ 88.2

Environmental rehabilitation provisions

The following is a reconciliation of the environmental rehabilitation provision:

Canadian $ millions	Note	For the three months ended March 31 2014	For the year ended December 31 2013
Balance, beginning of the period		$ **83.6**	$ 263.2
Additions		**–**	15.0
Change in estimates		**5.7**	(19.9)
Utilized during the period		**–**	(17.6)
Accretion	8	**0.2**	4.5
Foreign exchange translation		**1.8**	4.3
Reclassified to liabilities of discontinued operations	10	**–**	(165.9)
Balance, end of the period		**91.3**	83.6

Provisions

On October 31, 2013 a breach of an onsite water containment pond occurred at the Obed Mountain mine near Hinton, Alberta. The release consisted of 670,000 cubic meters 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. Management recognized a provision of $52.2 million related to this incident.

The following is a reconciliation of provisions:

Canadian $ millions	For the three months ended March 31 2014	For the year ended December 31 2013
Balance, beginning of the period	$ **41.3**	$ –
Additions	**–**	52.2
Utilized during the period	**(12.6)**	(10.9)
Balance, end of the period	**28.7**	41.3

18. SHAREHOLDERS' EQUITY

Capital Stock

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

Canadian $ millions, except share amounts			**For the three months ended March 31 2014**	For the year ended December 31 2013	
	Note	**Number**	**Capital stock**	Number	Capital stock
Balance, beginning of the period		**296,939,426**	**$ 2,808.5**	296,490,635	$ 2,806.1
Restricted stock plan (vested)	19	**56,700**	**0.6**	90,026	0.8
Employee share purchase plan	19	**–**	**–**	358,765	1.6
Balance, end of the period		**296,996,126**	**$ 2,809.1**	296,939,426	$ 2,808.5

The following dividends were paid or were declared but unpaid:

Canadian $ millions, except per share amounts		**For the three months ended March 31 2014**	For the year ended December 31 2013	
	Per share	**Total**	Per share	Total
Dividends paid during the period	**$ 0.043**	**$ 12.9**	$ 0.167	$ 49.5
Dividends declared but unpaid	**0.010**	**3.0**	0.043	12.9

On February 18, 2014 the Corporation's Board of Directors approved a quarterly dividend of $0.01 per common share, paid April 14, 2014 to shareholders of record as of the close of business on March 31, 2014.

Reserves

Canadian $ millions	Note	**For the three months ended March 31 2014**	For the year ended December 31 2013
Stated capital reserve			
Balance, beginning and end of the period		**$ 190.3**	$ 190.3
Stock-based compensation reserve(1)			
Balance, beginning of the period		**$ 6.2**	$ 4.6
Restricted stock plan (vested)	19	**(0.6)**	(0.8)
Restricted stock plan amortization	19	**0.3**	0.6
Employee share purchase plan (vested)	19	**–**	(0.2)
Employee share purchase plan expense	19	**0.1**	0.4
Stock option plan expense	19	**0.1**	1.6
Balance, end of the period		**6.1**	6.2
Total reserves, end of the period		**$ 196.4**	$ 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	Note		For the three months ended March 31 2014		For the year ended December 31 2013
Foreign currency translation reserve					
Balance, beginning of the period		$	**63.0**	$	(101.2)
Foreign currency translation differences on foreign operations			**119.2**		164.2
Balance, end of the period		$	**182.2**	$	63.0
Actuarial gains (losses) on defined benefit obligation					
Balance, beginning of the period		$	**(1.0)**	$	(28.4)
Reclassification due to settlement of pension obligation	10		**-**		22.9
Actuarial gains on defined benefit obligation, net of tax					
Continuing operations	23		**0.5**		0.9
Discontinued operations	23		**0.5**		3.6
Balance, end of the period		$	**-**	$	(1.0)
Total accumulated other comprehensive income		$	**182.2**	$	62.0

19. STOCK-BASED COMPENSATION PLANS

Stock options and options with tandem stock appreciation rights

The following is a summary of stock option activity:

Canadian $, for the three months ended March 31	**2014** Number of options		**2014** Weighted-average exercise price	2013 Number of options		2013 Weighted-average exercise price
Outstanding, beginning of the period	**4,868,249**	**$**	**8.70**	4,244,317	$	9.49
Granted	**1,233,200**		**3.02**	888,300		5.14
Forfeited	**(542,697)**		**7.32**	(152,700)		6.12
Outstanding, end of the period	**5,558,752**	**$**	**7.57**	4,979,917	$	8.82
Options exercisable, end of the period	**3,637,221**	**$**	**9.53**	3,529,881	$	10.06

The following table summarizes information on stock options outstanding and exercisable:

Canadian $, for the three months ended March 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 - $5.05	**1,273,200**	**9.8**	**$**	**3.04**	**40,000**	**$**	**3.69**
$5.06 - $9.77	**2,788,885**	**6.9**		**6.54**	**2,100,554**		**6.92**
$9.78 - $11.64	**521,667**	**1.7**		**10.27**	**521,667**		**10.27**
$11.65 - $15.23	**975,000**	**3.4**		**14.99**	**975,000**		**14.99**
Total	**5,558,752**	**6.5**	**$**	**7.57**	**3,637,221**	**$**	**9.53**

As at March 31, 2014, 2,615,552 options with tandem SARs (March, 2013 - 2,984,017) and 2,943,200 options without tandem SARS (March 31, 2013 - 1,995,900) remained outstanding for which the Corporation has recognized a compensation expense of $nil for the three months ended March 31, 2014 of which $nil is included in earnings of discontinued operations (compensation recovery of $0.8 million for the three months ended March 31, 2013 of which $nil is included in earnings of discontinued operations). The carrying amount of liabilities associated with cash-settled compensation arrangements is $1.2 million at March 31, 2014, of which $nil is included in liabilities of discontinued operations (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 and options with tandem SARs was measured using Black-Scholes. The following summarizes the fair value measurement factors for options granted during the period:

Canadian $, for the three months ended March 31	2014	2013
Share price at grant date	**$ 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 period	**$ 1.55**	$ 2.11

Other stock-based compensation

A summary of the Share Purchase Plan units, RSUs, DSUs and RSP units outstanding as at March 31, 2014 and 2013 and changes during the three months is as follows:

For the three months ended March 31				**2014**
	Share Purchase Plan	**RSU**	**DSU**	**RSP**
Outstanding, beginning of the period	**774,560**	**2,838,197**	**422,961**	**360,900**
Issued	**58,595**	**2,453,100**	**28,400**	**-**
Dividends credited	**-**	**36,768**	**5,480**	**-**
Forfeited	**(94,545)**	**(15,362)**	**-**	**-**
Vested	**-**	**(493,759)**	**-**	**(56,700)**
Outstanding, end of the period	**738,610**	**4,818,944**	**456,841**	**304,200**
Units exercisable, end of the period	**n/a**	**n/a**	**456,841**	**n/a**

For the three months ended March 31				2013
	Share Purchase Plan	**RSU**	**DSU**	**RSP**
Outstanding, beginning of the period	822,491	1,934,701	430,649	450,926
Issued	-	1,522,310	120,900	-
Dividends credited	-	13,016	2,907	-
Forfeited	(56,865)	(22,948)	-	-
Vested	-	(605,076)	-	(90,026)
Outstanding, end of the period	765,626	2,842,003	554,456	360,900
Units exercisable, end of the period	n/a	n/a	554,456	n/a

For other stock-based compensation plans the Corporation recorded a compensation expense of $1.0 million for the three months ended March 31, 2014 of which $0.1 million is included in earnings of discontinued operations, (compensation expense of $1.1 million for the three months ended March 31, 2013, of which $0.1 million is included in earnings of discontinued operations). The carrying amount of liabilities associated with cash-settled compensation arrangements is $4.9 million at March 31, 2014, of which $0.4 million 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).

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 condition outstanding at March 31, 2014 was 4,018,414 (March 31, 2013 - 1,522,310).

The following summarizes the fair value measurement factor for the Share Purchase Plan, RSU and DSU grants during the three months:

Canadian $, for the three months ended March 31		2014		2013
Employee Share Purchase Plan	$	**3.31**	$	–
RSU		**3.04**		5.22
DSU		**3.55**		5.91

The intrinsic value of cash-settled stock-based compensation awards vested and outstanding as at March 31, 2014 was $5.5 million (December 31, 2013 – $6.2 million).

20. CASH FLOWS

Other operating items

Canadian $ millions, for the three months ended March 31	Note		2014		2013
Add (deduct) non-cash items:					
Accretion expense on environmental rehabilitation provisions	8,17	$	**0.2**	$	0.3
Stock-based compensation expense, net	19		**0.9**		0.2
Other items			**3.1**		4.2
Cash flow arising from changes in:					
Other finance charges			**(3.2)**		(2.7)
Realized foreign exchange gain			**–**		(0.1)
		$	**1.0**	$	1.9

Net change in non-cash working capital

Canadian $ millions, for the three months ended March 31		2014		2013
Trade accounts receivable	$	**(59.8)**	$	(8.2)
Inventories		**1.3**		(3.8)
Prepaid expenses		**(3.2)**		(2.5)
Trade accounts payable and accrued liabilities		**0.1**		(25.1)
Deferred revenue		**10.1**		33.1
	$	**(51.5)**	$	(6.5)

21. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Credit risk

Cuba

The Corporation has credit risk exposure related to its share (50% basis) 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		2014 March 31		2013 December 31
Cash	$	**17.6**	$	12.5
Trade accounts receivable, net		**207.0**		159.4
Advances and loans receivable		**626.1**		619.5
Cuban certificates of deposit		**–**		6.0
Total	$	**850.7**	$	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 $21.5 million and net accounts receivable of $28.1 million associated with the Ambatovy Joint Venture including value added tax (VAT) receivables of $6.1 million from the government of Madagascar. Of a total VAT receivable provision of $70.8 million (40% basis), $30.4 million (40% basis) was recorded during the three months ended March 31, 2014 ($40.4 million for the year ended December 31, 2013) 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 $1.7 million.

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.

Financial obligation maturity analysis

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

Canadian $ millions, as at March 31, 2014	Total	Falling due within 1 year	Falling due beween 1-2 years	Faliing 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	$ 118.7	$ 118.7	$ -	$ -	$ -	$ -	$ -
Income taxes payable	30.1	30.1	-	-	-	-	-
Loans and borrowings(1)	3,486.8	459.5	367.6	131.6	206.1	617.7	1,704.3
Provisions	158.8	0.2	0.3	0.4	0.1	0.3	157.5
Operating leases(2)	13.1	1.9	1.9	1.9	1.9	2.0	3.5
Total	$ 3,807.5	$ 610.4	$ 369.8	$ 133.9	$ 208.1	$ 620.0	$ 1,865.3

(1) Loans and borrowings is composed primarily of $1,158.8 million in three public issues of senior unsecured debentures having interest rates of between 7.5% and 8.0% and maturities in 2015, 2018 and 2020, and $897.5 million and $104.1 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 16). The amounts above are based on management's best estimate of future cash flows including estimating assumptions such as commodity prices, production levels, cash costs of production, capital and reclamation costs. These loans are non-recourse to Sherritt unless there is a direct breach of certain restrictions 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 interim condensed consolidated statements of comprehensive income were $0.5 million for the three months ended March 31, 2014 ($0.6 million for the three months ended March 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 $175.6 million, other contractual commitments of $32.2 million and senior debt financing of $989.1 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 $141.7 million, environmental rehabilitation commitments of $68.0 million and other commitments of $2.4 million.

Market risk

Foreign exchange risk

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

Based on financial instrument balances as at March 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 an unfavourable or favourable impact of approximately $15.3 million, respectively, on net earnings, and $32.1 million on other comprehensive income.

Interest rate risk

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

Based on the balance of short-term and long-term loans and borrowings, cash equivalents, short-term and long-term investments, and advances and loans receivable at March 31, 2014, excluding interest capitalized to project costs, a 1.0% increase or decrease in the market interest rate could increase or decrease the Corporation's annual interest expense by approximately $4.5 million, respectively. The Corporation does not engage in hedging activities to mitigate its interest rate risk.

Capital risk management

In the definition of capital, the Corporation includes, as disclosed on its condensed 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 March 31	2013 December 31
Capital stock	$ **2,809.1**	$ 2,808.5
Retained (deficit) earnings	**(11.0)**	40.2
Un-drawn credit facilities	**212.4**	210.4

22. RELATED PARTY TRANSACTIONS

A description of the Corporation's interest in an associate and its interest in jointly controlled entities are included in notes 6 and 7, respectively.

Canadian $ millions, for the three months ended March 31	2014	2013
Total value of goods and services:		
Provided to joint operations	$ **5.7**	$ 5.2
Provided to joint venture	**38.1**	34.6
Provided to associate	**0.6**	5.7
Purchased from joint operations	**0.7**	0.9
Purchased from joint venture	**20.7**	20.7
Purchased from associate	**17.2**	5.0
Net financing income from joint operations	**5.1**	5.7
Net financing income from associate	**7.6**	–
Net financing income from joint venture	**1.7**	1.6

Canadian $ millions, as at	Note	2014 March 31	2013 December 31
Accounts receivable from joint operations	12	$ **0.4**	$ 0.2
Accounts receivable from joint venture	12	**19.8**	23.2
Accounts receivable from associate	12	**55.1**	36.2
Accounts payable to joint operations		**0.2**	–
Accounts payable to joint venture		**15.5**	1.9
Accounts payable to associate		**4.0**	4.5
Advances and loans receivable from associate	13	**1,190.0**	1,106.9
Advances and loans receivable from joint operations	13	**256.6**	251.7
Advances and loans receivable from joint venture	13	**241.2**	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 period for bad debts in respect of amounts owed by related parties.

23. 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 following table summarizes the significant actuarial assumptions used to calculate the pension expense and obligations under the defined benefit pension plans:

As at	**2014 March 31**	2013 December 31
Significant Actuarial Assumptions (for continuing operations)		
Discount rate	**4.7%**	4.7%
Rate of compensation increases	**3.5%**	3.5%
Expected long-term rate of return on plan assets	**4.7%**	4.7%
Average longevity (years)	**6.5 - 10.8**	6.5 - 10.8

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 three months ended March 31	**2014**	2013
Current service cost:		
Defined benefit	**$ -**	$ 0.2
Defined contribution	**1.1**	1.1
Net pension plan expense	**$ 1.1**	$ 1.3

Canadian $ millions, for the three months ended March 31	Note	**2014**	2013
Amounts recognized in other comprehensive (loss) income			
Actuarial losses, beginning of the period	18	**$ (1.0)**	$ (28.4)
Actuarial gains on pension plans, net of tax			
Continuing operations	18	**0.5**	0.2
Discontinued operations	18	**0.5**	2.7
Settlement gain	18	**-**	22.9
Actuarial losses, end of the period		**$ -**	$ (2.6)

Information on defined benefit plans, in aggregate, is set out below:

Canadian $ millions	Note	**For the three months ended March 31 2014**	For the year ended December 31 2013
Accrued benefit obligations			
Balance, beginning of the period		**$ 20.6**	$ 174.5
Current service cost		**-**	1.8
Interest cost		**0.2**	2.3
Benefits paid		**(0.3)**	(5.9)
Actuarial loss (gain)		**0.1**	(1.0)
Settlement gain	10	**-**	(111.2)
Reclassified to liabilities of discontinued operations		**-**	(39.9)
Balance, end of the period		**$ 20.6**	$ 20.6

Canadian $ millions	Note	For the three months ended March 31 2014	For the year ended December 31 2013
Plan assets			
Fair value, beginning of the period		**$ 21.3**	$ 125.6
Employer contributions		**–**	4.0
Interest on assets		**0.2**	1.2
Benefits paid		**(0.3)**	(5.9)
Actuarial gain		**0.6**	5.2
Settlement decrease	10	**–**	(71.9)
Reclassified to liabilities of discontinued operations		**–**	(36.9)
Fair value, end of the period		**$ 21.8**	$ 21.3

Canadian $ millions, as at	2014 March 31	2013 December 31
Accrued benefit obligations	**$ (20.6)**	$ (20.6)
Fair value of plan assets	**21.8**	21.3
Net asset	**$ 1.2**	$ 0.7

Total cash payments for post-retirement benefits for the three months ended March 31, 2014, consisting of contributions to defined benefit and defined contribution pension plans, were $1.1 million ($1.4 million for the three months ended March 31, 2013).

As at March 31, 2014 for pension plans with an accrued benefit obligation in excess of plan assets, the accrued benefit obligation was $10.8 million (December 31, 2013 – $10.8 million) and the fair value of the plan assets was $10.7 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.

Approximate asset allocations, by asset category, of the Corporation's defined benefit pension plans for continuing operations were as follows:

As at	2014 March 31	2013 December 31
Equity securities	**39%**	39%
Debt securities	**34%**	34%
Deposits	**27%**	27%

24. NON-CASH TRANSACTIONS

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

Canadian $ millions, for the three months ended March 31	2014	2013
Acquisition of property, plant and equipment under finance leases (1)	**$ –**	$ 19.1

(1) For the three months ended March 31, 2014 $nil of property, plant and equipment was acquired under finance lease ($19.1 million for the three months ended March 31, 2013) which is included in assets of discontinued operations.

25. 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 March 31, 2014 and as at 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 three months ended March 31, 2014, contingent revenue was $3.6 million ($3.5 million for the three months ended March 31, 2013).

Corporation acts as a lessee

Operating lease payments recognized as an expense in the consolidated statement of comprehensive income for the three months ended March 31, 2014 was $0.5 million ($0.5 million for the three months ended March 31, 2013).

26. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at March 31		**2014**
Property, plant and equipment commitments	$	**3.4**
Joint venture		
Property, plant and equipment commitments		**4.7**
Other commitments		**0.4**
Joint operations		
Property, plant and equipment commitments		**4.8**

27. SUBSEQUENT EVENTS

On April 28, 2014 the Corporation completed the agreements to sell its Coal operations. As a result of this sale, the Corporation received $793 million in cash and expects to record a gain on the sale of the Coal royalty operations in second-quarter 2014 in addition to changes to working capital and other closing adjustments.

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Sherritt International Corporation
1133 Yonge Street
Toronto, ON Canada M4T 2Y7

For further investor information contact:
Telephone: 416.935.2451
Toll-free: 1.800.704.6698

www.sherritt.com