sherritt

Sherritt International Corporation

First Quarter 2008

For Quarter Ending March 31, 2008

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

Sherritt Reports Solid First Quarter 2008 Results

Highlights

- Record EBITDA achieved in Oil and Gas, Power and Coal Valley
- $2.1 billion Ambatovy project financing completed, drawdowns started
- $400 million equity offering concluded and over-allotment option exercised
- $729 million offer to acquire Royal Utilities Income Fund successful

Financial Highlights (unaudited)

(millions of dollars, except per share amounts)	Q1 2008	Q4 2007	Q1 2007
Revenue	$ 314.2	$ 323.6	$ 310.1
EBITDA (1)	175.7	175.5	172.9
Net earnings	89.0	83.5	89.1
Basic earnings per share	0.38	0.36	0.52
Diluted earnings per share	0.38	0.36	0.52
Net working capital (2)	$ 686.1	$ 592.0	$ 662.4
Total assets	6,418.9	5,464.5	2,682.0
Shareholders' equity	3,243.0	2,650.1	1,653.0
Long-term debt to capitalization	16%	19%	18%
Weighted average number of shares (millions)			
Basic	232.1	233.1	172.0
Diluted	236.7	233.9	172.8

(1) EBITDA is a non-GAAP measure. Reference should be made to the Summary Financial Results by Segment later in this news release for a description of EBITDA and for reconciliation to GAAP measures. EBITDA does not have a standardized meaning and, therefore, may or may not be comparable with similar measures presented by other issuers.
(2) Net working capital is calculated as total current assets less total current liabilities.

TORONTO, April 30, 2008 — Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S) today announced results for the first quarter of 2008, with revenues of $314.2 million, EBITDA of $175.7 million and net earnings of $89.0 million compared with revenues of $310.1 million, EBITDA of $172.9 million and net earnings of $89.1 million for the first quarter of 2007. Consistent operating production, higher nickel sales volumes and record cobalt and oil prices, all contributed to continued strong revenue, EBITDA and net earnings.

In Metals, mixed sulphide production during the first quarter was 8,648 tonnes (100% basis), or 636 tonnes above prior-year levels due to higher ore grades and stable plant operations. Revenue and EBITDA were $162.3 million and $89.2 million, respectively, compared to $204.0 million and $134.7 million, respectively, in the prior-year period, as realized nickel prices during the first quarter were 41% lower than in the first quarter of 2007.

Phase 1 of the Moa/Fort Saskatchewan expansion began commissioning during the first quarter of 2008. Phase 1 is expected to result in 4,000 tonnes (100% basis) of incremental annual mixed sulphide production capacity. In addition, Sherritt expects to realize operating margin improvements as new mixed sulphide capacity from Moa will temporarily displace more expensive third-party feeds. Efforts are also focused on completing the 9,000 tonne (100% basis) Phase 2 construction and commissioning during 2009.

The 60,000 tonne nickel (100% basis) Ambatovy Project in Madagascar is progressing well, with most of the equipment orders already in place and key fabrication contracts expected to be in place during the second quarter 2008. Ramp-up of construction activities is well advanced and mechanical completion is expected during 2010.

In Coal, Royal Utilities Income Fund (“Royal Utilities” or “the Fund”) produced 8.8 million tonnes of coal in the quarter, compared with 9.5 million tonnes in the first quarter of 2007, and maintained steady distributions of $23.5 million. Strong potash prices generated higher potash royalties which offset some of the cost pressures from higher diesel fuel, equipment and repair costs faced by the Fund. At Coal Valley, realized prices increased to record levels due to the robust pricing environment for thermal coal, and resulted in revenue growth of 56% compared to the first quarter of 2007. Record revenue of $30.9 million and EBITDA of $5.3 million were also aided by solid volume growth.

In Oil and Gas, gross working-interest production increased from 30,644 barrels per day (bpd) in the first quarter of 2007 to 31,898 bpd during the quarter. Realized price per barrel increased by $16.82 from first quarter 2007, reaching a record of $51.34 in the quarter. In addition, realized prices in Spain were $97.32 per barrel, an increase of 45% from the prior year period. The increases in realized prices, coupled with steady production levels, resulted in record revenues of $87.5 million and EBITDA of $68.0 million for the first quarter.

In Power, record production of 597 megawatt hours (MWh) was achieved compared with 487 MWh during the comparable quarter in 2007. The record production during the first quarter resulted in revenues of $29.8 million and a record EBITDA of $23.8 million which was 18% higher than the first quarter of 2007. Engineering and long lead equipment procurement has also begun on the 150 MW combined cycle expansion at Boca de Jaruco. This expansion is expected to be on line by the late 2010/early 2011 time frame.

Significant Events

On March 17, 2008, the conditions precedent to the initial disbursement of the U.S.$2.1 billion Ambatovy project financing were waived or satisfied. The project delivered a notice of borrowing to the lenders for the initial disbursement of approximately U.S.$447 million, which was received in the first week of April.

As part of the project financing agreements, Sherritt is required to issue 3,773,107 common shares to Sumitomo and SNC-Lavalin in consideration for providing cross guarantees. The shares will be issued in four equal installments beginning December 31, 2008.

On March 18, 2008, the Corporation announced an equity offering of 26.25 million common shares at a price of $15.25 per common share. This offering resulted in gross proceeds of $400.3 million (or $383.0 million, net of transaction costs). The Corporation intends to use the proceeds from the offering for general corporate purposes and growth capital expenditures. Subsequent to the closing of the equity offering, the syndicate of underwriters exercised its over-allotment option and purchased approximately 2.28 million additional Sherritt common shares at $15.25 per share, which was granted in connection with the equity offering.

Also on March 18, 2008, the Corporation announced an offer to purchase all of the issued and outstanding units of Royal Utilities that it did not already own. Under the terms of a revised offer, which carried support from the independent members of the Board of Trustees of Royal Utilities, Royal Utilities unitholders could elect to receive $12.68 per unit in cash, 0.8315 of a Sherritt common share, or a combination of cash and Sherritt common shares, subject to a maximum of $250 million in cash and approximately 31.4 million in shares. Sherritt and OTPPB SCP Inc., a wholly-owned subsidiary of Ontario Teachers' Pension Plan Board ("Teachers'"), entered into a lock-up agreement pursuant to which Teachers' agreed to tender its approximately 40.3 million units to the Corporation's offer.

Sherritt's offer for Royal Utilities expired on April 28, 2008, with the unitholders holding approximately 98% of the total issued and outstanding units not owned by Sherritt.

OUTLOOK

Metals

Consistent with previous guidance, full-year production (100% basis) is currently expected to be approximately 32,500 tonnes of nickel and 3,500 tonnes of cobalt. Full-year guidance includes the expected additional production from Phase 1 of the Moa/Fort Saskatchewan expansion and reflects vessel delays, CN Rail disruptions, which limited feed availability in the first quarter, displacement of third party feeds and shutdowns for expansion tie-ins.

In 2008, overall operating costs prior to credits at Moa/Fort Saskatchewan on a per unit basis are expected to be higher as a result of higher input commodity costs. These cost increases are expected to be partly mitigated when the new acid plant in Moa is completed as it will essentially eliminate reliance on purchased acid. Sustaining capital expenditures, including certain utilities upgrades at Fort Saskatchewan and capital improvements being done at Moa concurrent with the expansion are expected to be $22 million in the second quarter and $86 million for 2008. The capital expenditure forecasts for certain utilities and capital improvements were previously included in the guidance for expansion and other growth initiatives.

Phase 1 commissioning is proceeding as planned. Construction on Phase 2 of the Moa/Fort Saskatchewan expansion is progressing well, with commissioning forecasted to commence in mid-2009. Phase 2 is projected to add an additional 9,000 tonnes per annum (100% basis) of mixed sulphide production capacity. Phase 3 of the Moa/Fort Saskatchewan expansion, which will add 3,000 to 6,000 additional tonnes (100% basis) of nickel plus cobalt production, continues in a conceptual stage, as efforts are focussed on achieving Phase 1 and 2 construction and commissioning timelines. Estimated capital expenditures for the Moa/Fort Saskatchewan expansion (including funding for the sulphuric acid plant) are expected to be $79 million in the second quarter and $279 million for 2008. The previous total capital budget established in 2007 of $505 million (U.S.$483 million) is anticipated to increase to $569 million (U.S.$544 million) on account of increased scope of work for the sulfuric acid plant, leach plant and higher than anticipated labour and materials costs in Fort Saskatchewan, offset, in part, by the strengthening Canadian dollar.

The Ambatovy project is making significant progress, with most of the equipment orders already placed and key fabrication contracts anticipated to be placed during the second quarter. Sherritt continues to expect to start commissioning in 2010. Estimated capital expenditures at Ambatovy are $450 million for the second quarter and $1.6 billion for 2008. The original total capital budget established in 2007 of $3.8 billion (U.S.$3.3 billion) is anticipated to decrease on account of the strengthening Canadian dollar, offset by expected cost escalations in U.S. dollars in a number of areas including, but not limited to, construction costs, infrastructure costs and a depreciating U.S. dollar. This capital budget amount does not include certain indirect costs such as accrued financing charges, inflation and working capital requirements. The budget established for these indirect costs in 2007 was approximately $0.5 billion (U.S.$0.4 billion).

Coal

Royal Utilities declared distributions of $23.5 million in the first quarter. The Fund continues to face cost pressures, including higher supply-related diesel prices, increasing equipment and repair costs, as well as labour shortages. The coal supply contracts contain price escalation provisions which, with a lag, will reflect these increases. In addition, significantly higher potash prices are expected to materially increase potash royalties during the year and largely offset cost pressures. Following the successful completion of the offer to purchase Royal Utilities, Sherritt will fully consolidate the results of Royal Utilities. Revenue and EBITDA are both expected to exceed 2007 levels.

At Coal Valley, final price settlement of some contracts is still pending, however, Sherritt continues to expect renewed contract prices to be materially higher than those recorded in the prior year period, and has already recorded higher realized prices in the first quarter. Consistent with previous guidance, full-year sales volumes at Coal Valley are expected to be approximately 4 million tonnes (100% basis), as newly acquired equipment is anticipated to result in increased production levels. In addition, in light of the robust export coal environment, Sherritt continues to investigate reopening of the Obed mine. Negotiations with prospective customers continue and operations will be contingent upon signing a multi-year off-take contract.

Sherritt continues to proceed with the Dodds-Roundhill coal gasification project. Sherritt and its partners in the project are working to finalize the scope of the project in respect to outputs of the gasification process, long-term projections of oil and natural gas prices, guarantees available from prospective technology suppliers and CO_2 abatement costs, among other things. Capital expenditures in support of Dodds-Roundhill in 2008 are currently projected to be approximately $10 million.

Oil and Gas

Both gross and net working-interest production volumes for 2008 are expected to remain comparable to the levels experienced in 2007. Gross working-interest production for Cuba is expected to average approximately 30,500 bpd for the year, and net working-interest production, which is dependent on reference oil prices and capital and operational spending levels, is expected to average approximately 19,500 bpd for the year. Net production in Spain and Pakistan is projected to reach approximately 470 bpd and 400 boepd, respectively. Estimated capital expenditures for 2008 are approximately $150 million, with $50 million expected in the second quarter.

Power

Electricity production in 2008 is expected to be 2,400 GWh, with 565 GWh estimated in the second quarter.

Sherritt continues to proceed with its 150 MW Boca de Jaruco combined cycle expansion project, with procurement of the major components expected to commence during the second quarter. Capital expenditures for the second quarter will be dependent on the final payment terms negotiated with vendors, but are expected to be in the range of $15 – $20 million. Consistent with previous guidance, 2008 expenditures on this project will be approximately $59 million, while the total expected project cost remains approximately $247 million. Pricing for most of the major components has been confirmed and should be finalized over the next several weeks. Sherritt expects to complete the project in late 2010.

During the first quarter, Sherritt signed a Memorandum of Understanding with the Madagascar department of Energy and Mines to develop up to 100 MW of thermal and hydro power projects, which are in addition to the power plant dedicated to the Ambatovy project. Sherritt expects to finalize terms for at least 25 MW of thermal facilities in the second quarter, with commissioning expected by early 2009.

The United Nations agency that administers the Clean Development Mechanism process under the Kyoto Protocol, has registered the Varadero combined cycle facility. Sherritt and its partners are in the process of applying to receive Certified Emission Reduction Credits which can be sold to third parties. The facility is expected to generate approximately 300,000 credits annually.

Review of Operations

Metals

	Q1 2008	Q1 2007	Year ended December 31 2007
Production (tonnes)			
Nickel	3,749	3,514	15,696
Cobalt	407	434	1,787
Sales (thousands of pounds)			
Nickel	8,362	7,776	34,398
Cobalt	920	888	3,974
Reference Prices			
Nickel (US$/lb)	$ 13.09	$ 18.80	$ 16.87
Cobalt (US$/lb) (1)	46.19	25.82	$ 27.99
Realized Prices			
Nickel ($/lb)	$ 12.93	$ 21.84	$ 17.85
Cobalt ($/lb)	46.13	30.02	$ 29.40
Unit Operating Costs (US$ per lb)			
Net direct cash costs of nickel (2)	$ 1.95	$ 3.02	$ 2.95
Third-party feed costs	1.32	1.50	1.27
Revenue ($mm)	$ 162.3	$ 204.0	$ 805.7
EBITDA ($mm)	$ 89.2	$ 134.7	$ 481.8
Capital Expenditures ($mm)			
Moa Joint Venture ($mm) (50% basis)	$ 50.3	$ 31.0	$ 179.7
Ambatovy Joint Venture ($mm) (100% basis)	$ 382.9	-	$ 647.6

(1) Average Metal Bulletin: Low Grade cobalt published price
(2) Net direct cash cost of nickel after cobalt and byproduct credits

At the Moa Joint Venture, mixed sulphide production in the first quarter was 8,648 tonnes (100% basis), or 636 tonnes above first quarter production last year due to higher ore grades and stable plant operation.

Finished nickel production during the quarter was 7,498 tonnes (100% basis), 470 tonnes above the comparable period last year, primarily due to the increased availability of mixed sulphides. Finished cobalt production of 814 tonnes (100% basis) was 54 tonnes below first quarter production last year as higher mixed sulphide availability displaced more expensive cobalt bearing feed materials, which resulted in a lower cobalt content in the refinery feed.

Sales of nickel and cobalt were 7,586 tonnes and 835 tonnes (100% basis), respectively in the first quarter, or 532 tonnes and 29 tonnes higher than in the same period last year, reflecting higher production of nickel and a draw down of finished nickel and cobalt inventories.

During the first quarter, the nickel reference price averaged U.S.$13.09/lb, U.S.$5.71/lb lower than in the prior year period. The cobalt reference price averaged U.S.$46.19/lb, or U.S.$20.37/lb higher than in the prior quarter, establishing a new record as a result of increased customer demand and flat production from global suppliers.

Moa/Fort Saskatchewan capital expenditures were $50.3 million during the quarter, or $19.3 million higher than in the first quarter last year, primarily attributable to expansion activities. Sustaining capital expenditures were $10.1 million, which was $4.0 million higher than the prior period due to capital improvements at Moa being done concurrent with the expansion project. At March 31, 2008, Sherritt achieved over 3.5 million exposure hours without a lost time injury related to the Moa/Fort Saskatchewan expansion and growth activities.

Ambatovy capital expenditures during the first quarter were $382.9 million. At the end of the quarter, the project has achieved over 10 million work hours without a lost time injury.

Coal

	Q1 2008	Q1 2007	Year ended December 31 2007
Coal			
Royal Utilities (1)			
Production volumes (millions of tonnes) (2)	8.8	9.5	36.1
Sales volumes (millions of tonnes) (2)	9.1	9.4	35.8
Realized prices ($/tonne)	$ 13.66	$ 12.41	$ 13.00
Unit cash operating costs ($/tonne)	$ 10.25	$ 9.07	$ 9.88
Coal Valley (3)			
Production volumes (millions of tonnes) (2)	0.4	0.5	1.7
Sales volumes (millions of tonnes) (2)	0.4	0.4	1.9
Realized prices ($/tonne)	$ 68.67	$ 50.93	$ 50.50
Unit cash operating costs ($/tonne)	$ 55.90	$ 46.94	$ 52.61
Revenue			
Coal Valley and other coal development assets(4)	$ 30.9	$ 19.8	$ 95.7
EBITDA			
Coal Valley and other coal development assets(4)	$ 5.3	$ (1.2)	$ (8.5)
Equity-accounted earnings in Royal Utilities	$ 6.4	$ 6.9	$ 34.6
Distributions received from Royal Utilities	$ 9.7	$ 9.7	$ 38.6
Capital Expenditures			
Coal Valley and other coal development assets(4)	$ 0.6	$ 0.4	$ 3.2

(1) Royal Utilities includes the seven mine-mouth operations, of which two are contract mines, and the Bienfait mine and Char plant.
(2) Royal Utilities sales and production volumes are presented on a 100% basis. Coal Valley sales and production volumes are presented on a 50% basis.
(3) Coal Valley mine is primarily involved in the export of thermal coal.
(4) Coal development assets include certain undeveloped reserves that produce coal-bed methane and technologies under development, including the Dodds-Roundhill coal gasification project.

Average realized prices in the first quarter of 2008 at Royal Utilities increased by $1.25 to $13.66 per tonne, relative to the year ago period, primarily due to higher cost and capital recoveries at the contract and Genesee mines. Total sales and production volumes were lower than last year largely due to reduced volumes sold to Ontario Power Generation and lower dragline availability at Genesee. Production volumes were also impacted by poor weather and dragline availability in Saskatchewan which reduced production at Boundary Dam.

At Coal Valley, the robust pricing environment for thermal coal resulted in revenue growth of 56% versus the first quarter of 2007, to $30.9 million, primarily due to realized prices that were 35% higher than last year's levels. Sales volumes were 16% higher than in the prior year period, as the CN Rail strike negatively impacted sales in the first quarter 2007. EBITDA from Coal Valley and coal development assets for the first quarter 2008 was $5.3 million as a result of record realized prices and higher sales volumes. Project spending in the quarter of $1.1 million on the coal development assets primarily related to engineering and associated work for the Dodds-Roundhill coal gasification project and was capitalized as deferred project development costs.

In Coal Valley, capital expenditures for the first quarter 2008 of $0.6 million were slightly higher than the same quarter in the prior year.

Oil and Gas

	Q1 2008	Q1 2007	Year ended December 31 2007
Daily Production Volumes [1] [2]			
Production (boepd)			
Gross working-interest production in Cuba [3] [5]	31,005	29,759	30,637
Net production [4]			
Cuba (heavy oil)			
Cost recovery [5]	8,045	9,051	9,900
Profit oil [5]	9,427	8,456	8,348
Total Cuba	17,472	17,507	18,248
Spain (light/medium oil) [4]	495	476	504
Pakistan (natural gas) [4]	398	409	402
Total	18,365	18,392	19,154
Reference Prices			
US Gulf Coast Fuel Oil #6 (US$ per bbl)	$ 69.59	$ 38.89	$ 52.85
Realized Prices			
Cuba (per bbl)	$ 51.34	$ 34.52	$ 42.53
Spain (per bbl)	97.32	67.10	77.56
Pakistan (per boepd)	7.07	9.06	6.58
Unit Operating Costs			
Cash operating cost (per boe)	$ 6.66	$ 5.59	$ 6.68
Revenues	$ 87.5	$ 58.4	$ 303.5
EBITDA ($mm)	$ 68.0	$ 41.1	$ 227.9
Capital Expenditures	$ 24.3	$ 47.3	$ 147.8

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

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

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

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

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

Oil and Gas revenue for the quarter ended March 31, 2008 was 50% higher than the corresponding quarter in 2007 due to the impact of significantly higher realized oil prices in Cuba and Spain which were partially offset by lower realized prices on the Pakistan production and the strengthening of the Canadian dollar. Higher realized oil prices in Cuba and Spain also led to record EBITDA of $68.0 million for the current quarter, a 66% increase over the first quarter of 2007.

Capital expenditures for the first quarter of 2008 were $24.3 million and were primarily in support of development and exploration drilling, and facility construction. During the quarter, four development wells and one exploration well were initiated and three development wells were completed.

During the quarter, Sherritt agreed to proceed with Enhanced Oil Recovery pilot phase, with an estimated capital cost of U.S.$15 million. The pilot phase will be conducted using carbon dioxide injection to increase the amount of oil extracted from the Varadero field. Following preliminary technical results, expected in 2009, the Corporation and its Cuban partner will determine the most effective and economic technique for the commercial scale operation. Sherritt has also agreed in principle to enter into a Production Sharing Contract for Block 8. The Corporation also relinquished Block 9 (including the Majaguillar field) as the prospective reserves were insufficient to justify a large scale commercial development.

Power

		Q1 2008		Q1 2007		Year ended December 31 2007
Electricity sold (000's of MWh) [1]		597		487		2,288
Realized price per MWh	$	40.62	$	46.77	$	43.11
Unit cash operating cost ($ per MWh)	$	8.55	$	14.02	$	13.39
Revenue ($mm)	$	29.8	$	27.9	$	117.7
EBITDA ($mm)	$	23.8	$	20.2	$	83.6
Capital Expenditures ($mm)	$	3.8	$	10.1	$	18.8

(1) Includes non-controlling interest.

Electricity production for the first quarter of 2008 increased by 23% relative to first quarter of 2007, as a 65 MW expansion came online in mid-2007. Net capacity factor for the quarter was 79%, which includes downtime for a 32.5 MW turbine which was offline the entire quarter for repairs. Excluding this unit, which is expected to return to service early in the third quarter, net capacity factor was 87%.

Revenue for the quarter was 6.8% higher than in the prior year period, as higher electricity production more than offset lower realized prices. Declining operating costs, which were 39% lower than in the first quarter of 2007, resulted in record EBITDA of $23.8 million, representing 18% growth over the prior year period.

Expansion capital expenditures in the first quarter related mainly to engineering for the 150 MW Boca de Jaruco combined cycle expansion. Sustaining capital expenditures during the first quarter were consistent with previous quarters at $1.7 million.

Summary Financial Results by Segment (unaudited)

The tables below present EBITDA and operating earnings from continuing operations by segment and reconciles these non-GAAP measures to earnings before income taxes. EBITDA is a measurement of revenue less cash operating expenses. Operating earnings is a measure used by Sherritt to evaluate the operating performance of its businesses as it excludes interest charges, which are a function of the particular financing structure for the business, and certain other charges. EBITDA and operating earnings do not have any standardized meaning prescribed by Canadian generally accepted accounting principles, so they may or may not be comparable with similar measures presented by other issuers.

All amounts in this news release represent Sherritt's 100% interest unless otherwise indicated. Amounts relating to Metals reflect the Corporation's 50% interest in the Moa Joint Venture, 100% of utility and fertilizer operations in Fort Saskatchewan and the consolidation of the Ambatovy Joint Venture. Amounts relating to Coal reflect the Corporation's 50% proportionate interest in Coal Valley. Amounts relating to Power reflect the consolidation of Energas S.A. The non-controlling interests in the Ambatovy Joint Venture and in Energas S.A. are disclosed separately in the consolidated financial statements.

Three months ended March 31, 2008

($ millions)	Metals	Oil and Gas	Power	Coal [1]	Corporate and Other[4]	Consolidated
Revenue	$ 162.3	$ 87.5	$ 29.8	$ 30.9	$ 3.7	$ 314.2
Operating, selling, general and administrative [2]	73.1	19.5	6.0	25.6	14.3	138.5
EBITDA	89.2	68.0	23.8	5.3	(10.6)	175.7
Depletion, amortization and accretion	4.9	23.7	7.5	2.2	1.4	39.7
Operating earnings (loss) from continuing operations	84.3	44.3	16.3	3.1	(12.0)	136.0
Share of earnings of equity investments[3]	-	-	-	6.4	-	6.4
Net financing income						0.9
Income taxes						(47.9)
Non-controlling interests						(6.2)
Loss from discontinued operations						(0.2)
Net earnings						89.0
Capital expenditures	$ 433.2	$ 24.3	$ 3.8	$ 0.6	$ 0.3	$ 462.2

(1) Coal includes the Corporation's 50% proportionate interest in the Coal Valley export thermal coal mine and other coal development assets
(2) Figures exclude depreciation totaling $5.0 million on a consolidated basis.
(3) Share of earnings of equity investments includes Royal Utilities.
(4) The Corporate and Other segment includes results of the metallurgical technology business acquired from Dynatec.

Three months ended March 31, 2007

($ millions)	Metals	Oil and Gas	Power	Coal [1]	Corporate	Consolidated
Revenue	$ 204.0	$ 58.4	$ 27.9	$ 19.8	$ -	$ 310.1
Operating, selling, general and administrative	69.3	17.3	7.7	21.0	21.9	137.2
EBITDA	134.7	41.1	20.2	(1.2)	(21.9)	172.9
Depletion, amortization and accretion	6.0	23.1	6.0	2.4	1.0	38.5
Operating earnings (loss) from continuing operations	128.7	18.0	14.2	(3.6)	(22.9)	134.4
Share of earnings of equity investments [2]				6.9	-	6.9
Net financing expense						(0.8)
Income taxes						(46.0)
Non-controlling interests						(5.4)
Earnings from continuing operations						89.1
Earnings from discontinued operations						-
Net earnings						89.1
Capital expenditures	$ 31.0	$ 47.3	$ 10.1	$ 0.4	$ 0.1	$ 88.9

(1) Coal includes the Corporation's 50% proportionate interest in the Coal Valley export thermal coal mine and other coal development assets.
(2) Share of earnings of equity investments includes Royal Utilities.

Supplementary Information

The tables below present EBITDA and operating earnings from continuing operations by segment and reconcile these non-GAAP measures to earnings before income taxes. The Corporation discloses EBITDA in order to provide an indication of revenue less cash operating expenses. Operating earnings is a measure used by Sherritt to evaluate the operating performance of its businesses as it excludes interest charges, which are a function of the particular financing structure for the business, and certain other charges. EBITDA and operating earnings do not have any standardized meaning prescribed by Canadian generally accepted accounting principles and are, therefore, unlikely to be comparable with similar measures presented by other issuers.

Three months ended December 31, 2007

($ millions)	Metals	Oil and Gas	Power	Coal [1]	Corporate and Other[4]	Consolidated
Revenue	$ 176.9	$ 85.9	$ 29.9	$ 23.2	$ 7.7	$ 323.6
Operating, selling, general and administrative [1]	83.8	20.3	9.5	28.3	6.2	148.1
EBITDA	93.1	65.6	20.4	(5.1)	1.5	175.5
Depletion, amortization and accretion	6.0	21.8	7.5	2.6	1.7	39.6
Operating earnings (loss) from continuing operations	87.1	43.8	12.9	(7.7)	(0.2)	135.9
Share of earnings of equity investments [2]				18.7	-	18.7
Fair value adjustment						(8.9)
Net financing expense						(3.8)
Income taxes						(53.9)
Non-controlling interests						(4.9)
Earnings from continuing operations						83.1
Earnings from discontinued operations						0.4
Net earnings						83.5
Capital expenditures[3]	$ 538.9	$ 29.2	$ 1.9	$ 1.2	$ 2.4	$ 573.6

(1) Coal includes the Corporation's 50% proportionate interest in the Coal Valley export thermal coal mine and other coal development assets.
(2) Share of earnings of equity investments includes Royal Utilities.
(3) Total capital expenditures include $0.5 million from discontinued operation.
(4) The Corporate and Other segment includes results of the metallurgical technology business acquired from Dynatec.

Three months ended September 30, 2007

($ millions)	Metals	Oil and Gas	Power	Coal [1]	Corporate and Other[4]	Consolidated
Revenue	$ 150.7	$ 81.5	$ 31.6	$ 28.1	$ 9.4	$ 301.3
Operating, selling, general and administrative	63.4	19.6	9.8	30.6	19.3	142.7
EBITDA	87.3	61.9	21.8	(2.5)	(9.9)	158.6
Depletion, amortization and accretion	5.8	20.0	7.3	1.2	1.1	35.4
Operating earnings (loss)	81.5	41.9	14.5	(3.7)	(11.0)	123.2
Share of earnings of equity investments [2]	-	-	-	4.0	-	4.0
Net financing expense						(16.5)
Income taxes						(41.0)
Non-controlling interests						(5.0)
Gain on sale of Investments						1.4
Earnings from continuing operations						66.1
Loss from discontinued operations						(0.7)
Net earnings						65.4
Capital expenditures[3]	$ 200.4	$ 35.5	$ 1.2	$ 0.9	$ 3.0	$ 241.0

(1) Coal includes the Corporation's 50% proportionate interest in the Coal Valley export thermal coal mine and other coal development assets.
(2) Share of earnings of equity investments includes Royal Utilities.
(3) Total capital expenditures include $2.8 million from discontinued operations.
(4) The Corporate and Other segment includes results of the metallurgical technology business acquired from Dynatec.

Three months ended June 30, 2007

($ millions)	Metals [1]	Oil and Gas	Power	Coal [2]	Corporate and Other [5]	Consolidated
Revenue	$ 274.1	$ 77.7	$ 28.3	$ 24.6	$ 0.7	$ 405.4
Operating, selling, general and administrative	107.4	18.4	7.1	24.3	2.3	159.5
EBITDA	166.7	59.3	21.2	0.3	(1.6)	245.9
Depletion, amortization and accretion	5.5	23.0	6.6	2.7	1.1	38.9
Operating earnings (loss)	161.2	36.3	14.6	(2.4)	(2.7)	207.0
Share of earnings of equity investments [3]	-	-	-	5.0	-	5.0
Net financing expense						(6.6)
Income taxes						(67.2)
Non-controlling interests						(5.8)
Earnings from continuing operations						132.4
Earnings from discontinued operations						-
Net earnings						132.4
Capital expenditures[4]	$ 57.0	$ 35.8	$ 5.6	$ 0.7	$ 0.2	$ 99.3

(1) Comparable periods have been restated to reflect a change in the reclassification and adjustment of certain revenues, operating, selling, general and administrative costs in the Metals business.
(2) Coal includes the Corporation's 50% proportionate interest in the Coal Valley export thermal coal mine and other coal development assets.
(3) Share of earnings of equity investments includes Royal Utilities.
(4) Total capital expenditures include $0.1 million from discontinued operations.
(5) The Corporate and Other segment includes result of the metallurgical technology business acquired from Dynatec, for the period from June 14 to June 30, 2007.

About Sherritt

Sherritt is a diversified natural resource company that produces nickel, cobalt, thermal coal, oil and gas and electricity. It also licenses its proprietary technologies to other metals companies. A low-cost operator across all segments, Sherritt's success is built on utilizing innovative technologies and the breadth of its financial and operational expertise to increase productivity and profitability. Sherritt continues to explore opportunities to grow its $6.4 billion asset base through expansion of its existing businesses and strategic acquisitions. Sherritt's common shares are listed on the Toronto Stock Exchange under the symbol “S”.

Forward-looking Statements

This news release contains certain forward-looking statements. Forward-looking statements generally can be identified by the use of statements that include words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may” or other similar words or phrases. Similarly, statements in respect to expectations concerning assets, prices, costs, dividends, foreign exchange rates, earnings, production, market conditions, capital expenditures, commodity demand, risks, availability of regulatory approvals, corporate objectives and plans or goals, are or may be forward-looking statements. These forward-looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that are beyond the Corporation's ability to control or predict. Actual results and developments may differ materially from those contemplated by this news release depending on, among others, such key factors as business and economic conditions in Canada, Cuba, Madagascar and the principal markets for Sherritt's products. Key factors that may result in material differences between actual results and developments and those contemplated by this news release also include the supply, demand and prices for Sherritt's products; dependence on significant customers; deliveries; production levels; production and other anticipated and unanticipated costs and expenses; energy costs; premiums or discounts realized over London Metals Exchange (“LME”) cash and other benchmark prices; interest rates; foreign exchange rates; rates of inflation; changes in tax legislation; the timing, capital costs and financing arrangements associated with development projects; the timing of the receipt of government and other approvals; political unrest or instability in the countries where Sherritt operates; risks related to collecting accounts receivable and repatriating profits and dividends from Cuba; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton Act; risks associated with mining, processing and exploration activities; market competition; developments affecting labour relations and the market for skilled workers; environmental and utility industry regulation; and other risk factors listed in this news release and from time to time in Sherritt's continuous disclosure documents such as its annual information form and management information circular.

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

- 30 -

For further information, please contact:
Investor Relations
Sherritt International Corporation
(416) 924-4551
www.sherritt.com

(This page has been left blank intentionally.)

Sherritt International Corporation

Management's Discussion and Analysis
For the Quarter Ended

March 31, 2008

Sherritt International Corporation
First Quarter Report 2008

Management's Discussion and Analysis	
Forward-looking Statements	1
Highlights	2
Financial Results Highlights	3
Significant Events	4
Consolidated Earnings	6
Consolidated Cash Flow, Liquidity and Capital Resources	8
Consolidated Financial Position	9
Review of Operations	
Metals	12
Coal	17
Oil and Gas	21
Power	26
Other	29
Non-GAAP Measures	30
Summary of Quarterly Results	31
Risk Management	31
Changes in Significant Accounting Policies	32
Future changes in Significant Accounting Policies	33
Critical Accounting Estimates	34
Comparative Amounts	34
Off Balance Sheet Arrangements	34
Transactions with Related Parties	34
Commitments	34
Additional Information	35
Controls and Procedures	35

Management's Discussion and Analysis

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

The following Management's Discussion and Analysis of the consolidated financial results of Sherritt International Corporation for the three months ended March 31, 2008 should be read in conjunction with the unaudited consolidated financial statements and related notes contained in this interim report, as well as Management's Discussion and Analysis, audited consolidated financial statements and related notes contained in the Corporation's 2007 annual report. Additional information relating to the Corporation, including the Corporation's 2007 Annual Information Form, is on SEDAR at www.sedar.com or on the Corporation's web site at www.sherritt.com. This Management's Discussion and Analysis is as of April 25, 2008.

References to "Sherritt", "Sherritt International" or "the Corporation" refer to Sherritt International Corporation and its share of consolidated subsidiaries and joint ventures unless the context indicates otherwise. All dollar references are in millions of Canadian dollars (Cdn$) unless otherwise specifically indicated. References to (U.S.$) are to United States dollars.

Forward-looking Statements

This Management's Discussion and Analysis contains certain forward-looking statements. Forward-looking statements generally can be identified by the use of statements that include words such as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may" or other similar words or phrases. Similarly, statements with respect to expectations concerning assets, prices, costs, dividends, foreign-exchange rates, earnings, production, market conditions, capital expenditures, commodity demand, risks, availability of regulatory approvals, the impact of investments in asset-backed commercial paper, corporate objectives and plans or goals, are or may be forward-looking statements. These forward-looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that are beyond the Corporation's ability to control or predict. Actual results and developments may differ materially from those contemplated by this Management's Discussion and Analysis depending on, among others, such key factors as business and economic conditions in Canada, Cuba, Madagascar and the principal markets for Sherritt's products. Key factors that may result in material differences between actual results and developments and those contemplated by this Management's Discussion and Analysis also include the supply, demand and prices for Sherritt's products; dependence on significant customers; deliveries; production levels; production and other anticipated and unanticipated costs and expenses; energy costs; premiums or discounts realized over London Metals Exchange (LME) cash and other benchmark prices; interest rates; foreign-exchange rates; rates of inflation; changes in tax legislation; the timing, capital costs and financing arrangements associated with development projects; the timing of the receipt of government and other approvals; political unrest or instability in the countries where Sherritt is active; risks related to collecting accounts receivable and repatriating profits and dividends from Cuba; risks related to foreign exchange controls on Cuban Government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton Act; risks associated with mining, processing and exploration activities; potential imprecision of reserve estimates; market competition; developments affecting labour relations and the market for skilled workers; environmental and utility industry regulation; and other risk factors listed in this Management's Discussion and Analysis and from time to time in Sherritt's continuous disclosure documents such as its annual information form and management information circular. Further, any forward-looking statement speaks only as of the date on which such statement is made, and except as required by law, Sherritt undertakes no obligation to update any forward-looking statements.

Highlights

- Sherritt achieves solid results for the first quarter
- Record EBITDA achieved in Oil and Gas, Power and Coal Valley
- Sherritt offered to acquire all of the issued and outstanding units of Royal Utilities Income Fund that it did not already own
- Metals and Power expansion projects progressed well

Sherritt achieved solid first quarter results with revenue of $314.2 million, EBITDA of $175.7 million and net earnings of $89.0 million. Despite a significant decline in nickel prices, revenue and EBITDA increased over the first quarter 2007 primarily due to record high oil, cobalt, and coal prices and higher nickel sales volumes.

In Oil and Gas, gross working-interest production increased from 30,644 barrels per day (bpd) in the first quarter of 2007 to 31,898 bpd during the first quarter of 2008. Sherritt's Cuban average realized price per barrel increased compared to the first quarter of 2007 by $16.82 per barrel reaching a record average realized price of $51.34 per barrel. The increase in the average realized price together with steady production lead to record revenue and EBITDA in the first quarter. These increases were partially offset by the strength of the Canadian dollar relative to the U.S. dollar. During the first quarter, Sherritt reached principle agreements on terms of production sharing contracts with respect to Block 8 in East Central Cuba and an Enhanced Oil Recovery (EOR) program in the Varadero field. The Corporation expects to announce details of both initiatives as they become available in the second quarter.

In Power, record production of 597 mega watt hours (MWh) was achieved compared with 487 MWh during the comparable quarter in 2007. The record EBITDA of $23.8 million was primarily due to higher electricity production resulting from the addition of 65 MW of capacity in the second quarter of 2007.

In Coal, Royal Utilities and Coal Valley average realized price per tonne increased from $12.41 to $13.66 and from $50.93 to $68.67, respectively, during the first quarter due to higher cost and capital recoveries on certain mines and improved pricing on export thermal coal contracts resulting in record EBITDA for Coal Valley.

On March 18, 2008, the Corporation announced its intention to make an offer to purchase all of the issued and outstanding Royal Utilities Income Fund (Royal Utilities) units that it did not already own. For further information see the "Significant Events" section.

Commissioning of Phase 1 of the Moa/Fort Saskatchewan expansion began in the first quarter of 2008. Phase 1 is expected to result in a 4,000 tonne (100% basis) per annum increase in mixed sulphide production capacity. The Corporation expects to realize improvements in operating margin as these mixed sulphides displace more expensive third-party feed. Efforts are also currently focused on achieving Phase 2 construction and commissioning timelines. Phase 2 is projected to add another 9,000 tonnes (100% basis) per annum of mixed sulphide production capacity.

The Ambatovy Project in Madagascar is progressing well, with most of the equipment orders already in place and key fabrication contracts expected to be in place during the second quarter of 2008. First-quarter capital expenditures for the Ambatovy Project were $382.9 million.

In Power, development of the 150 MW combined cycle expansion at Boca de Jaruco, Cuba began in the first quarter. In addition, Sherritt signed a memorandum of understanding with the Government of Madagascar to develop up to 100 MW of thermal and hydro power generating capacity. Sherritt expects to finalize terms for at least 25 MW of thermal generating capacity in the second quarter, with commissioning expected by early 2009.

Financial Results Highlights

	Q1 2008	Q1 2007
Revenue by segment		
Metals	**$ 162.3**	$ 204.0
Coal [1]	**30.9**	19.8
Oil and Gas	**87.5**	58.4
Power	**29.8**	27.9
Corporate and other [2]	**3.7**	-
Revenue	**$ 314.2**	$ 310.1
EBITDA by segment		
Metals	**$ 89.2**	$ 134.7
Coal [1]	**5.3**	(1.2)
Oil and Gas	**68.0**	41.1
Power	**23.8**	20.2
Corporate and other [2]	**(10.6)**	(21.9)
EBITDA [3]	**$ 175.7**	$ 172.9
Operating earnings by segment		
Metals	**$ 84.3**	$ 128.7
Coal [1]	**3.1**	(3.6)
Oil and Gas	**44.3**	18.0
Power	**16.3**	14.2
Corporate and other [2]	**(12.0)**	(22.9)
Operating earnings [3]	**$ 136.0**	$ 134.4
Earnings from continuing operations	**$ 89.2**	$ 89.1
Earnings (loss) from discontinued operations	**(0.2)**	-
Net earnings	**$ 89.0**	$ 89.1
Earnings per share		
Basic	**$ 0.38**	$ 0.52
Diluted	**$ 0.38**	$ 0.52
Royal Utilities		
Distributions declared by Royal Utilities [4]	**$ 9.7**	$ 9.7
Capital expenditures		
Metals	**$ 433.2**	$ 31.0
Coal [1]	**0.6**	0.4
Oil and Gas	**24.3**	47.3
Power	**3.8**	10.1
Corporate and other [2]	**0.3**	0.1
Total	**$ 462.2**	$ 88.9
Balance sheet		
Cash and short-term investments	**$ 760.4**	$ 397.9
Total assets	**6,418.9**	2,682.0
Long term debt and other long-term liabilities	**629.6**	362.4
Non-controlling interests	**1,314.7**	193.0

(1) Coal results include the Corporation's 50% proportionate interest in the Coal Valley export thermal coal mine and other coal development assets.
(2) Corporate and other results include Sherritt's Technology division which includes the former Dynatec Metallurgical Technologies division's results from June 14, 2007.
(3) For additional information, see the "Non-GAAP Measures" section.
(4) Distributions declared by Royal Utilities represent the Corporation's 41.2% share.

Significant Events

- Sherritt offered to acquire all of the issued and outstanding units of Royal Utilities Income Fund that it did not already own
- Ambatovy Joint Venture conditions precedent met on project financing
- $400.3 million equity offering at $15.25 per common share closed on March 31, 2008

On March 18, 2008, the Corporation announced its intention to make an offer to purchase all of the issued and outstanding Royal Utilities units that it did not already own for consideration for each unit, at the election of the unitholders, of (i) $12.25 in cash, (ii) 0.8033 of a Sherritt common share, or (iii) a combination of cash and Sherritt common shares, provided that the aggregate cash consideration paid by Sherritt did not exceed approximately $225 million and the aggregate number of common shares issued by Sherritt did not exceed approximately 31.4 million. Concurrently, Sherritt and OTPPB SCP Inc., a wholly-owned subsidiary of Ontario Teachers' Pension Plan Board (Teachers') entered into a lock-up agreement pursuant to which Teachers' agreed to tender its approximately 40.2 million units, representing approximately 41.2% of the outstanding units. The balance of the units, representing approximately 17.6%, is widely held.

On April 14, 2008, Sherritt and Royal Utilities reached an agreement to increase the consideration being offered by Sherritt for each unit under the offer, at the election of the unitholders, to (i) $12.68 in cash, (ii) 0.8315 of a Sherritt common share, or (iii) a combination of cash and Sherritt common shares, provided that the aggregate cash consideration paid by Sherritt does not exceed approximately $250 million and the aggregate number of Sherritt common shares issuable does not exceed approximately 31.4 million. The Sherritt offer will expire on April 28, 2008, unless it is withdrawn or extended. The proposed acquisition is further described in note 23 to the interim consolidated financial statements.

On March 17, 2008, the conditions precedent to the initial disbursement of the U.S. $2.1 billion limited recourse project financing were all satisfied or waived. The Ambatovy Joint Venture delivered a notice of borrowing to the lenders requesting an initial disbursement of approximately U.S. $447 million, which was received in the first week of April 2008.

Prior to initial disbursement, Sherritt funded 45% of the cash calls from the Ambatovy Joint Venture, which included funding in respect of SNC-Lavalin's 5% interest in the Ambatovy Joint Venture. SNC-Lavalin deposited amounts equal to 5% of the cash calls in an escrow account. As at March 31, 2008, $27.7 million was held in the escrow account and recorded as Restricted Cash. Subsequent to the initial disbursement, the funds in escrow will be released to Sherritt pending assignment to SNC-Lavalin of an equivalent interest in the Ambatovy Joint Venture. For all future cash calls, SNC-Lavalin will fund its pro-rata share directly to the Ambatovy Joint Venture.

After achieving initial disbursement of the project financing, Sherritt is required to issue approximately 3.8 million of its common shares with an approximate value of $55.6 million, to Sumitomo and SNC-Lavalin as consideration for providing cross guarantees relating to the Ambatovy Project financing. The shares will be issued in four equal installments beginning on December 31, 2008.

On March 31, 2008, Sherritt closed an equity offering of 26.25 million common shares at a price of $15.25 per common share, for gross proceeds of $400.3 million. The Corporation intends to use the net proceeds of $383.0 million from the equity offering for general corporate purposes and growth capital expenditures.

Significant Events (continued)

The equity offering has an over-allotment option, exercisable in whole or in part, that grants the underwriters the right to purchase up to approximately 3.9 million additional common shares at the same offering price for a period of 30 days after closing.

Subsequent to the quarter-end, the over-allotment option was exercised by the underwriters and the underwriters purchased approximately 2.3 million additional common shares at $15.25 per common share.

Consolidated Earnings

For the quarter ended March 31, 2008, Sherritt reported revenue of $314.2 million, EBITDA of $175.7 million and net earnings of $89.0 million. The increase in revenue and EBITDA from the first quarter of 2007 was primarily attributable to record high average realized oil, cobalt, and coal prices, higher nickel sales volumes as well as a decrease in corporate costs from the same period in the prior year due to lower stock-based compensation expense, partially offset by a significant decrease in average realized nickel prices.

Basic earnings per share (EPS) increased for the second consecutive quarter from $0.28 in the third quarter of 2007 to $0.38 in the first quarter of 2008. The decrease in basic EPS from $0.52 in the first quarter of 2007 is due to the issuance of 61.4 million shares for the acquisition of Dynatec Corporation (Dynatec) in June 2007.

	Q1 2008	Q1 2007
Revenue	**$ 314.2**	$ 310.1

Consolidated revenue was $4.1 million higher than the comparable quarter in the prior year. Average realized nickel prices decreased significantly from $21.84 to $12.93 per pound from the first quarter of 2007 primarily due to weaker demand for stainless steel. Despite the decrease, revenue increased due to record high average realized prices of $51.34 per barrel, $46.13 per pound, and $68.67 per tonne in oil, cobalt and coal, respectively, and an increase in nickel sales volumes to 8.3 million pounds.

	Q1 2008	Q1 2007
Operating costs	**$ 119.8**	$ 99.2
Selling costs	**2.5**	3.4
General and administrative costs	**21.2**	34.6
Operating, selling, general and administrative costs	**$ 143.5**	$ 137.2

Operating costs were $20.6 million higher than the first quarter of 2007 mainly due to higher costs in Metals and Coal and the reallocation of $5.0 million in amortization as a result of adopting the CICA Section 3031 “Inventories”. Beginning January 1, 2008 Metals operating costs increased due to higher nickel and cobalt sales volumes, and higher input commodity costs, offset by lower third-party feed costs.

General and administrative costs were $13.4 million lower than the comparable quarter in the prior year. This decrease from the first quarter of 2007 was mainly due to a reduction in stock-based compensation expense of $11.7 million resulting from the $2.12 decline in the Corporation’s share price. In addition, general and administrative costs of the first quarter in 2007 include Dodds-Roundhill development costs. Development costs for Dodds-Roundhill incurred subsequent to the first quarter of 2007 were capitalized, as a result of reaching the feasibility stage.

	Q1 2008	Q1 2007
Depletion, amortization and accretion	**$ 34.7**	$ 38.5

Depletion, amortization and accretion were $3.8 million lower than the first quarter of 2007. The decrease was mainly due to the reallocation of $5.0 million in amortization as a result of adopting the CICA Section 3031 “Inventories”, offset by amortization in Power relating to the 65 MW Phase 7 expansion which commenced operations in the second quarter of 2007.

Consolidated Earnings (continued)

	Q1 2008	Q1 2007
Net financing (income) expense	**$ (0.9)**	$ 0.8

The net financing income in the current quarter was due to higher interest income of $6.5 million on cash balances, short-term investments, and other interest-bearing receivables as well as foreign exchange gains of $5.1 million, partially offset by interest expense on debt.

	Q1 2008	Q1 2007
Share of earnings of equity-accounted investments	**$ 6.4**	$ 6.9

The share of earnings from the equity-accounted investment in Royal Utilities decreased $0.5 million on lower net earnings as a result of a lower income tax recovery in the first quarter of 2008, compared to the first quarter of 2007.

	Q1 2008	Q1 2007
Effective tax rate	**33%**	33%

The effective tax rate for the first quarter of 2008 was comparable to the first quarter of 2007. The Corporation's effective tax rate varies depending upon the relative profitability of its businesses, which are situated in different tax jurisdictions. The Oil and Gas business and the original 226 MW of generation capacity in Power are taxed at a relatively constant combined rate of 30%, while the Phase 6 and 7 expansions are subject to a Cuban tax holiday until the related financing and land rights are fully repaid. The combined rate for the Metals business can vary quite substantially from year to year depending on the price of nickel and cobalt. Generally, the combined rate for the Metals business falls between 32% and 37%. In addition, the Corporation is taxed on distributions from Royal Utilities, in excess of the associated equity income.

	Q1 2008	Q1 2007
Non-controlling interests	**$ 6.2**	$ 5.4

Non-controlling interests reflects the two-thirds outside interest in Energas S.A. ("Energas"), a variable interest entity in Power. The increase in non-controlling interests was primarily the result of an increase in Energas earnings due to lower maintenance and foreign exchange costs.

	Q1 2008	Q1 2007
Loss from discontinued operation	**$ (0.2)**	$ -

The loss from discontinued operation related to the Mineral Products division acquired from Dynatec on June 14, 2007.

Consolidated Cash Flow, Liquidity and Capital Resources

	Q1 2008	Q1 2007
Cash from operating activities before working capital changes	**$ 130.0**	$ 127.1
Increase in non-cash working capital	**19.9**	8.2
Cash used for discontinued operation	**1.6**	-
Cash provided by operating activities	**$ 151.5**	$ 135.3

Cash provided by operating activities before working capital changes is comparable to the first quarter of 2007. The significant changes from the first quarter of 2007 were an $18.5 million reduction in the future income tax recovery and an $11.7 million decrease in stock-based compensation expense.

Cash provided by non-cash working capital of $19.9 million primarily resulted from lower accounts receivable, partially offset by higher inventories. Accounts receivable in Metals decreased due to payments received from the other partners of the Ambatovy Joint Venture, partially offset by advances to fund the Moa/Fort Saskatchewan expansion. The inventory balance increased mainly due to the impact of the adoption of CICA Section 3031 "'Inventories" beginning January 1, 2008, higher work-in-process inventories, the impact of higher commodity input prices and a build up of fertilizer inventories ahead of the spring season.

	Q1 2008	Q1 2007
Capital expenditures	**$ (462.2)**	$ (88.9)
Change in non-cash capital expenditures	**168.5**	(5.3)
Cash capital expenditures	**$ (293.7)**	$ (94.2)
Cash provided by (used for) other investing activities	**50.0**	(12.1)
Cash provided by (used for) financing activities	**443.1**	(9.8)

Capital expenditures continued to be focused on growth opportunities across all business units. The increase from the first quarter of 2007 was driven by expansion projects in the Moa and Ambatovy Joint Ventures of $423.1 million along with expenditures to support the development and exploration drilling in Oil and Gas of $24.3 million, and sustaining capital expenditures across all business units.

Cash provided by other investing activities for the quarter related to a decrease of $103.5 million in short-term investments as a result of reinvesting proceeds in cash equivalents with shorter maturities, and $9.7 million of distributions received from Royal Utilities, partially offset by advances for the Metals expansion and an $18.1 million increase in restricted cash related to funds received from SNC-Lavalin held in escrow.

Cash provided by financing activities for the quarter primarily related to cash proceeds of $384.1 million (net of underwriters' fee) received from the issuance of 26.25 million common shares, $58.5 million in contributions from the partners of the Ambatovy Joint Venture, and a $19.3 million increase in long-term debt, partially offset by $8.3 million in dividends paid to the Corporation's shareholders and $5.0 million of dividends paid to non-controlling shareholders in Power.

The effect of foreign exchange rate changes on cash and cash equivalents was an increase of $4.1 million compared to the $0.2 million in the first quarter of 2007.

Consolidated Financial Position

Total assets of $6.4 billion were at record levels as at March 31, 2008. Cash and cash equivalents, restricted cash and short-term investments totaled $760.4 million, an increase of $270.3 million since year end. Cash inflows during the quarter included proceeds of $384.1 million (net of underwriter's fee) as a result of a 26.25 million common shares issued at a price of $15.25 per common share and a $58.5 million contribution from partners of the Ambatovy Joint Venture. These cash inflows were partially offset by $293.7 million of capital expenditures, advances of $31.9 million to the Moa Joint Venture and costs related to the offer to acquire the units of Royal Utilities, not already owned by the Corporation.

Current advances and loans receivable primarily relates to the current portion of funding relating to the Moa/Fort Saskatchewan expansion as well as a working capital advance to the Moa Joint Venture. The Moa Joint Venture will begin to repay expansion financing following commissioning. Current advances and loans receivable totaling $66.2 million increased from the year-end balance of $51.5 million due to the ongoing expansion.

Accounts receivable were $463.0 million as at March 31, 2008, a decrease of $32.1 million since year end. Metals accounts receivable decreased $58.1 million due to the receipt of Ambatovy Joint Venture partner contributions, partially offset by an increase in Oil and Gas receivables due to higher sales volumes, higher oil prices and higher balances on a jointly operated block. Oil and Gas and Power accounts receivable included amounts due from Cuban government agencies.

Inventories increased $38.5 million from December 31, 2007 to $132.5 million as at March 31, 2008. There was an increase at all business segments due to the impact of CICA Section 3031 "Inventories" which required certain costs to be capitalized to inventories beginning January 1, 2008. The overall impact to the Corporation was $3.2 million (or $2.7 million after-tax). In addition, inventories in Metals increased due to higher work-in-process inventories, the impact of higher commodity input prices and a build up of fertilizer inventories ahead of the spring season.

Capital assets increased $562.2 million since year end to $3.8 billion as at March 31, 2008. Capital expenditures primarily consisted of $423.1 million in support of expansion projects in both the Moa and Ambatovy Joint Ventures, and $24.3 million for development and exploration drilling in Oil and Gas. The Ambatovy Joint Venture awarded various construction contracts, purchased a significant amount of equipment and incurred a substantial amount of labour costs.

The future tax asset (including current portion) of $63.0 million as at March 31, 2008 increased from the 2007 year-end amount of $60.2 million. The March 31, 2008 amount primarily represented the tax benefit of approximately $81 million of non-capital losses, $65 million of capital losses, and unrealized profit in inventory. The non-capital losses were generated primarily through interest on the Corporation's debt. The tax benefit of the losses was recognized on the expectation that sufficient taxable income will be realized in the future to utilize these losses.

Investments of $401.6 million as at March 31, 2008, were comparable to the balance at year end and primarily consisted of the Corporation's $333.8 million equity investment in Royal Utilities, $44.6 million of Asset Backed Commercial Paper (ABCP) and $17.5 million equity investment in tourism. The investment in ABCP has matured and has not been repaid.

Consolidated Financial Position (continued)

The Corporation estimated the fair value of the ABCP in the quarter and determined that the current provision is adequate based on the portfolio of investments held. A downward fair value adjustment of $14.9 million was recorded for the year ended December 31, 2007. In December 2007, the Pan-Canadian Investors Committee proposed a restructuring for the $32 billion Canadian ABCP market that has been frozen since August 2007, suggesting the ABCP be converted into long-term notes. The investors voted on April 25, 2008 and approved the restructuring plan. Management continues to assess the impact of the vote on its investment in ABCP. The investment is described further in note 5 of the interim consolidated financial statements.

Other assets were $281.1 million as at March 31, 2008, compared to the year-end balance of $197.0 million. The increase from year end is mainly due to the addition of a $55.6 million asset relating to the cross guarantee fee to be paid to Sumitomo and SNC-Lavalin in the form of shares as a result of the conditions precedent to the initial disbursement of the U.S. $2.1 billion of senior project financing being satisfied or waived, costs associated with the offer to acquire the units of Royal Utilities not already owned and advances with respect to the Metals expansion. These transactions are described further in notes 3 and 23 of the interim financial statements.

Goodwill of $388.9 million related to the acquisition of Dynatec. The balance is denominated in U.S. dollars and as such the increase from year end relates to the weakening of the Canadian dollar relative to the U.S. dollar from December 31, 2007 to the end of the first quarter..

Short-term debt of $52.8 million as at March 31, 2008, was unchanged from the balance at year end. Changes in short-term debt are mainly due to the timing of working capital requirements.

Accounts payable and accrued liabilities increased by $188.1 million since year end to $655.7 million as at March 31, 2008. Accounts payable increased in Metals, reflecting higher capital spending and higher commodity input prices. In addition, Corporate accounts payable increased mainly due to costs associated with the Royal Utilities offer.

The future income tax liability (including current portion) of $397.4 million as at March 31, 2008 increased $18.5 million from the 2007 year-end amount of $378.9 million primarily due to the foreign exchange associated with the future income tax liability on the Ambatovy Joint Venture mineral rights. The overall future income tax liability does not represent a current cash liability, but is primarily a result of the temporary differences between the values of capital assets for tax purposes compared to their values for accounting purposes.

Long-term debt and other liabilities (including current portion) increased by $24.5 million since year end to $629.6 million as at March 31, 2008 mainly due to advances to fund the Metals expansion, partially offset by payments on debt.

Non-controlling interests includes third-party interests in the Ambatovy Joint Venture in Metals and Energas, a company in which Power has a one-third interest. The increase in the non-controlling interest in Energas from $185.8 million as at December 31, 2007 to $190.5 million is due to $6.2 million of net earnings attributed to non-controlling interests and the adoption of CICA Section 3031 “Inventories”, partially offset by the payment of $5.0 million of dividends to the non-controlling interests. The increase in non-controlling interest in the Ambatovy Joint Venture is due to the increase in net assets in the quarter.

Consolidated Financial Position (continued)

The Corporation's share capital increased from $1,857.2 million at December 31, 2007 to $2,240.2 million as at March 31, 2008 due to the issuance of 26.25 million common shares, for net proceeds of $383.0 million. The Corporation intends to use the net proceeds from the share issuance for general corporate purposes and growth capital expenditures.

The equity offering has an over-allotment provision that grants the underwriters the right to purchase up to 3.9 million additional common shares at the same offering price for a period of 30 days after closing. Subsequent to the quarter end, the over-allotment option was exercised by the underwriters to purchase approximately 2.3 million common shares at $15.25 per common share. As of April 25, 2008, no additional shares had been issued under this option.

Accumulated other comprehensive loss decreased from $231.0 million at December 31, 2007 to $159.9 million at March 31, 2008 primarily due to the weakening of the Canadian dollar relative to the U.S. dollar on translation of the Corporation's self-sustaining operations, which are comprised of the foreign operations of Metals and Oil and Gas. The majority of the translation gains related to capital assets, inventories, and accounts receivable which were partially offset by translation losses in accounts payable.

During the quarter, the Board of Directors of the Corporation approved a quarterly dividend of $0.036 per share payable April 14, 2008 to shareholders of record at the close of business on March 31, 2008. This dividend is an "eligible dividend" as defined in the *Income Tax Act* (Canada).

Review of Operations

Metals

Metals is the pre-eminent operator of pressure hydrometallurgical technologies for the extraction of nickel and cobalt from lateritic ores. Metals is focused on low-cost production of nickel and cobalt through stable production, implementation of operating efficiencies, and the expansion of production to maximize profitability.

Moa Joint Venture

The Moa Joint Venture, which is conducted through a joint venture with a Cuban partner, mines, processes, and refines nickel and cobalt for sale worldwide (except the United States of America). The Moa Joint Venture has mining operations and associated processing facilities in Moa, Cuba, refining facilities in Fort Saskatchewan, Alberta, and international marketing and sales operations. The Moa mine operations provide access to extensive resources in Cuba, which will be developed as market conditions permit.

Current operations have the capacity to produce approximately 33,000 tonnes (100% basis) of mixed sulphides from mining and processing facilities in Moa and to refine 32,500 tonnes (100% basis) of nickel and 3,500 tonnes (100% basis) of cobalt at facilities in Fort Saskatchewan. The Moa Joint Venture is currently expanding capacity in Moa and Fort Saskatchewan in two phases to process and refine a further 13,000 tonnes (100% basis) of mixed sulphides. Phase 3 of the expansion, which will add an additional 3,000 to 6,000 tonnes (100% basis) of nickel plus cobalt production, continues at the conceptual study stage, as efforts are focused on achieving Phase 1 and Phase 2 construction and commissioning timelines. Commissioning of Phase 1 is underway at Moa and Fort Saskatchewan and design and construction of Phase 2 are progressing.

Ambatovy Joint Venture

The Ambatovy Joint Venture is conducted with partners in Japan, Korea and Canada and is responsible for the Ambatovy Project. The Ambatovy Project is a large-tonnage nickel and cobalt project currently under development in Madagascar. According to a feasibility study released in May 2006, the project has proven and probable reserves of 125 million tonnes grading 1.04% nickel and 0.099% cobalt and annual production capacity estimated at 60,000 tonnes (100% basis) of nickel and 5,600 tonnes (100% basis) of cobalt with an estimated life of approximately 27 years. Cash operating costs per pound of nickel, after credits, are expected to place the Ambatovy Project in the lowest quartile of the global industry cost curve.

During the quarter, the conditions precedent to the initial disbursement of the U.S. $2.1 billion of senior project financing for the Ambatovy Project were satisfied or waived. The initial disbursement of approximately U.S. $447 million was received in the first week of April 2008. As a result of the initial disbursement and additional funding expected from the project financing, the Corporation does not anticipate making additional equity contributions until late 2008 at the earliest.

Outlook (refer to "Forward-looking Statements")

Consistent with previous guidance, full-year production (100% basis) is currently expected to be approximately 32,500 tonnes of nickel and 3,500 tonnes of cobalt. Full-year guidance includes the expected additional production from Phase 1 of the Moa/Fort Saskatchewan expansion and reflects vessel delays, CN Rail disruptions, which limited feed availability in the first quarter, displacement of third party feeds and shutdowns for expansion process improvements.

In 2008, overall operating costs prior to receiving credits at Moa/Fort Saskatchewan on a per unit basis are expected to be higher as a result of higher input commodity costs. These cost increases are expected to be partially mitigated when the sulphuric acid plant in Moa is completed as it will essentially eliminate reliance on acquired acid. Sustaining capital expenditures, including certain utilities upgrades at Fort Saskatchewan and capital improvements at Moa concurrent with the expansion are expected to be $22 million in the second quarter and $86 million for 2008. The capital expenditure forecasts for certain utilities and capital improvements were previously included in the guidance for expansion and other growth initiatives.

Phase 1 commissioning is proceeding as planned. Construction on Phase 2 of the Moa/Fort Saskatchewan expansion is progressing well, with commissioning forecasted to commence in mid-2009. Phase 2 is projected to add an additional 9,000 tonnes per annum (100% basis) of mixed sulphide production capacity. Phase 3 of the Moa/Fort Saskatchewan expansion, which will add 3,000 to 6,000 additional tonnes (100% basis) of nickel plus cobalt production, continues in a conceptual stage, as efforts are focused on achieving Phase 1 and 2 construction and commissioning timelines. Estimated capital expenditures at the Moa/Fort Saskatchewan expansion (including funding for the sulphuric acid plant) are expected to be $79 million in the second quarter and $279 million for 2008. The previous total capital budget established in 2007 of $505 million (U.S. $483 million) is anticipated to increase to $569 million (U.S. $544 million) on account of increased scope of work for the sulfuric acid plant, leach plant and higher than anticipated labour and materials costs in Fort Saskatchewan, offset, in part, by the strengthening Canadian dollar.

The Ambatovy project is making significant progress, with most of the equipment orders already placed and key fabrication contracts anticipated to be placed during the second quarter. Sherritt continues to expect to start commissioning in 2010. Estimated capital expenditures at Ambatovy are $450 million for the second quarter and $1.6 billion for 2008. The original total capital budget established in 2007 of $3.8 billion (U.S. $3.3 billion) is anticipated to decrease on account of the strengthening Canadian dollar, offset by expected cost escalations in U.S. dollars in a number of areas including, but not limited to, construction costs, infrastructure costs and a depreciating U.S. dollar. This capital budget amount does not include certain indirect costs such as accrued financing charges, inflation and working capital requirements. The budget established for these indirect costs in 2007 was approximately $0.5 billion (U.S. $0.4 billion).

Highlights

- Commissioning of the Phase 1 expansion underway at Moa and Fort Saskatchewan
- Continued progress on the Ambatovy Project

Financial Analysis

	Q1 2008	Q1 2007
Revenue [1]	**$ 162.3**	$ 204.0
Operating costs[2]	**(69.5)**	(65.0)
Selling costs	**(2.4)**	(3.3)
General and administrative costs	**(1.2)**	(1.0)
EBITDA[3]	**89.2**	134.7
Depletion, amortization and accretion	**(4.9)**	(6.0)
Operating earnings[3]	**$ 84.3**	$ 128.7

(1) Metals revenue includes revenue derived from nickel, cobalt, by-products and fertilizer sales.
(2) Excluding depreciation and amortization of $3.1 million. For additional information see “Inventories” in the “Changes in Significant Accounting Policies” section.
(3) For additional information, see the “Non-GAAP Measures” section.

Revenue decreased $41.7 million from the first quarter of 2007 due to significantly lower average realized nickel prices, partially offset by record average realized cobalt prices and higher nickel and cobalt sales volumes compared to the first quarter of 2007.

Operating costs were higher compared to the first quarter of 2007 primarily due to increased commodity input costs and higher nickel and cobalt sales volumes, partially offset by the impact of a stronger Canadian dollar compared to the U.S. dollar. Third-party feed costs were approximately $11.0 million in the first quarter of 2008 compared to $14.0 million in the first quarter of 2007, as higher volumes of Moa mixed sulphides displaced more expensive third-party feed were partially offset by higher cobalt prices.

Selling, general and administrative costs were marginally lower than the first quarter of 2007, which included one-time costs associated with the streamlining of sales and marketing activities. Depletion, amortization and accretion were lower due to the strengthening of the Canadian dollar and the allocation of a portion of these costs to inventory and operating costs due to the implementation of the CICA Section 3031 “Inventories” that was effective as of January 1, 2008.

Prices	**Q1 2008**	Q1 2007
Nickel – average realized ($/lb)	**$ 12.93**	$ 21.84
Cobalt – average realized ($/lb)	**46.13**	30.02
Nickel – reference (U.S.$/lb)	**13.09**	18.80
Cobalt – reference (U.S.$/lb) [1]	**46.19**	25.82

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

During the quarter, the average nickel reference price decreased by U.S. $5.71 per pound relative to the first quarter of 2007 reflecting weaker stainless steel demand. During the quarter, LME nickel prices generally fluctuated between U.S. $12.00 and U.S. $15.00 per pound as LME stocks remained above 45,000 tonnes.

The average cobalt reference price increased by U.S. $20.37 per pound relative to the first quarter of 2007, establishing a record quarterly Metals Bulletin price. During the quarter, cobalt prices approached $50.00 per pound which was mainly driven by increased customer demand and flat production from global suppliers. The benefit of higher reference prices was partially offset by the stronger Canadian dollar.

Production (tonnes)	**Q1 2008**	Q1 2007
Mixed sulphides	**4,324**	4,006
Finished nickel	**3,749**	3,514
Finished cobalt	**407**	434

Mixed sulphide production increased by 318 tonnes compared to the first quarter of 2007 due to higher ore grades and stable operations. The mixed sulphides supply agreement between the joint venture companies expired in June 2007. Mixed sulphides continue to be supplied on the same terms while negotiations continue.

Finished nickel production increased by 235 tonnes compared to the first quarter of 2007 primarily due to the increased availability of mixed sulphides, despite disruptions to rail transportation caused by poor weather conditions. The increase in mixed sulphide availability resulted in a lower contribution of cobalt-rich third-party feed to the refinery, decreasing finished cobalt production by 27 tonnes relative to the first quarter of 2007.

Sales (thousands of pounds)	**Q1 2008**	Q1 2007
Finished nickel	**8,362**	7,776
Finished cobalt	**920**	888

Increased sales volumes reflected an increase in finished nickel production and a draw down of finished nickel and cobalt inventories due to the timing of sales.

Capital Expenditures	**Q1 2008**	Q1 2007
Moa Joint Venture (1)		
Sustaining	**$ 10.1**	$ 6.1
Expansion	**40.2**	24.9
	$ 50.3	$ 31.0
Ambatovy Joint Venture	**382.9**	-
Total	**$ 433.2**	$ 31.0

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

Capital expenditures increased from the first quarter of 2007 due to higher capital spending associated with the Moa/Fort Saskatchewan expansion and the Ambatovy Project. The Ambatovy Joint Venture awarded various construction contracts, purchased a significant amount of equipment and incurred substantial labour costs. Sustaining capital expenditures in the Moa Joint Venture were $10.1 million compared with $6.1 million in the prior year. The higher spending was associated with capital improvements at Moa, concurrent with the expansion project.

Unit Operating Costs	**Q1 2008**	Q1 2007
Net direct cash cost of nickel [1] (U.S.$ per lb of nickel)	**$ 1.95**	$ 3.02
Third-party feed costs (U.S.$ per lb of nickel)	**1.32**	1.50
Natural gas costs ($ per GJ)	**7.55**	7.12
Sulphur costs (U.S.$ per tonne)	**261.47**	101.95
Sulphuric acid costs (U.S.$ per tonne)	**209.65**	99.06

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

The reduction in net operating costs of nickel largely reflected the impact of higher cobalt prices, the impact of a stronger Canadian dollar and higher production and sales volumes, partially offset by higher commodity input costs.

	Q1 2008	Q1 2007
Fertilizer sales (tonnes)	**22,379**	17,135
Revenue	**$ 8.5**	$ 5.7
Operating loss	**(0.2)**	(0.9)

Fertilizer sales increased in comparison to the first quarter of the prior year due to higher deliveries taken in advance of the spring season as a result of customers anticipating restricted supplies stemming from increased crop prices.

Higher revenue for the current quarter reflects higher sales volumes and stronger prices.

Operating losses decreased as the impact of higher revenue was partially offset by increased operating costs largely due to higher energy prices. Amortization expense for the fertilizer operations was $0.9 million compared to $1.2 million for the first quarter in 2007.

Coal

Coal has abundant, high quality, and strategically located reserves in Canada that are suited to providing customers with a stable long-term fuel supply. The opportunity also exists to capitalize on coal's economic pricing as a commodity relative to other energy sources such as oil and natural gas. Sherritt is engaged in a series of long-term initiatives to develop its substantial coal reserves in Canada with a view to supplying energy in the form of power, steam or gases such as hydrogen, through gasification, and related hydrocarbon fuels. While some of these initiatives are in various stages of negotiations with potential customers, others are in the formative research and design stages.

Royal Utilities, which Sherritt operates and in which it has a 41.2% interest, owns and operates the Paintearth, Sheerness, Genesee (50% joint-venture interest), Poplar River, Boundary Dam and Bienfait mines and operates the Highvale and Whitewood mines under contract. A total of 36.1 million tonnes (100% basis) of coal was produced by Royal Utilities in 2007. Royal Utilities also holds a portfolio of mineral rights located in Alberta and Saskatchewan on which it earns royalties from the production of coal and potash.

Coal Valley Resources Inc. (Coal Valley), a general partnership owned 50 percent by Sherritt, mines and sells thermal coal and owns the Coal Valley mine, Obed Mountain mine, Gregg River mine and Coleman properties, of which the Coal Valley mine is the only active mine. Coal Valley sold 3.8 million tonnes of thermal coal in 2007, a vast majority of which was sold on the export market.

Outlook (refer to "Forward-looking Statements")

Royal Utilities declared distributions of $23.5 million (100% basis) in the first quarter. The Fund continues to face cost pressures, including higher supply-related diesel prices, increasing equipment and repair costs, as well as labour shortages. The coal supply contracts contain price escalation provisions which, with a lag, reflect these increases. In addition, significantly higher potash prices are expected to increase potash royalties during the year and largely offset cost pressures. Following the successful completion of the offer to purchase Royal Utilities, Sherritt will fully consolidate the results of Royal Utilities. Revenue and EBITDA are both expected to exceed 2007 levels.

At Coal Valley, final price settlement of some contracts is still pending, however, Sherritt continues to expect renewed contract prices to be significantly higher than those recorded in the prior year period, and has already recorded higher realized prices in the first quarter. Consistent with previous guidance, full-year sales volumes at Coal Valley are expected to be approximately 4 million tonnes (100% basis), as newly acquired equipment is anticipated to result in increased production levels. In addition, in light of the robust export coal environment, Sherritt continues to investigate re-opening of the Obed mine. Negotiations with prospective customers continue and operations will be contingent upon signing a multi-year off-take contract.

Sherritt continues to proceed with the Dodds-Roundhill coal gasification project. Sherritt and its partners in the project are working to finalize the scope of the project in respect to outputs of the gasification process, long-term projections of oil and natural gas prices, guarantees available from prospective technology suppliers and CO^2 abatement costs. Capital expenditures in support of Dodds-Roundhill in 2008 are currently projected to be approximately $10 million.

Highlights

- Sherritt offered to acquire all of the issued and outstanding units of Royal Utilities
- Steady distributions received from Royal Utilities
- Record revenue, EBITDA and operating earnings for Coal Valley
- Continued progress on the Dodds-Roundhill coal gasification project

Financial Analysis

Sherritt currently equity accounts for its 41.2% interest in Royal Utilities and proportionately consolidates its 50% interest in the Coal Valley export thermal coal mine and in coal development assets.

The Corporation has made an offer to purchase all of the issued and outstanding Royal Utilities Income Fund (Royal Utilities) units that it does not already own. The Sherritt offer, which will expire on April 28, 2008 unless withdrawn or extended, is for Royal Utilities unitholders to receive consideration of $12.68 per unit, consisting of, at the unitholders option, (i) $12.68 in cash, (ii) 0.8315 of a Sherritt common share, or (iii) a combination of cash and Sherritt common shares, provided that the aggregate cash consideration to be paid by Sherritt does not exceed approximately $250 million and the aggregate number of Sherritt common shares issuable does not exceed approximately 31.4 million common shares. The acquisition would give Sherritt 100% ownership of Royal Utilities. The proposed acquisition is further described in note 23 to the interim consolidated financial statements.

	Q1 2008	Q1 2007
Royal Utilities (100% basis)		
Revenue	**$ 135.8**	$ 128.0
Operating costs	**(92.9)**	(85.3)
Foreign currency translation loss	**-**	(0.1)
Other	**0.1**	(0.8)
General and administrative costs	**(3.0)**	(3.0)
EBITDA[(1) (3)]	**$ 40.0**	$ 38.8
Net earnings	**$ 15.6**	$ 16.6
Distributions declared by Royal Utilities (100% basis)	**$ 23.5**	$ 23.4
Equity-accounted earnings of Royal Utilities	**$ 6.4**	$ 6.9
Coal Valley and coal development assets	**Q1 2008**	Q1 2007
Revenue	**$ 30.9**	$ 19.8
Operating costs[(2)]	**(25.1)**	(18.2)
Selling costs	**(0.1)**	(0.1)
General and administrative costs	**(0.4)**	(2.7)
EBITDA[(3)]	**5.3**	(1.2)
Depletion, amortization and accretion	**(2.2)**	(2.4)
Operating earnings (loss) [(3)]	**$ 3.1**	$ (3.6)

(1) Royal Utilities defines EBITDA as earnings before interest, taxes, depreciation (including the portion in cost of sales) and amortization.
(2) Excluding depreciation and amortization of $1.9 million. For additional information see “Inventories” in the “Changes in Significant Accounting Policies” section.
(3) For additional information, see the “Non-GAAP Measures” section.

During the first quarter of 2008, Royal Utilities declared distributions of $23.5 million (100% basis) compared with $23.4 million (100% basis) in the first quarter of 2007. Higher potash royalties and other income mitigated the impact of higher supply-related diesel costs such that EBITDA improved by $1.2 million compared to the prior year.

In the first quarter of 2008, Coal had an EBITDA of $5.3 million in comparison to a negative EBITDA of $1.2 million for the first quarter of 2007. EBITDA for Coal increased by $6.5 million mainly due to record average realized prices, higher sales volumes and the capitalization of coal development costs. Project spending of $1.1 million on coal development assets primarily related to engineering and associated work for the Dodds-Roundhill coal gasification project. These costs were capitalized as deferred project development costs.

Prices ($/tonne)	**Q1 2008**	Q1 2007
Royal Utilities – average realized price (1)	**$ 13.66**	$ 12.41
Coal Valley – average realized price	**$ 68.67**	$ 50.93

(1) Excludes royalty revenue.

In Royal Utilities, average realized prices increased by $1.25 to $13.66 per tonne for the first quarter of 2008, primarily due to higher cost and capital recoveries at the contract and Genesee mines.

In Coal Valley, higher average realized prices in the first quarter of 2008 were due to improved pricing on export thermal coal contracts, which is anticipated to continue through 2008.

Production (millions of tonnes)	**Q1 2008**	Q1 2007
Royal Utilities (100% basis)	**8.8**	9.5
Coal Valley (1)	**0.4**	0.5

(1) Volumes represent the Corporation’s 50% share.

Sales (millions of tonnes)	**Q1 2008**	Q1 2007
Royal Utilities (100% basis)	**9.1**	9.4
Coal Valley (1)	**0.4**	0.4

(1) Volumes represent the Corporation’s 50% share.

In Royal Utilities, total sales and production volumes decreased from the prior year mainly due to reduced volumes sold to Ontario Power Generation and lower dragline availability at Genesee. Production volumes were also impacted by poor weather and dragline availability in Saskatchewan which reduced production at the Boundary Dam mine.

In Coal Valley, sales volumes increased in the first quarter of 2008 from 386,000 tonnes to 449,000 tonnes primarily due to lower sales volumes in the first quarter of 2007 resulting from a CN Rail strike.

Capital Expenditures	**Q1 2008**	Q1 2007
Royal Utilities (100% basis)	**$ 4.0**	$ 1.3
Coal Valley (1)	**0.6**	0.4

(1) Expenditures represent the Corporation’s 50% share.

In Royal Utilities, capital expenditures in the period were made in respect of productive capacity maintenance, mainly infrastructure development and capital repairs on mobile equipment at Sheerness and Genesee.

In Coal Valley, capital expenditures for the first quarter of 2008 were marginally higher than the first quarter of 2007.

Unit Cash Operating Costs ($ per tonne) (100% basis)	**Q1 2008**	Q1 2007
Royal Utilities	**$ 10.25**	$ 9.07
Coal Valley	**$ 55.90**	$ 46.94

In Royal Utilities, operating costs increased $1.18 to $10.25 per tonne for the first quarter of 2008 is largely due to the result of higher diesel prices, higher cost and capital recoveries at the contract and Genesee mines and the impact of lower sales volumes.

In Coal Valley, operating costs per tonne increased as a result of higher equipment, labour, fuel, and tire costs on production volumes that were 13% below the first quarter of 2007.

Oil and Gas

Oil and Gas derives its production from near-shore deposits in Cuba, which are explored and developed from land-based drilling locations using specialized skills in fold and thrust belt geology and directional drilling, as well as from fields in Spain and Pakistan.

Oil and Gas employs a diverse, highly-skilled workforce with extensive experience in all facets of exploration, development, production, and field operations around the world, with specialized experience in complex fold and thrust belt geology. In Cuba, Oil and Gas balances the Corporation's commitment to employment and training of local manpower with prudent use of experienced expatriate manpower in key positions. A team of geological and engineering professionals based in Calgary manages and directs the Corporation's exploration and development programs.

Outlook for 2008

Both gross and net working-interest production volumes for 2008 are expected to remain comparable to the levels experienced in 2007. Gross working-interest production for Cuba is expected to average approximately 30,500 bpd for the year, and net working-interest production, which is dependent on reference oil prices and capital and operational spending levels, is expected to average approximately 19,500 bpd for the year. Net production in Spain and Pakistan is projected to reach approximately 470 bpd and 400 boepd respectively. Estimated capital expenditures for 2008 are approximately $150 million, with $50 million expected in the second quarter.

Highlights

- Record quarterly revenue of $87.5 million
- Record EBITDA of $68.0 million
- Consistent production levels maintained

Financial Analysis

	Q1 2008	Q1 2007
Revenue	**$ 87.5**	$ 58.4
Operating costs	**(11.1)**	(9.2)
General and administrative costs	**(8.4)**	(8.1)
EBITDA[1]	**68.0**	41.1
Depletion, amortization and accretion	**(23.7)**	(23.1)
Operating earnings [1]	**$ 44.3**	$ 18.0

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

Revenue for the first quarter of 2008 was significantly higher than the first quarter of 2007 primarily due to the continued strength of worldwide oil prices, partially offset by a strengthening of the Canadian dollar relative to the U.S. dollar. Under the terms of the Cuban production-sharing contracts, Sherritt is allocated between 40% and 70% of gross production for the recovery of capital and operating costs incurred through operations during the period. To the extent that recoverable costs exceed the maximum percentage assigned to that production-sharing contract, any excess is carried forward for future recovery. After the allowance for cost recovery is deducted from the gross production, the remaining production is shared between Sherritt and an agency of the Government of Cuba (CUPET) as negotiated in the production-sharing contract. In Spain and Pakistan, state oil companies have exercised rights under the concession agreements to acquire a specified percentage of the working interest as joint venture partners. Under the terms of petroleum regulations in Spain, once these rights have been exercised, no royalty is payable to the Government of Spain. In Pakistan, the joint venture partners pay a royalty on gross production to the Government of Pakistan.

Operating costs for the first quarter of 2008 increased over the first quarter of 2007 mainly due to higher repair and maintenance costs on Sherritt operated assets, vehicles and equipment, higher production rates on fields with higher treatment and transportation rates and general inflationary pressures that have been placed on the industry due to higher oil prices experienced over the past several quarters.

General and administrative costs were marginally higher than the first quarter of 2007 as changes made in the various general and administrative departments in early 2007 have been effective in controlling expenditures.

Oil and Gas achieved record EBITDA for the fourth consecutive quarter. EBITDA of $68.0 million for the first quarter of 2008 was primarily due to higher average realized oil and gas prices.

The depletion rates in Cuba, on a per barrel basis, have increased from the first quarter of 2007 due to the inclusion of costs for wells drilled in prior periods that had been previously excluded from the depletable pool. The depletion rate for the Spanish operations has declined marginally, which is reflective of the age of the field and the level of capital investment into the field in recent years. The depletion rates for Pakistan have remained consistent with the first quarter of 2007.

Prices	**Q1 2008**	Q1 2007
Average realized prices :		
Cuba ($/barrel)	**$ 51.34**	$ 34.52
Spain ($/barrel)	**97.32**	67.10
Pakistan ($/boe) (1)	**7.07**	9.06
Reference price (U.S.$/barrel)		
Gulf Coast Fuel Oil No. 6	**69.59**	38.89
Brent	**97.35**	57.69

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

Cuban oil average realized prices increased by $16.82 per barrel from the first quarter of 2007 due to the increase in the Gulf Coast Fuel Oil No. 6 reference price, partially offset by the strengthening of the Canadian dollar against the U.S. dollar.

Average realized prices for Spanish production increased due to the impact of higher Brent reference prices. Natural gas selling prices in Pakistan are indexed to international crude oil prices. The decrease in average realized prices for the first quarter of 2008 compared to first quarter of 2007 is due to the inclusion of royalties netted against revenue in 2008 which were not recognized in the revenue stream until mid 2007.

Daily Production Volumes [1] [2]	**Q1 2008**	Q1 2007
Gross working-interest oil production in Cuba[3] [5]	**31,005**	29,759
Net oil production [4]		
Cuba (heavy oil)		
Cost recovery [5]	**8,045**	9,051
Profit oil [5]	**9,427**	8,456
Total	**17,472**	17,507
Spain (light / medium oil) [4]	**495**	476
Pakistan (natural gas) [4]	**398**	409
Total	**18,365**	18,392

(1) Production figures exclude production from wells for which commerciality has not been established.
(2) Oil production is stated in barrels per day ("bpd"). Natural gas production is stated in barrels of oil equivalent per day ("boepd"), which is converted at 6,000 cubic feet per boepd.
(3) In Cuba, Oil and Gas delivered all of its gross working-interest oil production during 2007 to CUPET at the time of production. Gross working-interest oil production excludes (i) production from wells for which commerciality has not been established in accordance with production-sharing contracts; and (ii) working interests of other participants in the production-sharing contracts.
(4) Net production (equivalent to net sales volume) represents the Corporation's share of gross working-interest production. In Spain and Pakistan, net oil production volumes equal 100% of gross working-interest production volumes.
(5) Gross working-interest oil production is allocated between Oil and Gas and CUPET in accordance with production-sharing contracts. The Corporation's share, referred to as 'net oil production', includes (i) cost recovery oil (based upon the recoverable capital and operating costs incurred by Oil and Gas under each production-sharing contract) and (ii) a percentage of profit oil (gross working-interest production remaining after cost recovery oil is allocated to Oil and Gas). Cost recovery pools for each production-sharing contract include cumulative recoverable costs, subject to certification by CUPET, less cumulative proceeds from cost recovery oil allocated to Oil and Gas. Cost recovery revenue equals capital and operating costs eligible for recovery under the production-sharing contracts. Therefore, cost recovery oil volumes increase as a result of higher capital expenditures and decrease when selling prices increase. When oil prices increase, the resulting reduction in cost recovery oil volumes is partially offset by an increase in profit oil barrels.

Gross working-interest oil production in Cuba typically decreases over time due to natural reservoir declines, which vary from field to field. Through its ongoing exploration and development programs, the Corporation expects to maintain its current level of production via new oil wells, workovers and other production enhancement initiatives. Gross working-interest oil production in Cuba for the first quarter of 2008 was 1,246 bpd higher than the first quarter of 2007 as natural reservoir declines were offset by production from new oil wells. Total net production allocated under the Cuban production-sharing contracts in the first quarter of 2008 compared to the first quarter of 2007 as lower cost recovery barrels received due to the effect of higher average realized prices was largely offset by an increase in profit oil barrels. Production from both the Badar gas field in Pakistan and from Spain remained steady compared to the first quarter of 2007.

Capital Expenditures	**Q1 2008**	Q1 2007
Development and facilities	**$ 22.7**	$ 45.2
Exploration	**1.6**	2.1
	$ 24.3	$ 47.3

Capital expenditures are mainly in support of development and exploration drilling along with facility construction. The decrease in development and facility expenditures of $22.5 million was primarily due to capital assets of $18.1 million purchased from the Corporation's joint venture partner when the Corporation became the operator of the Santa Cruz field in the first quarter of 2007. During the first quarter of 2008, four development wells and one exploration well were initiated and 3 development wells were completed.

During the quarter, Sherritt agreed to proceed with the Enhanced Oil Recovery pilot phase, with an estimated capital cost of U.S. $15 million. The pilot phase will be conducted using carbon dioxide injection to increase the amount of oil extracted from the Varadero field. Following preliminary technical results, expected in 2009, the Corporation and its Cuban partner will determine the most effective and economic technique for the commercial scale operation. Sherritt has also agreed in principle to enter into a Production Sharing Contract for Block 8. The Corporation also relinquished Block 9 (including the Majaguillar field) as the prospective reserves were insufficient to justify a large scale commercial development.

Unit Operating Costs	**Q1 2008**	Q1 2007
Operating cost ($ per boe)	**$ 6.66**	$ 5.59

On a per barrel basis, operating costs increased by $1.07 per net barrel from the first quarter of 2007 due to increased repair and maintenance activities, higher overall treatment and transportation costs as increased levels of production are being generated from fields with higher treatment and transportation rates and general inflationary pressures that are being experienced in the industry due to the recent rise in oil prices.

Power

Power continues to focus on the effective utilization of energy resources in the production of electricity and is currently involved in the construction and operation of electricity generating facilities in Cuba. These facilities derive both an economic and environmental benefit from processing natural gas produced in Cuba, which may otherwise be flared.

Power is well positioned to lever the experience gained in the construction and operation of power plants to acquire, build and operate natural gas, fuel oil or coal-based energy facilities. Power is actively pursuing opportunities to expand its scope of operations.

Power conducts business in Cuba through Energas, a Cuban entity in which Power holds a one-third equity interest. Each of two Cuban agencies also holds a one-third equity interest in Energas. Energas supplies electricity to one of these Cuban agencies under long-term fixed-price contracts. The other Cuban agency supplies natural gas to Energas at no cost.

Outlook for 2008

Electricity production in 2008 is expected to be 2,400 GWh, with 565 GWh estimated in the second quarter.

Sherritt continues to proceed with its 150 MW Boca de Jaruco combined cycle expansion project, with procurement of the major components expected to commence during the second quarter. Capital expenditures for the second quarter will be dependent on the final payment terms negotiated with vendors, but are expected to be in the range of approximately $15 – $20 million. Consistent with previous guidance, 2008 expenditures on this project will be approximately $59 million, while the total expected project cost remains at approximately $247 million. Pricing for most of the major components has been confirmed and should be finalized over the next several weeks. Sherritt expects to complete the project in late 2010.

During the first quarter, Sherritt signed a memorandum of understanding with the Government of Madagascar to develop up to 100 MW of thermal and hydro power generating capacity, which is in addition to the power plant dedicated to the Ambatovy Joint Venture. Sherritt expects to finalize terms for at least 25 MW of thermal generating capacity in the second quarter, with commissioning expected by early 2009.

The United Nations agency that administers the Clean Development Mechanism process under the Kyoto Protocol, has registered the Varadero combined cycle facility. Sherritt and its partners are in the process of applying to receive Certified Emission Reduction Credits which can be sold to third parties. The facility is expected to generate approximately 300,000 credits annually.

Highlights

- Electricity production increased by 23% over Q1 2007
- Record EBITDA of $23.8 million
- Signed Memorandum of Understanding (MOU) to develop 100 MW of thermal and hydro power projects in Madagascar
- Engineering and procurement for 150 MW Boca de Jaruco combined cycle project progressed well

Financial Analysis

Energas is a variable interest entity of which Sherritt is the primary beneficiary. Accordingly, the results of Energas are shown on a consolidated basis and the two-thirds non-controlling interest in Energas is disclosed separately in the financial statements.

	Q1 2008	Q1 2007
Revenue	**$ 29.8**	$ 27.9
Operating costs	**(5.1)**	(6.8)
General and administrative costs	**(0.9)**	(0.9)
EBITDA[1]	**23.8**	20.2
Depletion, amortization and accretion	**(7.5)**	(6.0)
Operating earnings [1]	**$ 16.3**	$ 14.2

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

Revenue for the first quarter of 2008 increased mainly due to higher electricity production resulting from the addition of 65 MW of capacity in the second quarter of 2007, partially offset by lower average realized prices as a result of the strengthening of the Canadian dollar compared to the U.S. dollar. By-product and miscellaneous revenue of $5.5 million increased by $0.4 million compared to the first quarter of 2007 mainly due to higher sales volumes for by-products.

Operating costs were lower during the first quarter of 2008 compared with the same quarter in 2007 as a scheduled maintenance project was deferred to the second quarter and recoveries for a business interruption insurance claim were accrued, related to a turbine that is out of service due to a fire late in 2007. This unit is expected to return to service early in Q3. General and administrative costs were unchanged from the first quarter of 2007.

Power achieved record EBITDA for the first quarter of 2008 primarily due to stronger electricity production and lower operating costs, partially offset by lower average realized prices as noted above.

Depletion, amortization and accretion was higher in the first quarter of 2008 as a result of the increase in capacity.

Prices	**Q1 2008**	Q1 2007
Average realized prices ($/MWh) [1]	**$ 40.62**	$ 46.77

(1) Megawatt hours (MWh).

The tariff for electricity sales is fixed by long-term U.S. dollar contracts. Following the repayment of financing and land rights in respect of the base facilities of 226 MW in 2005, the tariff for electricity produced from these facilities was reduced from U.S. $45 per MWh to U.S. $38 per MWh. Production from the two recent expansions totalling 150 MW receives a tariff of U.S. $45 per MWh until the associated financing and land rights are fully repaid. The addition of the 150 MW combined cycle at Boca de Jaruco will extend the repayment of financing until approximately 2013.

The decrease in average realized prices for the quarter was mainly due to the strengthening of the Canadian dollar, partially offset by a higher proportion of electricity sales from the recent expansions, which receive a higher tariff.

Production	Q1 2008	Q1 2007
Electricity sold (GWh) [1]	**597**	487

(1) Gigawatt hours (GWh)

Electricity sales volumes were higher in the first quarter of 2008 as the 65 MW phase 7 facilities commenced operations during the second quarter of 2007. One turbine was out of service for the first quarter of 2008 due to a fire late in 2007. The unit is expected to return to service early in the third quarter.

Capital Expenditures	Q1 2008	Q1 2007
Sustaining	**$ 1.7**	$ 1.7
Growth	**2.1**	8.4
	$ 3.8	$ 10.1

Capital expenditures during the first quarter were minimal as phase 8 activity was focused on engineering and negotiating terms for major components. Capital expenditures in the first quarter of 2007 were primarily directed to the phase 7 expansion project.

Unit Operating Costs	Q1 2008	Q1 2007
Operating cost ($ per MWh)	**$ 8.55**	$ 14.02

Operating costs per MWh for the quarter decreased from the first quarter of 2007 mainly due to increased production and the deferral of scheduled maintenance to the second quarter.

Other

Technologies

The Technologies division provides assistance to mining and refining companies in the evaluation, design, construction, implementation and operation of processes for the treatment of metal-bearing materials. The basis of the division's business is its body of proprietary technology and expertise, developed through more than 50 years of research, development and commercial process implementation in the field of hydrometallurgy, which the Corporation customizes and licenses for use by clients. The division is also developing innovative clean-coal technologies to upgrade low-grade coals in an efficient and environmentally responsible manner.

Revenue from the Technologies division was $2.7 million in the first quarter of 2008 compared to $nil in the first quarter of 2007 and includes the former Dynatec Metallurgical Technologies division's operations.

Non-GAAP Measures

The Corporation uses a number of financial measures to assess the performance of its businesses. Some measures are calculated in accordance with Canadian generally accepted accounting principles (GAAP), while others do not have a standardized meaning under GAAP, and, accordingly, these measures, described below, may not be comparable to similar measures used by other companies. Investors may find these non-GAAP measures useful in analyzing financial performance but should not be considered in isolation as a substitute for measures of performance prepared in accordance with GAAP.

Earnings before interest, taxes, depreciation and amortization (EBITDA) and operating earnings do not have a standardized meaning prescribed by Canadian GAAP. EBITDA is defined as revenue less operating (excluding depreciation in operating costs), selling, general and administrative costs. Operating earnings is defined as EBITDA less depletion, amortization, accretion and depreciation included in operating costs.

On adoption of CICA Section 3031 "Inventories" effective January 1, 2008, the Corporation has included depreciation from production related depreciable assets in inventories. For the three months ended March 31, 2008, an adjustment has been made to EBITDA to remove depreciation expense included in operating costs on sale of such inventories.

Reconciliation of Non-GAAP Measures

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

	Q1 2008	Q1 2007
Revenue	**$ 314.2**	$ 310.1
Operating, selling and general and administrative costs	**143.5**	137.2
	170.7	172.9
Add: Depreciation included in operating costs	**5.0**	-
EBITDA	**175.7**	172.9
Less:		
Depreciation included in operating costs	**5.0**	-
Depletion, amortization and accretion	**34.7**	38.5
Operating earnings	**$ 136.0**	$ 134.4
Net financing income (expense)	**0.9**	(0.8)
Share of earnings from equity-accounted investment	**6.4**	6.9
Earnings from continuing operations before income taxes and non-controlling interests	**$ 143.3**	$ 140.5

Summary of Quarterly Results (unaudited)

The following table presents a summary of the consolidated operating results by segment for each of the eight quarters from June 2006 to March 2008.

	Quarter Ended							
	March 2008	December 2007	September 2007	June 2007	March 2007	December 2006	September 2006	June 2006
Revenue								
Metals	**$ 162.3**	$ 176.9	$ 150.7	$ 274.1	$ 204.0	$ 192.3	$ 148.0	$ 120.3
Coal (1)	**30.9**	23.2	28.1	24.6	19.8	17.1	29.1	73.2
Oil and Gas	**87.5**	85.9	81.5	77.7	58.4	68.7	65.1	69.6
Power	**29.8**	29.9	31.6	28.3	27.9	26.1	29.0	28.4
Corporate and other	**3.7**	7.7	9.4	0.7	-	-	-	-
	$ 314.2	$ 323.6	$ 301.3	$ 405.4	$ 310.1	$ 304.2	$ 271.2	$ 291.5
Earnings from continuing operations	**$ 89.2**	$ 83.1	$ 66.1	132.4	$ 89.1	$ 77.8	$ 73.2	$ 56.6
Earnings (loss) from discontinued operation	**(0.2)**	0.4	(0.7)	-	-	0.8	0.9	0.6
Net earnings	**89.0**	83.5	65.4	132.4	89.1	78.6	74.1	57.2
Earnings from continuing operations per share								
Basic	**0.38**	0.36	0.28	0.72	0.52	0.50	0.48	0.38
Diluted	**0.38**	0.36	0.28	0.72	0.52	0.47	0.42	0.33
Earnings from discontinued operation per share								
Basic	**-**	-	-	-	-	0.01	0.01	-
Diluted	**-**	-	-	-	-	-	0.01	-
Earnings per share								
Basic	**0.38**	0.36	0.28	0.72	0.52	0.51	0.49	0.38
Diluted	**0.38**	0.36	0.28	0.72	0.52	0.47	0.43	0.33

(1) Coal results include the Corporation's 50% proportionate interest in the Coal Valley export thermal coal mine and other coal development assets.

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

Risk Management

Sherritt manages a number of risks in each of its businesses in order to achieve an acceptable level of risk while maintaining the ability to maximize returns. Management has developed procedures to identify and manage significant operational and financial risks. The risk factors are set forth in the "Risk Management" section of the Corporation's 2007 Annual Report as well as in the Annual Information Form filed on www.sedar.com.

Changes in Significant Accounting Policies

Capital Disclosures

On January 1, 2008, the Corporation adopted CICA Handbook Section 1535, Capital Disclosures, which specifies the disclosure of an entity's objectives, policies and processes for managing capital and how it is meeting those objectives. As a result of implementing this standard, the Corporation has included additional disclosures in note 21 of the interim consolidated financial statements in this interim report.

Financial Instruments – Disclosure and Presentation

Effective January 1, 2008, the Corporation adopted the new recommendations of CICA Handbook Section 3862, Financial Instruments - Disclosure (Section 3862) and Section 3863, Financial Instruments - Presentation (Section 3863), which replace Section 3861, Financial Instruments - Disclosure and Presentation. The objective of the disclosure requirements of Section 3862 is to provide information about the significance of financial instruments on the Corporation's financial position and performance, the nature and extent of risks arising from financial instruments to which the Corporation is exposed and how the Corporation manages those risks. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, distributions, losses and gains, and circumstances in which financial assets and financial liabilities are offset.

The adoption of these standards did not have an impact on the classification and valuation of financial instruments in the Corporation's interim consolidated financial statements. As a result of implementing these standards, the Corporation has included additional disclosure in note 19 of its interim consolidated financial statements.

Inventories

Effective January 1, 2008, the Corporation adopted the CICA Handbook Section 3031, "Inventories", which replaced the old Section 3030, "Inventories". Under the new section, inventories are required to be measured at the "lower of cost and net realizable value", which is different from the existing guidance of the "lower of cost and market". The new section also requires, when applicable, the reversal of any write-downs previously recognized.

This section has been applied prospectively by the Corporation. On adoption, the Corporation has recorded a $3.2 million ($2.7 million after-tax) increase to opening inventories with an adjustment to opening retained earnings to increase the cost of inventory under this new standard. In addition, the Corporation has reclassified $10.2 million of long-term spare parts from other assets to capital assets as at March 31, 2008. Depreciation and amortization of $5.0 million has been reclassified to operating expenses within Operating, selling, and general and administrative expenses for the three months ended March 31, 2008.

General Standards of Financial Statement Presentation

In June 2007, the CICA amended Section 1400, General Standards of Financial Statement Presentation to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The amendments to Section 1400 apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

The adoption of this standard has had no impact on the Corporation's presentation of its financial position or consolidated results of operations as at March 31, 2008 and for the three month period then ended.

For a description of the other principal changes on adoption of these new standards and for further details on changes in significant accounting policies, refer to note 2 to the interim consolidated financial statements for three month period ended March 31, 2008.

Future Changes in Significant Accounting Policies

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Corporation will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Corporation is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements. The Corporation does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards (IFRS) over a transitional period to 2011. In April 2008, the AcSB issued an exposure draft which requires IFRS to replace Canadian GAAP for interim and annual financial periods beginning on or after January 1, 2011, including comparative figures. The impact of this transition on the Corporation's consolidated financial statements has not been determined; however, management has identified that the accounting for its joint ventures in Metals and Coal and full-cost method of accounting in Oil and Gas may be subject to change on convergence with International Financial Reporting Standards. Management continues to monitor these developments.

Critical Accounting Estimates

The preparation of financial statements requires the Corporation to estimate the effect of various matters that are inherently uncertain as of the date of the financial statements. Each of these required estimates varies with respect to the level of judgment involved and the potential impact on the Corporation's reported financial results. Estimates are deemed critical when the Corporation's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. The Corporation's significant accounting policies, including critical accounting policies that require critical accounting estimates are discussed in note 2 of the 2007 interim consolidated financial statements.

Comparative Amounts

Certain comparative amounts have been restated to conform to the presentation in the current period.

Off Balance Sheet Arrangements

Financial Instruments

As at March 31, 2008, the Corporation had no outstanding foreign exchange or commodity options, futures or forward contracts.

Transactions with Related Parties

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

The total value of all goods and services, including labour services, that the Corporation and its subsidiaries provided to joint ventures and its affiliate in the first quarter of 2008 amounted to $24.7 million (2007 - $27.3 million). The total value of goods and services purchased from joint ventures in the first quarter 2008 was $15.5 million (2006 - $2.0 million).

Accounts receivable from joint ventures and Royal Utilities as at March 31, 2008, totalled $9.5 million (2007 - $11.1 million). Accounts payable to joint ventures as at March 31, 2008 totalled $0.3 million (2007 - $7.3 million).

Commitments

The Corporation is committed to purchases of equipment and services in the amount of $1,677.4 million. As the Power and Metals expansions progress, the Corporation expects to enter into additional commitments.

Additional Information

Share Capital

As at March 31, 2008 and April 25, 2008, the Corporation had 258,059,308 and 260,336,259 common shares outstanding, respectively.

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. Management, with the participation of the certifying officers, has evaluated the effectiveness of the design and operation, as of March 31, 2008, of the Corporation's disclosure controls and procedures (as defined by the Canadian Securities Administrators). Based on that evaluation, the certifying officers have concluded that such disclosure controls and procedures are effective and designed to ensure that material information relating to the Corporation and its subsidiaries is known to them by others within those entities.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and compliance with Canadian generally accepted accounting principles in the financial statements. Management has evaluated the design of internal controls over financial reporting and has concluded that such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in Canada. In addition, there have been no changes in the Corporation's internal control over financial reporting during the period ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

(This page has been left blank intentionally.)

Sherritt International Corporation

Interim Consolidated Financial Statements
(unaudited)

Three Months Ended March 31, 2008

Sherritt International Corporation
First Quarter Report

Interim Consolidated Financial Statements

Consolidated Balance Sheets	1
Consolidated Statements of Operations	2
Consolidated Statements of Retained Earnings	3
Consolidated Statements of Comprehensive Income	3
Consolidated Statements of Cash Flow	4
Notes to Interim Consolidated Financial Statements	5

CONSOLIDATED BALANCE SHEETS

(unaudited)

[$ millions]	March 31, 2008	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 710.5	$ 355.2
Restricted cash	49.9	31.4
Short-term investments	-	103.5
Advances and loans receivable (note 6)	66.2	51.5
Accounts receivable, net	463.0	495.1
Inventories (note 7)	132.5	94.0
Prepaid expenses	12.6	11.2
Future income taxes	28.3	24.9
Assets of discontinued operation (note 4)	2.7	2.2
	1,465.7	1,169.0
Capital assets	3,844.4	3,282.2
Investments (note 5)	401.6	404.8
Future income taxes	34.7	35.3
Other assets (note 6)	281.1	197.0
Goodwill	388.9	373.8
Assets of discontinued operation (note 4)	2.5	2.4
	$ 6,418.9	$ 5,464.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt	$ 52.8	$ 52.8
Accounts payable and accrued liabilities	655.7	467.6
Deferred revenue	45.3	29.9
Long-term debt and other long-term liabilities (note 9)	15.5	15.3
Asset retirement obligations (note 10)	5.8	5.0
Future income taxes	3.3	3.2
Liabilities of discontinued operation (note 4)	1.2	3.2
	779.6	577.0
Long-term debt and other long-term liabilities (note 9)	614.1	589.8
Asset retirement obligations (note 10)	73.0	68.4
Future income taxes	394.1	375.7
Liabilities of discontinued operation (note 4)	1.2	1.2
	1,862.0	1,612.1
Non-controlling interests	1,314.7	1,202.3
Commitments (note 16)		
Shareholders' equity		
Capital stock (note 11)	2,240.2	1,857.2
Contributed surplus (note 13)	245.9	190.3
Retained earnings	916.0	833.6
Accumulated other comprehensive loss (note 20)	(159.9)	(231.0)
	756.1	602.6
	3,242.2	2,650.1
	$ 6,418.9	$ 5,464.5

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

CONSOLIDATED STATEMENTS OF OPERATIONS

[$ millions]	Three months ended March 31 (unaudited) 2008	2007
Revenue	**$ 314.2**	$ 310.1
Operating, selling, general and administrative expenses (note 2 (iii))	**143.5**	137.2
Earnings before undernoted items	**170.7**	172.9
Depletion, amortization and accretion (note 18)	**34.7**	38.5
Net financing (income) expense (note 14)	**(0.9)**	0.8
Share of earnings of equity-accounted investments	**(6.4)**	(6.9)
Earnings from continuing operations before income taxes and non-controlling interests	**143.3**	140.5
Income taxes (note 15)	**47.9**	46.0
Non-controlling interests	**6.2**	5.4
Earnings from continuing operations	**89.2**	89.1
Loss from discontinued operation (note 4)	**(0.2)**	-
Net earnings	**$ 89.0**	$ 89.1
Earnings from continuing operations per share (note 11)		
Basic	**$ 0.38**	$ 0.52
Diluted	**0.38**	0.52
Earnings per share (note 11)		
Basic	**$ 0.38**	$ 0.52
Diluted	**0.38**	0.52
Weighted average number of shares (millions of shares)		
Basic	**232.1**	172.0
Diluted	**236.7**	172.8

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

[$ millions]	Three months ended March 31 (unaudited) **2008**	2007
Beginning of period, as previously reported	**$ 833.6**	$ 500.1
Change in accounting policy (note 2)	**2.7**	(0.3)
Beginning of period, as restated	**836.3**	499.8
Net earnings	**89.0**	89.1
Dividends on common shares	**(9.3)**	(5.2)
End of period	**$ 916.0**	$ 583.7

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[$ millions]	Three months ended March 31 (unaudited) **2008**	2007
Net earnings	**$ 89.0**	$ 89.1
Other comprehensive income (loss) (note 20)		
Unrealized foreign currency gain (loss) on self-sustaining foreign operations	**71.1**	(7.9)
Comprehensive income	**$ 160.1**	$ 81.2

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

CONSOLIDATED STATEMENTS OF CASH FLOW

[$ millions]	Three months ended March 31 (unaudited) 2008	2007
Operating activities		
Net earnings from continuing operations	**$ 89.2**	$ 89.1
Add (deduct)		
Non-controlling interests	**6.2**	5.4
Depletion, amortization and accretion (note 18)	**39.7**	38.5
Amortization of financing costs	**0.2**	0.1
Stock-based compensation expense	**3.8**	15.5
Pension expense	**0.4**	1.2
Share of earnings of equity-accounted investments	**(6.4)**	(6.9)
Future income taxes (note 15)	**2.6**	(15.9)
Foreign exchange (gain) loss	**(5.1)**	1.7
Asset retirement obligations	**(0.4)**	(0.8)
Other items	**(0.2)**	(0.8)
	130.0	127.1
Net decrease in non-cash working capital (note 17)	**19.9**	8.2
Cash provided by continuing operations	**149.9**	135.3
Cash provided by discontinued operation	**1.6**	-
Cash provided by operating activities	**151.5**	135.3
Investing activities		
Capital expenditures	**(462.2)**	(88.9)
Other assets	**(45.2)**	(12.6)
Restricted cash	**(18.1)**	(2.3)
Net proceeds from sale of capital assets	**0.1**	-
Short-term investments	**103.5**	(6.9)
Distribution from investment	**9.7**	9.7
Net change in non-cash capital expenditures	**168.5**	(5.3)
Cash used for investing activities	**(243.7)**	(106.3)
Financing activities		
Decrease in short-term debt	**-**	(29.0)
Payment of long-term debt	**(3.7)**	(4.0)
Increase in long-term debt	**19.3**	34.9
Contribution from partners	**58.5**	-
Issuance of common shares	**384.1**	-
Dividends paid to non-controlling interest	**(5.0)**	(6.5)
Dividends paid	**(8.3)**	(5.2)
Cash provided by (used for) financing activities	**444.9**	(9.8)
Cash used for discontinued operation	**(1.8)**	-
Cash provided by (used for) financing activities	**443.1**	(9.8)
Effect of exchange rate changes on cash and cash equivalents	**4.1**	(0.2)
Increase in cash and cash equivalents	**355.0**	19.0
Cash and cash equivalents at beginning of period	**355.7**	353.3
Cash and cash equivalents at end of period	**$ 710.7**	$ 372.3
Consist of:		
Cash and cash equivalents of continuing operations	**710.5**	372.3
Cash and cash equivalents of discontinued operation (note 4)	**0.2**	-
Cash and cash equivalents at end of period	**$ 710.7**	$ 372.3

	2008	2007
Supplementary Cash Flow Information		
Cash received for interest	**$ 5.3**	$ 3.1
Cash paid for interest on debt	**2.1**	2.0
Cash paid for income taxes	**86.2**	46.8
Cash and cash equivalents of continuing operations consist of:		
Cash on hand and balances with banks	**$ 72.4**	$ 70.8
Cash equivalents	**638.3**	301.5
	$ 710.7	$ 372.3

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

1. Summary of accounting policies

These interim consolidated financial statements have been prepared on a basis consistent with that followed in the consolidated financial statements of Sherritt International Corporation (the Corporation or Sherritt) for the year ended December 31, 2007, with the exception of the changes disclosed in note 2. The disclosures contained in these interim consolidated financial statements do not include all requirements of Canadian generally accepted accounting principles for annual financial statements. Accordingly, the interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2007.

2. Accounting changes

i. Effective January 1, 2008, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, “Financial Instruments – Disclosure” (Section 3862) and Section 3863, “Financial Instruments – Presentation” (Section 3863), which replaced Handbook Section 3861, “Financial Instruments - Disclosure and Presentation”. The objective of the disclosure requirements of Section 3862 is to provide information about the significance of financial instruments to the Corporation's financial position and performance, the nature and extent of risks arising from financial instruments to which the Corporation is exposed and how the Corporation manages those risks. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset.

   The adoption of these standards did not have an impact on the classification and valuation of financial instruments. The new disclosures resulting from adoption of these standards are included in note 19.

ii. Effective January 1, 2008, the Corporation adopted the CICA Handbook Section 1535, “Capital Disclosures” which specifies the disclosure of an entity’s objectives, policies and processes for managing capital and how it is meeting those objectives. The new disclosures resulting from adoption of this standard are included in note 21.

iii. Effective January 1, 2008, the Corporation adopted the CICA Handbook Section 3031, “Inventories”, which replaced Section 3030, “Inventories”. Under the new section, inventories are required to be measured at the “lower of cost and net realizable value”, which is different from the existing guidance of the “lower of cost and market”. The new section also requires, when applicable, the reversal of any inventory write-downs previously recognized.

   This section has been applied prospectively by the Corporation. On adoption, the Corporation has recorded a $3.2 million ($2.7 million after-tax) increase to opening inventories with an adjustment to opening retained earnings to increase the cost of inventory under this new standard. In addition, the Corporation has reclassified $10.2 million of long-term spare parts from other assets to capital assets as at March 31, 2008. Depreciation and amortization of $5.0 million has been reclassified to operating expenses within Operating, selling, and general and administrative expenses for the three months ended March 31, 2008.

2. Accounting changes (continued)

iv. In June 2007, the CICA amended Section 1400, "General Standards of Financial Statement Presentation" to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The amendments to Section 1400 apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this standard had no impact on the Corporation's presentation of its financial position or consolidated results of operations as at March 31, 2008 and for the three-month period then ended.

v. In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and development costs". The Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Corporation will adopt the standards for its fiscal year beginning January 1, 2009. The new standard establishes the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The Corporation does not expect that the adoption of this Section will have a material impact on its consolidated financial statements.

vi. In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards (IFRS) over a transitional period currently expected to be until 2011. In April 2008, the AcSB issued an exposure draft which requires IFRS to replace Canadian GAAP for interim and annual financial periods beginning on or after January 1, 2011, including comparative figures. The impact of this transition on the Corporation's consolidated financial statements is still being determined; however, management has identified that the accounting for its joint ventures in Metals and Coal and full-cost method of accounting in Oil and Gas may be subject to change on convergence with International Financial Reporting Standards. Management continues to monitor these developments.

vii. On adoption of CICA Section 3855 "Financial Instruments – Recognition and Measurement" on January 1, 2007, the Corporation recorded an opening retained earnings transitional adjustment of $0.3 million pertaining to the use of the effective interest rate method in amortizing transaction costs on financial instruments.

3. Ambatovy Project

The Corporation has a 40% indirect equity interest in the Madagascar project companies, Ambatovy Minerals S.A. and Dynatec Madagascar S.A. (collectively referred to as the Ambatovy Joint Venture). The Ambatovy Joint Venture owns the Ambatovy exploration permits in Madagascar, which consists of ore deposits containing nickel and cobalt, and has embarked on a project to explore, develop and exploit the associated mineral rights and process, market and sell the ores mined (the Ambatovy Project).

On October 18, 2006, a shareholders agreement (the Shareholders' Agreement) was entered into by Dynatec Corporation (Dynatec), Sumitomo Corporation (Sumitomo), Korea Resources Corporation (Kores) and SNC-Lavalin Inc. (SNC-Lavalin) establishing the shareholder structure for the Ambatovy Joint Venture.

In August 2007, agreements for U.S.$2.1 billion limited recourse project financing, with an approximate duration of 17 years, were executed by the Ambatovy Joint Venture with a group of international lenders. During the first quarter, the conditions precedent to the initial drawdown of the project financing were all satisfied or waived. Consequently, the Ambatovy Joint Venture delivered a notice of borrowing to the lenders for the initial drawdown of approximately U.S.$447 million, which was received in the first week of April 2008.

Pursuant to the Shareholders' Agreement, prior to the initial drawdown of the project financing, Sherritt funded 45% of the cash calls from the Ambatovy Joint Venture, which included funding in respect of SNC-Lavalin's 5% interest in the Ambatovy Joint Venture. SNC-Lavalin deposited amounts equal to 5% of the cash calls in an escrow account. As at March 31, 2008, $27.7 million was held in the escrow account and recorded as Restricted Cash. Subsequent to the initial disbursement, the funds in escrow will be released to Sherritt pending assignment to SNC-Lavalin of an equivalent interest in the Ambatovy Joint Venture. For all future cash calls, SNC-Lavalin will fund its pro-rata share directly to the Ambatovy Joint Venture.

Sherritt has entered into cross-guarantee fee letters with Sumitomo and SNC-Lavalin in which Sherritt agreed to issue 3,773,107 common shares to Sumitomo and SNC-Lavalin in consideration for providing U.S.$598 million of cross-guarantees. Upon achieving initial disbursement, the Corporation recorded a guarantee fee asset (note 6) and contributed surplus (note 13) of $55.6 million. The 3,773,107 common shares associated with the cross-guarantee fees will be issued in four equal installments beginning on December 31, 2008. The impact has been included in the calculation of the diluted number of shares.

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

4. Discontinued operation

On June 14, 2007, the Corporation acquired Dynatec. Thereafter, the Corporation determined to sell Dynatec's Mining Services, Mineral Products and Coal-bed Methane divisions. Dynatec's Mining Services and Coal-bed Methane divisions were sold in 2007. As at March 31, 2008, only the Mineral Products division remained unsold and was classified as a discontinued operation.

The carrying value of the net assets related to the discontinued operation is as follows:

	March 31, 2008	December 31, 2007
Assets		
Current assets[1]	**$ 2.7**	$ 2.2
Capital assets	**1.3**	1.3
Other assets	**1.2**	1.1
Total assets	**5.2**	4.6
Liabilities		
Short-term debt	**0.2**	2.0
Current liabilities	**1.0**	1.2
Asset retirement obligations	**1.2**	1.2
Net assets of discontinued operation	**$ 2.8**	$ 0.2

(1) Current assets include cash and cash equivalents of $0.2 million and $0.5 million as at March 31, 2008 and December 31, 2007, respectively.

Loss from the discontinued operation for the three months ended March 31, 2008 is summarized as follows:

	Three months ended March 31, 2008
Revenue	**$ 1.3**
Operating, selling, general and administrative expenses	**1.5**
Loss before undernoted item	**(0.2)**
Depletion, amortization and accretion	**-**
Loss from operations before income taxes	**(0.2)**
Income taxes	**-**
Loss from discontinued operation	**(0.2)**
Earnings from discontinued operation per share	
Basic	**$ -**
Diluted	**-**

a) For the period ended March 31, 2007, there were no discontinued operations.

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

5. Investments

	March 31, 2008	December 31, 2007
Royal Utilities [(a)]	**$ 333.8**	$ 337.1
Asset-Backed Commercial Paper [(b)]	**44.6**	44.6
Other	**23.2**	23.1
	$ 401.6	$ 404.8

(a) The Corporation has a 41.2% direct interest in Royal Utilities Income Fund (Royal Utilities) (note 23). This investment is accounted for as a long-term investment in accordance with the equity method of accounting.

(b) Asset-Backed Commercial Paper (ABCP) of $44.6 million is net of a $14.9 million fair value adjustment. At the dates the Corporation acquired these investments they were rated R-1 by Dominion Bond Rating Service, the highest credit rating issued for commercial paper. The ABCP portfolio matured between mid-August 2007 and mid-September 2007, but was not repaid as a result of liquidity issues in the ABCP market. In, December 2007, a group of participants in the ABCP market, including banks, liquidity providers and major investors, known as the Pan-Canadian Investor Committee, proposed a restructuring for $32 billion of ABCP to be converted into long-term floating-rate notes (FRNs). On March 17, 2008, a court order was obtained through which the restructuring of the ABCP is expected to occur under the protection of the Companies' Creditors Arrangement Act. The investors voted on April 25, 2008 and approved the restructuring plan. Management continues to assess the impact on its investments in ABCP. The Corporation has classified the ABCP as long-term investments, after initially classifying them as cash and cash equivalents, as it is anticipated that this investment may be realized beyond a 365-day period.

In determining the fair value, the Corporation used discounted cash flows based on interest rates of medium-to long-term Government of Canada bonds, and management's best estimate of credit ratings and risk factors. The restructuring plan identifies three basic categories of restructured notes and the Corporation believes its holdings of these restructured notes will include traditional securitized assets ($1.0 million of the $59.5 million principal amount) which are expected to be paid out at par, notes backed by synthetic and hybrid assets ($51.7 million of the $59.5 million principal amount) with an average maturity of 8.5 years and ABCP backed, in whole or in part, by U.S. sub-prime assets, referred to as ineligible assets ($6.8 million of the $59.5 million principal amount) with maturities of between 8 and 20 years.

The discount rates used to determine the fair value of the new notes range from 6.25% to 8.00% for synthetic and hybrid assets and from 10.00% to 11.00% for ineligible assets.

The Corporation performed a sensitivity analysis of certain fair value assumptions. Based on a 10% favorable and unfavorable change in the expected term, discount rate or expected principal loss, the Corporation determined that the fair value adjustment could range from $12.1 million to $17.8 million.

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

6. Other assets

	March 31, 2008	December 31, 2007
Advances and loans receivable	**$ 199.1**	$ 152.6
Cross guarantee fee (note 3)	**55.6**	-
Notes receivable	**31.5**	33.2
Intangible assets	**29.5**	30.2
Progress payments and deposits	**1.1**	0.8
Long-term spare parts and equipment (note 2)	**-**	9.6
Pension asset	**6.2**	4.8
Deferred items	**2.2**	2.3
Other	**22.1**	15.0
	347.3	248.5
Current portion of advances and loans receivable	**(66.2)**	(51.5)
	$ 281.1	$ 197.0

7. Inventories

	March 31, 2008	December 31, 2007
Raw materials	**$ 7.6**	$ 3.7
Materials in process	**43.0**	29.3
Finished products	**36.7**	22.4
	87.3	55.4
Spare parts and operating materials	**45.2**	38.6
	$ 132.5	$ 94.0

Raw materials, materials in process, and finished products are valued at the lower of average production cost and net realizable value, with cost determined on a moving weighted average basis. Spare parts and operating materials are valued at the lower of average cost and replacement cost.

For the three months ended March 31, 2008, the cost of inventories recognized as expense and included in operating, selling, general and administrative expenses amounted to $99.4 million (2007 - $92.3 million).

8. Post-retirement benefits

The Corporation's pension expense for the three months ended March 31, 2008 was $1.8 million (2007 - $1.9 million).

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

9. Long-term debt and other long-term liabilities

	March 31, 2008	December 31, 2007
7.875% Senior unsecured debentures due 2012	**$ 264.7**	$ 264.3
8.25% Senior unsecured debentures due 2014	**221.0**	221.1
Loan from financial institution	**36.2**	38.9
Other	**90.8**	64.1
	612.7	588.4
Capital lease obligations	**16.5**	16.3
Other long-term liabilities	**0.4**	0.4
	629.6	605.1
Current portion of long-term debt	**(15.5)**	(15.3)
	$ 614.1	$ 589.8

Interest and accretion on long-term debt for the three months ended March 31, 2008 was $11.6 million (2007 - $5.5 million). The 7.875% senior unsecured debentures are net of deferred financing costs of $8.9 million as at March 31, 2008 (December 31, 2007 - $9.3 million).

10. Asset retirement obligations

Asset retirement obligations were recognized in respect of the mining operations of Metals and Coal, including associated infrastructure and buildings. Also, obligations were recorded for nickel and cobalt refining facilities, fertilizers and utilities facilities and oil and gas production facilities. Retirement of refinery, fertilizer and utility facilities, oil and gas production facilities, infrastructure and buildings normally takes place at the end of the asset's useful life. Reclamation of coal mining operations is typically carried out on a continuous basis over the life of each mine and is dependent on the rate that mining progresses over the area to be mined.

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

	Three months ended March 31, 2008	Year ended December 31, 2007
Balance, beginning of period	**$ 73.4**	$ 65.0
Additions to liabilities	**0.8**	12.0
Liabilities settled	**(0.5)**	(4.9)
Accretion expense	**1.2**	4.6
Change in foreign exchange rates	**3.9**	(3.3)
Balance, end of period	**78.8**	73.4
Current portion	**(5.8)**	(5.0)
	$ 73.0	$ 68.4

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

10. Asset retirement obligations (continued)

The Corporation has estimated the undiscounted cash flow required to settle the asset retirement obligations at approximately $220 million. Expenditures will be made on an ongoing basis over several decades and are expected to be funded by cash generated from operations. Credit adjusted discount rates from 4% to 9% were applied to expected future cash flows to determine the carrying value of the asset retirement obligations.

In view of the uncertainties concerning asset retirement obligations, the ultimate costs could be materially different from the amounts estimated. The estimate of the future asset retirement liabilities is subject to change based on amendments to applicable laws and legislation. Future changes in asset retirement liabilities, if any, could have a significant impact and would be reflected prospectively, as a change in accounting estimate.

11. Capital stock

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

	Number		Stated Capital	
	Three months ended March 31, 2008	Year ended December 31, 2007	**Three months ended March 31, 2008**	Year ended December 31, 2007
Balance, beginning of period	**231,809,308**	**172,011,570**	**$ 1,857.2**	$ 929.2
Shares issued:				
Acquisition of Dynatec	-	**61,439,408**	**-**	941.3
Share issuance	**26,250,000**	**-**	**383.0**	-
Share purchase plan	-	**89,930**	**-**	0.8
Repurchase of shares	-	**(1,836,600)**	**-**	(14.7)
Stock options exercised	-	**105,000**	**-**	0.6
Balance, end of period	**258,059,308**	**231,809,308**	**$ 2,240.2**	$ 1,857.2

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

11. Capital stock (continued)

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

	Three months ended March 31	
	2008	2007
Earnings from continuing operations	**$ 89.2**	$ 89.1
Loss from discontinued operation	**(0.2)**	-
Net earnings - basic	**89.0**	89.1
Net earnings – diluted	**89.0**	89.1
Loss from discontinued operation	**(0.2)**	-
Earnings from continuing operations - diluted	**$ 89.2**	$ 89.1
Weighted average number of common shares - basic	**232.1**	172.0
Weighted average effect of dilutive securities:		
Stock options	**0.8**	0.8
Cross guarantee (note 3)	**3.8**	-
Weighted average number of common shares - diluted	**236.7**	172.8
Earnings from continuing operations per common share		
Basic	**$ 0.38**	$ 0.52
Diluted	**0.38**	0.52
Earnings from discontinued operation per common share		
Basic	**$ -**	$ -
Diluted	**-**	-
Earnings per common share		
Basic	**$ 0.38**	$ 0.52
Diluted	**0.38**	0.52

On March 31, 2008, the Corporation closed an offering of 26,250,000 common shares at a price of $15.25 per common share, resulting in net proceeds of $383.0 million after deducting underwriters' fees of $16.2 million and transaction costs of $1.1 million. The Corporation has also granted the underwriters an over-allotment option, exercisable in whole or in part, to purchase up to an additional 3,937,500 common shares at the same price for a period of 30 days after closing. Subsequent to quarter end, on April 18, 2008, the underwriters exercised the over-allotment option to purchase an additional 2,276,951 common shares (note 23).

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

12. Stock-based Compensation Plans

The following is a summary of stock option activity during the three months ended March 31, 2008 and 2007:

	Three months ended March 31, 2008		Three months ended March 31, 2007	
	Options	**Weighted-average exercise price**	Options	Weighted-average exercise price
Outstanding at beginning of period	**3,255,000**	**$ 11.30**	2,451,667	$ 9.49
Granted	**-**	**-**	-	-
Exercised for cash	**(48,332)**	**6.28**	-	-
Forfeited	**(5,000)**	**10.34**	-	-
Outstanding at end of period	**3,201,668**	**11.32**	2,451,667	9.49
Options exercisable, end of period	**1,166,223**	**$ 8.77**	849,222	$ 7.63

As at March 31, 2008, 2,936,664 (2007 – 2,081,667) options with a share appreciation right (SAR) attachment remained outstanding for which the Corporation has recognized a compensation expense of $2.0 million for the three months ended March 31, 2008 (2007 – $5.5 million).

The Corporation also recorded a compensation expense of $1.8 million for the three months ended March 31, 2008 (2007 – $10.0 million) for the other stock-based compensation plans.

	Three months ended March 31, 2008		Three months ended March 31, 2007	
	SAR	**RSU/DSU**	SAR	RSU/DSU
Balance, beginning of period	**549,625**	**636,052**	2,132,750	485,332
Issued	**-**	**13,124**	-	12,988
Exercised	**(101,500)**	**-**	(163,125)	(160,712)
Forfeited	**-**	**(17,249)**	-	-
Outstanding at end of period	**448,125**	**631,927**	1,969,625	337,608
Units exercisable, end of period	**448,125**	**162,256**	1,969,625	166,248
Weighted-average exercise price	**$ 3.10**	**Not Applicable**	$ 5.08	Not Applicable

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

13. Contributed surplus

	Three months ended March 31, 2008	Year ended December 31, 2007
Balance, beginning of period	**$ 190.3**	$ 191.8
Repurchase of common shares	**-**	(1.5)
Cross-guarantee (note 3)	**55.6**	-
Balance, end of period	**$ 245.9**	$ 190.3

14. Net financing (income) expense

	Three months ended March 31	
	2008	2007
Interest income on cash, cash equivalents, short-term investments and loans receivable (note 19 (e))	**$ (6.5)**	$ (5.6)
Interest expense on debt	**11.6**	5.5
Foreign exchange (gains) losses	**(5.1)**	1.7
Other	**(0.9)**	(0.8)
	$ (0.9)	$ 0.8

15. Income taxes

	Three months ended March 31	
	2008	2007
Current	**$ 45.3**	$ 61.9
Future	**2.6**	(15.9)
	$ 47.9	$ 46.0

16. Commitments

As at March 31, 2008, the Corporation was committed to purchases of equipment and services in the amount of $1,677.4 million.

17. Net decrease in non-cash working capital

	Three months ended March 31	
	2008	2007
Accounts receivable	**$ 55.1**	$ (26.2)
Inventories	**(30.2)**	(20.1)
Prepaid expenses	**(0.2)**	(1.1)
Accounts payable and accrued liabilities	**(4.8)**	55.6
	$ 19.9	$ 8.2

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

18. Segmented information

Reference should be made to Sherritt's annual audited consolidated financial statements for a full description of operating segments.

Three months ended March 31, 2008

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

Three months ended March 31, 2007

	Metals	Oil and Gas	Power	Coal (1)	Corporate and Other	Consolidated
Revenue	$ 204.0	$ 58.4	$ 27.9	$ 19.8	$ -	$ 310.1
Operating, selling, general and administrative expenses	69.3	17.3	7.7	21.0	21.9	137.2
Earnings (loss) before undernoted items	134.7	41.1	20.2	(1.2)	(21.9)	172.9
Depletion, amortization and accretion	6.0	23.1	6.0	2.4	1.0	38.5
Share of earnings of equity accounted investments	-	-	-	6.9	-	6.9
Net financing expense						0.8
Income taxes						46.0
Non-controlling interests						5.4
Net earnings						89.1
Capital expenditures	31.0	47.3	10.1	0.4	0.1	88.9
Total Assets	$ 613.9	$ 702.4	$ 553.3	$ 443.0	$ 369.4	$ 2,682.0

(1) The Coal segment includes the Corporation's 50% proportionate interest in the Coal Valley export thermal coal mine and coal development assets. It also includes the equity-accounted interest in the earnings of Royal Utilities.
(2) Total assets include $5.2 million from the discontinued operation (note 4).
(3) Operating expenses include depreciation expense in the amount of $3.1 million in Metals and $1.9 million in Coal.

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

18. Segmented information (continued)

Three months ended March 31			**2008**		2007
	Goodwill (1)	**Revenue**	**Capital Assets**	Revenue	Capital Assets
Canada	**$ -**	**$ 20.2**	**$ 307.7**	$ 22.2	$ 252.4
Cuba	**-**	**113.9**	**998.2**	81.9	866.7
Africa	**388.9**	**-**	**2,526.1**	-	-
Europe	**-**	**72.3**	**5.6**	92.8	3.2
Asia	**-**	**92.2**	**6.7**	105.3	6.6
Other foreign countries	**-**	**15.6**	**0.1**	7.9	0.2
	$ 388.9	**$ 314.2**	**$ 3,844.4**	$ 310.1	$ 1,129.1

(1) As at March 31, 2007 there was no goodwill recorded by the corporation.

19. Financial Instruments and Financial Risk Management

(a) Financial instruments

The Corporation has classified financial instruments as follows:

	March 31, 2008	December 31, 2007
Financial assets:		
Held-for-trading, measured at fair value		
Cash and cash equivalents	**$ 710.5**	$ 355.2
Restricted cash	**49.9**	31.4
Short-term investments	**-**	103.5
Loans and receivables, measured at amortized costs		
Advances and loans receivable	**199.1**	152.6
Accounts receivable	**463.0**	495.1
Notes receivable	**31.5**	33.2
Financial liabilities:		
Other liabilities, measured at amortized costs		
Short-term debt	**$ 52.8**	$ 52.8
Accounts payable and accrued liabilities	**655.7**	467.6
Long-term debt and other long-term liabilities	**629.6**	605.1

The Corporation had no held-to-maturity financial instruments during the quarter ended March 31, 2008 or during the year ended December 31, 2007.

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

19. Financial Instruments and Financial Risk Management (continued)

(b) Short-term investments and cash equivalents

The Corporation's short-term investments, including short-term investments in cash and cash equivalents, are comprised of the following:

	March 31, 2008	December 31, 2007
Government of Canada Treasury bills	**$ 174.9**	$ 159.2
Bank term deposits	**15.0**	113.0
Bankers' acceptances	**448.4**	82.2
	$ 638.3	$ 354.4

(c) Allowance account for credit losses

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

	March 31, 2008	December 31, 2007
Trade receivables	**$ 387.0**	$ 367.2
Allowance for doubtful accounts	**(4.6)**	(4.6)
Other	**80.6**	132.5
	$ 463.0	$ 495.1

Of which:

	March 31, 2008	December 31, 2007
Not past due	**$ 388.8**	$ 413.0
Past due no more than 30 days	**26.5**	10.6
Past due for more than 30 days but no more than 60 days	**16.2**	4.9
Past due for more than 60 days	**31.5**	66.6
	$ 463.0	$ 495.1

As at March 31, 2008 approximately $74.2 million of accounts receivable was considered past due of which $31.5 million was more than 60 days old. Accounts receivable that are past due substantially relate to receivables in Oil and Gas and are in respect of cost recovery claims approved pursuant to Cuban production sharing contracts. These cost recovery claims are due from the joint operating partner on a block where Sherritt holds a participating interest and which are not subject to the payment pooling arrangement described in note 19 (f). These balances are not considered as past due until after 90 days but are not ultimately collected until the joint operating partner collects payment from an agency of the Cuban Government. Accounts receivable of the Corporation due from the same agency of the Cuban Government are not past due until after 180 days.The outstanding receivables in Oil and Gas are regularly reviewed by management and are monitored with the counterparties. All other accounts receivable amounts are current and wherever warranted, an allowance for doubtful accounts is provided (note 19(f)).

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

19. Financial Instruments and Financial Risk Management (continued)

(d) Fair values

As at March 31, 2008, the carrying values of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, short-term debt, accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

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

	March 31, 2008 Carrying Value	**March 31, 2008 Fair Value**	December 31, 2007 Carrying Value	December 31, 2007 Fair Value
Investment in Royal Utilities	**$ 333.8**	**$ 477.0**	$ 337.1	$ 430.7
7.875% senior unsecured debentures	**264.7**	**280.5**	264.3	275.1
8.25% senior unsecured debentures	**221.0**	**234.7**	221.1	226.8
Short-term investments	**-**	**-**	103.5	104.6

Fair values of investments are determined based on published bid prices at period end or the last trade closest to period end. Fair value for the senior unsecured debentures was based on the period-end asking prices. The Corporation believes that the fair values of other long-term debt approximate their carrying value. The fair value of a financial instrument on initial recognition is normally the transaction price, (i.e. the fair value of the consideration given or received). Fair values of loans and advances receivable are estimated based on discounted cash flows. Due to the use of judgment and uncertainties in the determination of the estimated fair values, these values should not be interpreted as being realizable in the immediate term.

Unutilized credit facilities as at March 31, 2008 were $114.5 million.

(e) Net investment income

The Corporation has recorded net investment income in relation to the following financial instruments:

	Three months ended March 31	
	2008	2007
Interest income earned on:		
Cash	**$ 0.2**	$ 0.1
Short-term investments	**2.8**	2.5
Advances	**1.4**	0.6
Receivables	**1.7**	1.3
Other	**0.4**	1.1
	$ 6.5	$ 5.6

19. Financial Instruments and Financial Risk Management (continued)

(f) Risk management policies and hedging activities

The Corporation is sensitive to changes in commodity prices, foreign exchange and interest rates. The Corporation's board of directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. Although the Corporation has the ability to address its price-related exposures through the use of options, futures and forward contacts, it does not generally enter into such arrangements. The Corporation reduces the business-cycle risks inherent in its commodity operations through industry diversification. Similarly, derivative financial instruments are not used to reduce these financial risks.

Credit risk

Credit risk on financial instruments arises from the potential for counterparties to default on their obligations to the Corporation. Current credit exposure is limited to the loss that would be incurred if the Corporation's counterparties were to default at the same time.

The Corporation has a maximum credit risk exposure relating to equity investments, current assets, advances and loans related to its businesses in Cuba of approximately $766 million as at March 31, 2008 (As at December 31, 2007 – approximately $636 million). The Cuban government's future policies relating to foreign investors and foreign exchange payments could be affected by the political environment and economic pressure resulting from the Cuban government's limited access to foreign exchange.

The Corporation manages its overall accounts receivable with the Cuban government agencies on a consolidated basis to provide for the cash-positive operation in its businesses, prudent growth, and an orderly reduction of overdue balances. The Corporation has been a large foreign investor in Cuba for over a decade and continues to have a co-operative and mutually beneficial relationship with the state.

Management of accounts receivable risk with Cuban government agencies requires taking into account payments (the payment pooling arrangement) made to Cuban agencies for labour, taxes, royalties and other local services in Metals, Oil and Gas, and Power; obtaining pledges of third-party payments to Cuban agencies to enhance payment of such receivables; and managing sustaining and growth capital appropriately.

For the first quarter of 2008, 25% of the Corporation's Cuban oil revenue was recognized from a joint operating partner, and as such, may be exposed to the financial condition of the joint operating partner.

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

19. Financial Instruments and Financial Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that the Corporation does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

The Corporation manages its liquidity risk by continuously monitoring forecast and cash flows from operations.

Financial liabilities consist of short-term debt, accounts payable and accrued liabilities and long-term debt. The short-term debt relates to the revolving-term credit facility which has a term of 364 days with the next renewal in May 2008. Trade payables and accrued liabilities are paid in the normal course of business and except under certain exceptions, no later than one month.

The following table outlines the contractual principal and interest payments of long-term debt as at March 31, 2008:

	Total	2008	2009	2010	2011	2012	2013 and thereafter
Long-term debt	$ 625.6	$ 10.3	$ 10.3	$ 10.3	$ 5.3	$ 273.6	$ 315.8
Capital leases	18.3	6.0	5.5	4.0	1.4	1.4	-

Contractual payments of $10.3 million for 2008 relate to loans of $26.5 million and $25.0 million entered into in 2007 and 2005, respectively. Annual payments of $5.3 million and $5.0 million are scheduled for each loan, respectively. Payments relating to capital lease obligations are paid evenly throughout the year.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices risks will affect the Corporation's net earnings or the value of its financial instruments.

19. Financial Instruments and Financial Risk Management (continued)

Foreign exchange risk

Many of Sherritt's businesses transact in currencies other than the Canadian dollar. The Corporation is also sensitive to foreign exchange exposures 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.

A change of U.S.$0.05 of the U.S. dollar relative to Canadian dollar will result in a change in net earnings of approximately $13.9 million for the three months ended March 31, 2008 (2007 - $13.0. million)

Interest rate risk

Interest on the Corporation's short-term and long-term debt is based on both fixed and variable rates and exposes the Corporation to interest rate risk. The Corporation has not entered into any derivative agreements to mitigate this risk. Increases in interest rates would increase the interest cost of the Corporation's variable rate short-term and long-term debt and have an adverse effect on the Corporation's net earnings and earnings per share. Based on short-term and long-term debt at March 31, 2008, a 1.0% increase or decrease in the market interest rate could impact the Corporation's annual interest expense by approximately $0.1 million.

Commodity price risk

Sherritt's principal businesses include the sale of several commodities. Revenues, earnings and cash flows from the sale of nickel, cobalt, oil and export-destined coal are sensitive to changes in market prices, over which the Corporation has little or no control.

The Corporation has the ability to address its price-related exposures through the limited use of options, future and forward contracts, but generally does not enter into such arrangements. Sherritt reduces the business cycle risks inherent in its commodity operations through industry diversification.

19. Financial Instruments and Financial Risk Management (continued)

Stock-based compensation cost risk

The Corporation is exposed to a financial risk related to stock-based compensation costs.

SARs and options with SARs may be issued to directors, senior management and other employees. The SARs represent a right to receive a cash amount from the Corporation equivalent to the amount by which the market price of the Corporation's common shares at the time of exercise exceeds the market price of such shares at the time of grant. As at March 31, 2008, there were 448,125 SARs outstanding (As at December 31, 2007 – 549,625) with a weighted-average exercise price of $3.10 (As at December 31, 2007 – $2.89) and 2,936,664 (2007 – 2,081,667) options with SARs remained outstanding with a weighted average exercise price of $8.77. All outstanding SARs were fully vested and exercisable while 1,166,223 options with SARs were exercisable as at March 31, 2008.

The Corporation has Restricted Share Unit (RSU) and Deferred Share Unit (DSU) plans. The RSUs and DSUs represent a right to receive a cash amount payable by the Corporation to a participant at the end of the vesting period for RSUs or at retirement, death, termination or departure from the Board for DSUs, determined by reference to the market price of the common shares multiplied by the number of RSUs or DSUs held by the participant. The RSUs vest no later than the earlier of the third anniversary following December 1 of the calendar year in which the RSUs were granted or the death of the participant. The DSUs vest when granted. Compensation expense related to the RSUs and DSUs is accrued over the vesting period of the plan based on the expected total compensation to be paid out at the end of the vesting period; including adjustments for failure to meet performance-based targets and the impact of changes in the market price of the common shares.

Potential fluctuations in the price of Sherritt's common shares would have an impact on the charge related to its share unit plans described above. For the first quarter of fiscal 2008, a strengthening or weakening of $1.00 in the price of Sherritt's common shares would have had an unfavourable or favourable impact of approximately $2.5 million on net earnings, respectively.

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

20. Accumulated other comprehensive loss

	Three months ended March 31, 2008	Year ended December 31, 2007
Balance, beginning of period	**$ (231.0)**	$ (43.8)
Effect of exchange rate changes during the period	**71.1**	(187.2)
Balance, end of period	**$ (159.9)**	$ (231.0)

Accumulated other comprehensive loss relates to deferred exchange gains and losses arising from the translation of the financial statements of the Corporation's self-sustaining foreign operations. When there is a reduction in the Corporation's net investment in a self-sustaining foreign operation, a proportionate amount of the cumulative translation adjustment is removed from accumulated other comprehensive loss and included in the determination of consolidated net earnings.

21. Capital disclosures

The Corporation's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its businesses.

In the definition of capital the Corporation includes, as disclosed on its consolidated balance sheet: retained earnings; capital stock; short-term debt; long-term debt, including the current portion; short-term investments; restricted cash; and cash and cash equivalents.

The Corporation's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Corporation may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, repay outstanding debt, issue new debt (secured, unsecured, convertible and/or other types of available debt instruments), refinance existing debt with different characteristics, acquire or dispose of assets, or adjust the amount of cash and short-term investment balances.

The Corporation is subject to leverage test covenants on certain of its debt facilities. The Corporation monitors these covenants on a quarterly basis and is in compliance as at and for the period ended March 31, 2008.

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

22. Related party transactions

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

The total value of all goods and services, including labour services, that the Corporation and its subsidiaries provided to joint ventures and its affiliate in the first quarter of 2008 amounted to $24.7 million (2007 - $27.3 million). The total value of goods and services purchased from joint ventures in the first quarter of 2008 was $15.5 million (2007 - $2.0 million).

Accounts receivable from joint ventures and Royal Utilities as at March 31, 2008, was $9.5 million (2007 - $11.1 million). Accounts payable to joint ventures as at March 31, 2008 was $0.3 million (2007 - $7.3 million).

23. Subsequent events

i) On March 18, 2008, the Corporation announced its intention to make an offer to purchase all of the issued and outstanding Royal Utilities trust units that it did not already own.

   Sherritt and OTPPB SCP Inc., a wholly-owned subsidiary of Ontario Teachers' Pension Plan Board (Teachers') each owns and controls 40,255,342 units, representing approximately 41.2% of the outstanding units for each of Sherritt and Teachers'. The balance of the units, representing approximately 17.6%, is widely held.

   Teachers' and Sherritt entered into a lock-up agreement pursuant to which Teachers' agreed to tender its 40,255,342 units to the Corporation's offer.

   On April 14, 2008, Sherritt and Royal Utilities reached an agreement pursuant to which Sherritt agreed to amend its offer such that unitholders of Royal Utilities can elect to receive for each unit (i) $12.68 in cash, (ii) 0.8315 of a Sherritt common share, or (iii) a combination of cash and Sherritt common shares, provided that the aggregate cash consideration paid by Sherritt does not exceed approximately $250 million and the aggregate number of Sherritt common shares issuable does not exceed 31,438,717.

   The Sherritt offer to purchase expires on April 28, 2008, unless withdrawn or extended.

ii) On April 18, 2008, the underwriters exercised an over-allotment option to purchase an additional 2,276,951 common shares at $15.25 per common share (note 11).

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

For further investor information contact

Investor Relations
Telephone (416) 924 4551
Toll-Free 1 800 704 6698
Fax (416) 924 5015

www.sherritt.com