sherritt

2010

First Quarter Report

Sherritt International Corporation
For the three months ended March 31, 2010

Q1

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Press release

Sherritt reports 2010 first-quarter results

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TORONTO, APRIL 27, 2010

Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S) today announced first-quarter 2010 results.

- **Net earnings** for first-quarter 2010 were $59.7 million ($0.20 per share), compared to a net loss of $42.9 million ($0.15 per share) for first-quarter 2009.
- **Consolidated sales volumes** for first-quarter 2010 (Sherritt's share) totaled 9.4 million pounds of nickel, 0.9 million pounds of cobalt, 9.8 million tonnes of thermal coal, 1.1 million barrels of oil and 172 GWh of electricity.
- **Consolidated cash**, cash equivalents and short-term investments were $764.8 million at March 31, 2010. Of the cash balance, $32.0 million (50% basis) was held by the Moa Joint Venture and $76.0 million (100% basis) was held by the Ambatovy Joint Venture.
- **Operating cash flow** was $145.2 million for first-quarter 2010, and compares to operating cash flow of $95.3 million for first-quarter 2009.
- **Capital expenditures** totaled $362.1 million for first-quarter 2010, including $315.9 million for the Ambatovy Project (100% basis).
- In **Madagascar**, 14,000 people were on-site at the Ambatovy Project during the quarter. Engineering for the Project is complete and all site activity is now directed to construction and commissioning.
- At March 31, 2010, **total debt** approximated $3.0 billion, of which approximately $1.6 billion (100% basis) related to the limited-recourse Ambatovy senior project finance and $0.5 billion to the non-recourse partner loans to Sherritt.

Summary Financial Data

(millions of dollars, except per share amounts and ratios)	Q1 2010	Q1 2009[3]
Revenue	**$ 393.3**	$ 349.6
EBITDA[1]	**143.1**	96.5
Operating earnings	**82.6**	27.8
Net earnings (loss)	**59.7**	(42.9)
Basic earnings (loss) per share	**0.20**	(0.15)
Diluted earnings (loss) per share	**0.20**	(0.15)
Net working capital[2]	**819.3**	643.2
Capital expenditures	**362.1**	416.9
Total assets	**9,934.7**	10,091.4
Shareholders' equity	**3,437.6**	3,816.6
Long-term debt to capitalization	**35%**	29%
Weighted average number of shares (millions)		
Basic	**294.0**	293.1
Diluted	**296.5**	293.1

(1) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release.
(2) Net working capital is calculated as total current assets less total current liabilities.
(3) Amounts for the three months ended March 31, 2009 have been amended to include the results of Mineral Products which had previously been accounted for as a discontinued operation.

Summary Sales Data

(units as noted)	Q1 2010	Q1 2009
Sales volumes		
Nickel (thousands of pounds, 50% basis)	**9,392**	8,736
Cobalt (thousands of pounds, 50% basis)	**907**	998
Thermal coal – Prairie Operations (millions of tonnes)	**9.3**	8.5
Thermal coal – Mountain Operations (millions of tonnes, 50% basis)	**0.5**	0.4
Oil (boepd, net production)	**12,370**	14,339
Electricity (GWh, 100% basis)	**515**	541
Average realized prices		
Nickel ($/lb)	**$ 9.20**	$ 5.68
Cobalt ($/lb)	**20.16**	16.22
Thermal coal – Prairie Operations ($/tonne)	**14.86**	14.99
Thermal coal – Mountain Operations ($/tonne)	**69.45**	98.76
Oil ($/boe)	**52.83**	35.72
Electricity ($/MWh)	**42.67**	50.46

Review of Operations

Metals

	Q1 2010	Q1 2009
Production (tonnes, 50% basis)		
Mixed sulphides	**4,659**	4,686
Nickel	**4,265**	4,073
Cobalt	**468**	469
Sales (thousands of pounds, 50% basis)		
Nickel	**9,392**	8,736
Cobalt	**907**	998
Reference prices (US$/lb)		
Nickel	**$ 9.11**	$ 4.74
Cobalt[1]	**20.11**	13.37
Realized prices ($/lb)		
Nickel	**$ 9.20**	$ 5.68
Cobalt	**20.16**	16.22
Unit operating costs ($/lb)		
Mining, processing and refining costs	**$ 4.68**	$ 5.00
Third-party feed costs	**0.38**	0.35
Cobalt by-product credits	**(1.87)**	(1.48)
Other	**0.26**	0.25
Net direct cash costs of nickel[2]	**$ 3.45**	$ 4.12

Metals (cont.)

	Q1 2010	Q1 2009
Revenue ($millions)		
Nickel	$ 86.4	$ 49.7
Cobalt	18.3	16.2
Fertilizer and other	11.1	13.8
	$ 115.8	$ 79.7
EBITDA ($ millions)[3]	$ 48.1	$ (1.4)
Operating earnings ($ millions)	$ 39.9	$ (8.8)
Capital expenditures ($ millions)		
Moa Joint Venture (50% basis)	$ 5.5	$ 5.5
Ambatovy Joint Venture (100% basis)	315.9	376.9
Total	$ 321.4	$ 382.4

(1) Average Metal Bulletin: Low Grade cobalt published price.
(2) Net direct cash cost of nickel after cobalt and by-product credits.
(3) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release. EBITDA excludes depreciation and amortization of $6.3 million and $4.5 million for the three-month periods ended March 31, 2010 and March 31, 2009, respectively.

Mixed sulphides production for first-quarter 2010 was 9,318 tonnes (100% basis), largely unchanged from first-quarter 2009. First-quarter 2010 finished nickel production of 8,529 tonnes (100% basis) was 5% (383 tonnes) higher, and finished cobalt production of 936 tonnes (100% basis) was comparable to first-quarter 2009, reflecting increased feed availability, a higher nickel-to-cobalt ratio, and the positive impact of the autoclave replacement program at Fort Saskatchewan, completed in fourth-quarter 2009.

First-quarter nickel sales volumes (50% basis) were 8% (0.7 million pounds) higher than the prior-year period, reflecting the higher production and greater relative market demand for finished nickel. Cobalt sales volumes (50% basis) were 9% (0.1 million pounds) lower than first-quarter 2009, primarily reflecting the timing of sales.

The average nickel reference price in first-quarter 2010 was 92% (US$4.37/lb) higher, and the average cobalt reference price was 50% (US$6.74/lb) higher, than first-quarter 2009. The increases are reflective of stronger demand for finished metal in first-quarter 2010 relative to the prior-year period.

The net direct cash cost of nickel for first-quarter 2010 was 16% (US$0.67/lb) lower than first-quarter 2009, primarily as the result of lower input commodity costs and higher cobalt prices which increase the cobalt by-product credits.

Capital expenditures in first-quarter 2010 for the Moa Joint Venture were comparable to first-quarter 2009.

The Ambatovy Project

Ambatovy Project capital expenditures for first-quarter 2010 were $315.9 million (100% basis), 16% ($61.0 million) lower than the prior-year period. Total cumulative project expenditures to March 31, 2010 were US$3.7 billion, excluding financing charges and capitalized interest, and represent over 80% of the projected total project expenditures. The Corporation remains confident that project spending will remain within the US$4.52 billion estimate. During the quarter, engineering was completed and construction activity neared its peak, with approximately 14,000 people engaged in all areas of the Project. During first-quarter 2010, US$38.0 million (100%) was provided by the Ambatovy Partners and US$22.0 million was drawn on the senior project financing to finance project expenditures. The Project is designed to produce 60,000 tonnes (100% basis) of nickel and 5,600 tonnes (100% basis) of cobalt annually at capacity. The majority of systems are expected to be turned over to commissioning teams by the end of 2010, with mechanical completion expected in early 2011.

Coal

	Q1 2010	Q1 2009
Production (millions of tonnes)		
Prairie Operations	**8.8**	8.5
Mountain Operations (50% basis)[1]	**0.4**	0.5
Sales (millions of tonnes)		
Prairie Operations	**9.3**	8.5
Mountain Operations (50% basis)[1]	**0.5**	0.4
Realized prices ($/tonne, excluding royalties)		
Prairie Operations	**$ 14.86**	$ 14.99
Mountain Operations	**69.45**	98.76
Unit operating costs ($/tonne)		
Prairie Operations	**$ 11.18**	$ 11.62
Mountain Operations	**78.42**	59.11
Revenue ($millions)		
Prairie Operations		
Mining revenue	**$ 138.5**	$ 127.9
Coal royalties	**11.1**	12.9
Potash royalties	**3.3**	4.3
Mountain Operations and Other Assets (50% basis)[1],[2]	**35.4**	43.8
Total	**$ 188.3**	$ 188.9
EBITDA ($ millions)[3]		
Prairie Operations	**$ 47.7**	$ 44.3
Mountain Operations and Other Assets (50% basis)[1],[2]	**(5.7)**	15.7
Total	**$ 42.0**	$ 60.0
Operating earnings ($ millions)	**$ 17.3**	$ 34.8
Capital expenditures ($ millions)		
Prairie Operations	**$ 8.0**	$ 9.1
Mountain Operations (50% basis)[4]	**1.1**	4.4
Activated Carbon Project (50% basis)	**7.2**	1.8
Total	**$ 16.3**	$ 15.3

(1) Mountain Operations include the results of the Coal Valley and Obed Mountain mines, which are primarily involved in the export of thermal coal, and are presented on a 50% basis.
(2) Other Assets include certain undeveloped reserves, coal reserves that produce coal-bed methane and technologies under development, including the Dodds-Roundhill Coal Gasification Project, and are presented on a 50% basis.
(3) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release. Combined EBITDA excludes depreciation and amortization of $13.3 million and $15.1 million for the three-month periods ended March 31, 2010 and March 31, 2009, respectively.
(4) Capital expenditures for Mountain Operations for first-quarter 2009 include $1.2 million of capital expenditures related to the Obed Mountain mine prior to its reopening in July 2009.

First-quarter 2010 production volumes at Prairie Operations were 4% (0.3 million tonnes) higher than the prior-year period largely due to lower strip ratios (ratios of overburden to coal) at the Genesee mine. Production volumes at Mountain Operations were 15% (0.1 million tonnes) lower than the prior-year period primarily due to lower plant yields resulting from continued issues with coal quality at the Coal Valley mine which more than offset the additional production from the Obed Mountain mine.

Sales volumes for first-quarter 2010 were higher at both Prairie Operations (9% or 0.8 million tonnes) and Mountain

Operations (15% or 0.1 million tonnes) when compared to the prior-year period, mainly due to increased customer demand at the Boundary Dam, Genesee and contract mines in Prairie Operations, and the addition of sales from the Obed Mountain mine in Mountain Operations.

Realized pricing (excluding royalties) for first-quarter 2010 in Prairie Operations was relatively unchanged from the prior-year period. Realized pricing in Mountain Operations in first-quarter 2010 was 30% ($29.31/tonne) lower than first-quarter 2009 due to reduced pricing on export coal contracts that were in effect in the April 2009 – March 2010 coal contract year relative to the record high prices in the April 2008 – March 2009 coal contract year, and the foreign exchange impact of a stronger Canadian dollar.

Unit operating costs at Prairie Operations were 4% ($0.44/tonne) lower for first-quarter 2010 relative to the prior-year period largely due to the impact of increased sales volumes, particularly at the Boundary Dam and Genesee mines. Unit operating costs at Mountain Operations were 33% ($19.31/tonne) higher for first-quarter 2010 mainly as a result of the low plant yield at the Coal Valley and Obed Mountain mines related to permitting delays.

Total royalties for first-quarter 2010 were 16% ($2.8 million) lower than the prior-year period. Lower coal royalties were the result of reduced mining activity in royalty assessable areas, and potash royalties were impacted by lower potash pricing.

Capital expenditures in Prairie Operations were 12% ($1.1 million) lower for the quarter mainly due to the timing of mining equipment purchases and a shop expansion that took place in 2009. Capital expenditures in Mountain Operations were 75% ($3.3 million) lower in first-quarter 2010 than in the prior-year period, as first-quarter 2009 expenditures included $1.2 million related to the Obed Mountain mine re-opening that occurred in mid-2009. In addition, capital expenditures are being delayed later into 2010 in order to match available cash flows. Spending on the Activated Carbon Project peaked in first-quarter 2010 and was 300% ($5.4 million, 50% basis) higher than the prior-year period. Commissioning of the plant is scheduled for second-quarter 2010. Sales contracts for 100% of the output are being finalized, and sales under these contracts are expected to commence by June 2010.

At March 31, 2010, Coal Valley Resources Inc. (CVRI), a subsidiary of the Coal Valley Partnership (in which the Corporation has a 50% interest) was not in compliance with two financial covenants applicable to the $38.0 million (100% basis) 3-year non-revolving term facility used to finance the re-opening of the Obed Mountain mine. The covenant breach resulted from the reduction of working capital and tangible net worth in CVRI due to sales delays arising from a contract dispute with the counter party to the off-take agreement for the additional production related to the Obed Mountain mine as well as unexpected production shortfalls in first-quarter 2010. The contract dispute has been resolved, sales volumes are being delivered under the off-take contract, and the financial institution providing the facility has granted a waiver with respect to these covenants to March 31, 2010.

Oil and Gas

	Q1 2010	Q1 2009
Production (boepd)[1]		
Gross working-interest – Cuba[2],[3]	**22,019**	21,687
Net working-interest[4]		
Cuba – cost recovery	**3,687**	8,180
Cuba – profit oil	**7,772**	5,486
Cuba - total	**11,459**	13,666
Spain	**546**	303
Pakistan	**365**	370
Total	**12,370**	14,339
Reference prices (US$/bbl)		
U.S. Gulf Coast Fuel Oil No. 6	**$ 70.37**	$ 38.86
Brent crude	**76.62**	44.60

Oil and Gas (cont.)

	Q1 2010	Q1 2009
Realized prices		
Cuba ($/bbl)	$ 53.00	$ 36.01
Spain ($/bbl)	79.70	55.69
Pakistan ($/boe)	7.39	8.94
Weighted average ($/boe)	52.83	35.72
Unit operating costs		
Cuba ($/bbl)	$ 7.97	$ 9.03
Spain ($/bbl)	27.10	55.55
Pakistan ($/boe)	1.22	1.32
Weighted average ($/boe)	8.61	9.82
Revenue ($millions)	$ 59.3	$ 46.6
EBITDA ($ millions) (5)	$ 43.1	$ 27.2
Operating earnings ($ millions)	$ 23.8	$ -
Capital expenditures ($ millions)	$ 13.2	$ 12.1

(1) 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.
(2) In Cuba, Oil and Gas delivers all of its gross working-interest oil production to Union Cubapetroleo (CUPET) at the time of production. Gross working-interest oil production excludes production from wells for which commerciality has not been established in accordance with production-sharing contracts.
(3) Gross working-interest oil production is allocated between Oil and Gas and CUPET in accordance with production-sharing contracts. The Corporation's share, referred to as 'net oil production', includes (i) cost recovery oil (based upon the recoverable capital and operating costs incurred by Oil and Gas under each production-sharing contract) and (ii) a percentage of profit oil (gross working-interest production remaining after cost recovery oil is allocated to Oil and Gas). Cost recovery pools for each production-sharing contract include cumulative recoverable costs, subject to certification by CUPET, less cumulative proceeds from cost recovery oil allocated to Oil and Gas. Cost recovery revenue equals capital and operating costs eligible for recovery under the production-sharing contracts.
(4) Net 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) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release.

First-quarter 2010 net working-interest production in Cuba was 16% (2,207 bpd) lower than first-quarter 2009, due to higher prices in 2010 as well as the inclusion of non-recurring facilities costs to cost recovery in first-quarter 2009. The scheduled contractual expiry of the Varadero production-sharing contract (PSC) occurred in March 2010. The Varadero PSC had accounted for approximately 2,250 bpd of gross working-interest (GWI) production (464 bpd net working-interest production) prior to expiry. Spanish production was 80% higher in first-quarter 2010 compared to the prior year period due to the production benefits of the workovers conducted in 2009. Production in Pakistan remained relatively unchanged quarter to quarter.

Average realized prices in first-quarter 2010 were substantially higher than first-quarter 2009 in Cuba (47%, $16.99/bbl) and Spain (43%, $24.01/bbl), as the benefit of increased reference pricing more than offset the impact of a strengthening Canadian dollar.

First-quarter 2010 unit operating costs were lower than the prior-year period in all jurisdictions. In Cuba, the decline in unit operating costs (12%, $1.06/bbl) reflected the impact of foreign exchange, while the reduction in unit operating costs in Spain (51%, $28.45/bbl) was attributable to the weakening of the US dollar and the impact of increased production on unit costs.

Capital expenditures in first-quarter 2010 were 9% ($1.1 million) higher than in the prior-year period. The change largely reflects the increase in drilling activity in Cuba, which was suspended in first-quarter 2009 due to the lack of available cash

flow resulting from timing delays in the receipt of cash related to Cuban receivables in early 2009.

Power

	Q1 2010	Q1 2009
Electricity sold (GWh, 100% basis)[1]	515	541
Realized price ($/MWh)	$ 42.67	$ 50.46
Unit cash operating cost ($/MWh)	9.81	$ 17.78
Net capacity factor (%)	68	75
Revenue ($millions)	$ 28.0	$ 30.4
EBITDA ($ millions) [2]	$ 21.3	$ 19.7
Operating earnings ($ millions)	$ 13.3	$ 12.1
Capital expenditures ($ millions)		
Cuba	$ 6.3	$ 5.6
Other	-	3.4
Total	$ 6.3	$ 9.0

(1) Including non-controlling interests' share.
(2) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release.

Electricity production for first-quarter 2010 was 5% (26 GWh, 100% basis) lower and the net capacity factor was 9% lower than the prior-year period, due mainly to the intermittent gas supply shortages at Boca de Jaruco and Varadero. The peak-power plant at Varadero (20 MW) reached the end of its 10-year lease in March 2010 and the lease was not renewed. The plant was only operated during peak periods and therefore the impact of the lease expiry on electricity production going forward will be minimal.

First-quarter 2010 unit cash operating costs were 45% ($7.79/MWh) lower than the prior-year period due to the impact of a turbine failure in first-quarter 2009 and business interruption insurance recoveries recorded during the current quarter.

Capital expenditures were 30% ($2.7 million) lower than the prior-year period, as there was no spending in Madagascar in first-quarter 2010 and spending on construction and engineering for the potential Phase 8 expansion in Cuba has slowed.

Cash, Debt and Financing

Cash, cash equivalents and short-term investments were $764.8 million at March 31, 2010. Of that amount, $32.0 million (50% basis) was held by the Moa Joint Venture and $76.0 million (100% basis) was held by the Ambatovy Joint Venture. These funds are for the use of each joint venture, respectively.

At December 31, 2009, the amount of credit available under various facilities, inclusive of approximately US$500 million (100% basis) under the Ambatovy senior project financing, was $0.9 billion.

Outlook

Sherritt's projected production volumes, royalties and capital expenditures for the year 2010 are shown below.

For the 12 months ending		December 31 2010
Production volumes		
Mixed sulphides (tonnes, 100% basis)		37,000
Nickel (tonnes, 100% basis)		33,500
Cobalt (tonnes, 100% basis)		3,700
Coal – Prairie Operations (millions of tonnes)		36
Coal – Mountain Operations (millions of tonnes, 100% basis)		5
Oil – Cuba (gross working interest, bpd)		20.500
Oil – All operations (net working interest, boepd)[1]		12,600
Electricity (GWh)		2,040
Royalties ($ millions)		
Coal	$	37
Potash		15
Capital expenditures ($ millions)		
Metals – Moa Joint Venture (50% basis)	$	66
Coal – Prairie Operations		73
Coal – Mountain Operations (50% basis)		24
Coal – Activated Carbon (50% basis)		14
Oil and Gas – Cuba		98
Oil and Gas – Other		39
Power – Cuba[2]		31
	$	345
Metals – Ambatovy (US$ millions, 100% basis)	$	1,100

(1) Net oil production is predicated on the Fuel Oil No.6 price remaining consistent with recent historical levels.
(2) Includes $5 million of progress payments that will be recorded as other assets.

- In Metals, full-year 2010 production of mixed sulphides, finished nickel and cobalt is expected to be near 2009 levels, consistent with previous guidance. Finished metals production guidance reflects the impact of a planned total shutdown of the refinery currently scheduled for second-quarter 2010. Capital expenditure guidance is 11% ($8 million) lower than previously provided. The decrease reflects an anticipated delay in the construction of the 2,000 tonne per day sulphuric acid plant at Moa, which remains subject to securing adequate financing. Construction activities related to the 9,000 tonne Phase 2 Expansion are not currently scheduled for 2010.
- At Ambatovy, the majority of systems are expected to be turned over to commissioning teams by the end of 2010, with mechanical completion expected in early 2011.
- In Coal – Prairie Operations, guidance remains unchanged from last quarter. Production is expected to remain near 2009 levels. Potash royalties are expected to increase approximately 50% from 2009 levels due to production curtailments in the industry at the end of 2009 and their impact on pricing. Coal royalties are expected to decrease approximately 27% from 2009 as mining plans have less overlap with royalty assessable areas. Capital expenditures are expected to be slightly higher than 2009 as a result of the cyclical timing of equipment purchases. The Activated Carbon Plant remains on schedule for commissioning in second-quarter 2010.

  In Coal – Mountain Operations, production guidance remains consistent with last quarter. The permitting delays

preventing mining in the Mercoal West permit area are expected to be resolved, and mining to commence in the permit area, by mid-year 2010. Mountain Operations plans to compensate for most of the production volume shortfall experienced in the first half of 2010. However, should permitting delays continue beyond mid-year or the resulting yields prove insufficient, production may fall short of the current estimate. Approximately 70% of Coal Valley mine's contract year production will be linked to the Newcastle FOB settlement price. Contract prices are expected to settle within the next several weeks. Current market prices for export thermal coal are significantly higher than the prior-year period, indicating potential for a higher contract price than was achieved in the previous contract year (April 2009 – March 2010). These contracts are denominated in US dollars, and therefore the results will be impacted by the relative movement of the Canadian and US currencies.

- In Oil and Gas, 2010 GWI oil production in Cuba is expected to be approximately 4% (800 bpd) higher than previous guidance. The increase is based on the positive results of wells drilled and workovers completed in first-quarter 2010. Capital expenditures reflect three additional development wells to be drilled in Cuba this year, which were not included in the previous guidance.
- In Power, production levels in 2010 are expected to remain largely consistent with first-quarter levels, based on current gas availability.

Non-GAAP Measures

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

About Sherritt

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

Forward-Looking Statements

This press release contains certain forward-looking statements. Forward-looking statements generally can be identified by the use of statements that include words such as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include statements respecting certain future expectations about the Corporation's capital expenditures; capital project commissioning and completion dates; production volumes; scheduled maintenance and shutdown of production facilities; realized prices for production; royalty revenues; sales of activated carbon; debt repayments; permitting for the Coal – Mountain Operations; and other corporate objectives, plans or goals for 2010. These forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. Sherritt cautions readers of this press release not to place undue reliance on any forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. By their nature, forward-looking statements require Sherritt to make assumptions and are subject to inherent risks and uncertainties.

Key factors that may result in material differences between actual results and developments and those contemplated by this press release include, global economic conditions, business, economic and political conditions in Canada, Cuba, Madagascar, and the principal markets for Sherritt's products. Other such factors include, but are not limited to, uncertainties in the development and construction of large mining projects; risks related to the availability of capital to undertake capital initiatives; changes in capital

cost estimates in respect of the Corporation's capital initiatives; risks associated with Sherritt's joint-venture partners; future non-compliance with financial covenants; potential interruptions in transportation; political, economic and other risks of foreign operations; Sherritt's reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainties in oil and gas exploration; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; risks related to the Cuban government's ability to make certain payments to the Corporation; development programs; uncertainties in reserve estimates; uncertainties in asset retirement and reclamation cost estimates; Sherritt's reliance on significant customers; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; Sherritt's ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainties in pension liabilities; the ability of Sherritt to enforce legal rights in foreign jurisdictions; the ability of Sherritt to obtain government permits; risks associated with government regulations and environmental health and safety matters; differences between Canadian GAAP and IFRS; and other factors listed from time to time in Sherritt's continuous disclosure documents.

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

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Management's discussion and analysis

For the three months ended March 31, 2010

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Management's discussion and analysis

This Management's Discussion and Analysis (MD&A) has been prepared for the three months ended March 31, 2010 as of April 26, 2010 and it should be read in conjunction with Sherritt's audited consolidated financial statements and the MD&A for the year ended December 31, 2009. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's web site at www.sherritt.com.

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

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

Key financial and operational data

$ millions, for the three months ended March 31		2010		2009[2]
Financial highlights				
Revenue	$	393.3	$	349.6
EBITDA[1]		143.1		96.5
Operating earnings[1]		82.6		27.8
Net earnings (loss)		59.7		(42.9)
Net earnings (loss) per share, basic and diluted ($ per share)		0.20		(0.15)
Cash flow				
Cash provided by operating activities	$	145.5	$	95.3
Capital expenditures	$	362.1	$	416.9
Production volumes				
Nickel (tonnes)(50% basis)		4,265		4,073
Cobalt (tonnes)(50% basis)		468		469
Coal - Prairie Operations (millions of tonnes)		8.8		8.5
Coal - Mountain Operations (millions of tonnes)(50% basis)		0.4		0.5
Oil - Cuba - net production (barrels per day)		11,459		13,666
Electricity (gigawatt hours)		515		541
Unit operating costs				
Nickel[3] (US$ per pound)	$	3.45	$	4.12
Coal - Prairie Operations ($ per tonne)		11.18		11.62
Coal - Mountain Operations ($ per tonne)		78.42		59.11
Oil - Cuba ($ per barrel)		7.97		9.03
Electricity ($ per megawatt hour)		9.81		17.78
Averaged-realized sales prices				
Nickel ($ per pound)	$	9.20	$	5.68
Cobalt ($ per pound)		20.16		16.22
Coal - Prairie Operations ($ per tonne)		14.86		14.99
Coal - Mountain Operations ($ per tonne)		69.45		98.76
Oil - Cuba ($ per barrel)		53.00		36.01
Electricity ($ per megawatt hour)		42.67		50.46

$ millions, as at		2010 March 31		2009 December 31
Financial condition				
Current ratio[4]		2.37:1		3.16:1
Net working capital balance[4]	$	819.3	$	1,027.3
Cash, cash equivalents and short-term investments		764.8		861.6
Total assets		9,934.7		9,899.4
Total long-term debt		2,966.4		2,993.9
Non-controlling interests		2,081.5		2,110.8
Shareholders' equity		3,437.6		3,454.4
Long-term debt-to-capitalization[5]		35%		35%

(1) For additional information see the Non-GAAP measures section.
(2) Amounts for the three months ended March 31, 2009 have been amended to include the results of Mineral Products which had previously been accounted for as a discontinued operation.
(3) Net direct cash cost is inclusive of by-product credits and third-party feed costs.
(4) Working capital at March 31, 2010 included $76.0 million of cash and cash equivalents held by the Ambatovy Joint Venture that can only be used to fund the Ambatovy Joint Venture's activities. Not including this cash, the Corporation's current ratio is 2.24:1.
(5) Calculated as Total long-term debt divided by the sum of Total long-term debt, Non-controlling interests and Shareholders' equity. For the purposes of this calculation, Total long-term debt does not include other long-term liabilities.

Executive summary

Highlights of the first quarter of 2010:

- Net earnings for the first quarter of 2010 were $59.7 million compared to a net loss of $42.9 million in the same period in the prior year. 2009 net loss included a loss on disposal of property, plant and equipment of $79.5 million ($57.4 million after-tax) related to the termination by Sherritt's joint-operating partner of the Block 7 production-sharing contract in Cuba;
- Revenue of $393.3 million and EBITDA[1] of $143.1 million in the first quarter of 2010 compared to revenue of $349.6 million and EBITDA of $96.5 million in the same period in the prior year. Higher revenue and EBITDA were primarily a result of higher nickel, cobalt and oil prices, partially offset by lower export coal prices and lower net oil production;
- The Ambatovy Project continued to progress with an additional $315.9 million being spent primarily on site-based construction activities. Engineering for the project is complete. The majority of systems are expected to be turned over to commissioning teams by the end of 2010, with mechanical completion expected in early 2011; and
- The Corporation continued to maintain a strong liquidity position with a current ratio of 2.37:1, a net working capital balance of $819.3 million and cash, cash equivalents, and short-term investments of $764.8 million. These amounts include $76.0 million in cash and cash equivalents that are held by the Ambatovy Joint Venture and must be used to fund the Joint Venture's activities. The Corporation's long-term debt-to-capitalization ratio was 35%.

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

$ millions, except per share amounts, for the three months ended March 31		2010		2009
Revenue by segment				
Metals	$	115.8	$	79.7
Coal		188.3		188.9
Oil and Gas		59.3		46.6
Power		28.0		30.4
Corporate and other		1.9		4.0
		393.3		349.6
EBITDA[1] by segment				
Metals	$	48.1	$	(1.4)
Coal		42.0		60.0
Oil and Gas		43.1		27.2
Power		21.3		19.7
Corporate and other		(11.4)		(9.0)
		143.1		96.5
Operating earnings (loss)[1] by segment				
Metals	$	39.9	$	(8.8)
Coal		17.3		34.8
Oil and Gas		23.8		-
Power		13.3		12.1
Corporate and other		(11.7)		(10.3)
		82.6		27.8
Loss on disposal of property, plant and equipment		-		79.5
Net financing income		(5.0)		(2.1)
Other items		-		2.2
Non-controlling interests		4.9		6.1
Income taxes		23.0		(15.0)
Net earnings (loss)	$	59.7	$	(42.9)
Net earnings (loss) per share				
Basic	$	0.20	$	(0.15)
Diluted	$	0.20	$	(0.15)
Effective tax rate		28%		29%

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

During the first quarter of 2010, Sherritt's operating results were significantly impacted by market-driven commodity prices of nickel, cobalt, oil and gas. The average-realized price for nickel and oil continued to strengthen during the first quarter of 2010 compared to prior quarters. The fourth quarter of 2008 and first two quarters of 2009 were more affected by the global financial crisis. The average-realized cobalt price also increased, although at a slower pace, compared to the previous four quarters.

The average-realized prices of nickel, cobalt, and oil produced in Cuba in the first quarter of 2010 were 62%, 24%, and 47% higher than in the same period in the prior year, respectively. The approximate impact of these higher average-realized prices was a $73 million increase in first-quarter 2010 operating earnings compared to the same period in the prior year. The average-realized thermal coal price declined 30% from the same period in the prior year primarily due to reduced pricing on export coal contracts and a stronger Canadian dollar relative to the U.S. dollar.

Although the average Canadian to U.S. dollar exchange rate was $1.04 for the first quarter of 2010 compared to $1.14 in the same period in the prior year, the overall impact on the Corporation's first quarter earnings was minimal. The negative impact of a weaker U.S. dollar on operating earnings was more than offset by the positive impact of the conversion of U.S. dollar-denominated debt.

Detailed information on the performance of each division can be found in the review of operations sections. In summary:

- Metals' operating earnings of $39.9 million for the three months ended March 31, 2010 were $48.7 million higher than in the same period in 2009 primarily due to higher average-realized nickel and cobalt prices and higher sales volumes for nickel;
- Coal's operating earnings of $17.3 million for the three months ended March 31, 2010 were $17.5 million lower than in the same period in 2009. Operating earnings at Prairie Operations were higher than in the same period in the prior year primarily due to lower operating costs. Operating earnings at Mountain Operations were lower than the same period in the prior year primarily due to lower average-realized prices and higher operating costs;
- Oil and Gas' operating earnings of $23.8 million for the three months ended March 31, 2010 were $23.8 million higher than in the same period in the prior year primarily due to an increase in the average-realized price for oil produced in Cuba, partially offset by a decrease in net oil production;
- Power's operating earnings of $13.3 million for the three months ended March 31, 2010 were $1.2 million higher than in the same period in the prior year primarily due to higher by-product prices and lower operating costs, partially offset by lower average-realized electricity prices and lower sales volumes; and
- The effective consolidated tax rate for the three months ended March 31, 2010 was 28% compared to 29% in the same period in the prior year. Removing the impact of the $79.5 million ($57.4 million after-tax) loss on disposal of assets realized by Oil and Gas in 2009, the normalized effective consolidated tax rate for the three months ended March 31, 2009 was 25%. The increase in the effective consolidated tax rate in 2010, compared to the normalized effective consolidated tax rate in 2009, was primarily due to changes in the relative mix of earnings and losses incurred by each division which were carried out in different tax rate jurisdictions.

Review of Operations

Metals

FINANCIAL REVIEW

$ millions, for the three months ended March 31	2010	2009
Revenue		
Nickel	$ 86.4	$ 49.7
Cobalt	18.3	16.2
Fertilizers	8.5	12.1
Other	2.6	1.7
	115.8	79.7
Operating costs (1)		
Mining, processing and refining	46.3	56.2
Third-party feed costs	3.7	3.8
Fertilizers	8.3	12.3
Other	5.2	5.1
	63.5	77.4
Selling costs	2.8	2.8
General and administrative costs	1.4	0.9
EBITDA (2)	48.1	(1.4)
Depletion, amortization and accretion	8.2	7.4
Operating earnings (loss)(2)	$ 39.9	$ (8.8)

(1) Excluding depreciation of $6.3 and $4.5 million for the three-month periods ended March 31, 2010 and 2009, respectively.
(2) For additional information see the Non-GAAP measures section.

The change in operating earnings between 2010 and 2009 is detailed below:

$ millions, for the three months ended March 31	2010
Higher realized nickel prices	$ 41.8
Higher realized cobalt prices	5.9
Higher nickel sales volumes net of lower cobalt and fertilizer sales volumes	0.6
Lower mining, processing and refining costs net of increased third-party feed costs	2.6
Impact of weaker U.S. dollar	(2.6)
Other	0.4
Change in operating earnings, compared to 2009	$ 48.7

METAL PRICES

Prices For the three months ended March 31	2010	2009
Nickel - average-realized ($/lb)	$ 9.20	$ 5.68
Cobalt - average-realized ($/lb)	20.16	16.22
Nickel - average-reference (US$/lb)	9.11	4.74
Cobalt - average-reference (US$/lb) (1)	20.11	13.37

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

The average nickel and cobalt reference prices increased by US$4.37 per pound and US$6.74 per pound, respectively, as global demand for finished metals improved compared to the first quarter of 2009.

PRODUCTION AND SALES

Production (tonnes) (50% basis) For the three months ended March 31	2010	2009
Mixed sulphides	4,659	4,686
Finished nickel	4,265	4,073
Finished cobalt	468	469

Sales (50% basis) For the three months ended March 31	2010	2009
Finished nickel (thousands of pounds)	9,392	8,736
Finished cobalt (thousands of pounds)	907	998
Fertilizer (tonnes)	26,694	31,651

Production of 9,318 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides was comparable to the first quarter of 2009. Finished nickel production of 8,529 tonnes (100% basis) was 383 tonnes (100% basis) higher than in the first quarter of 2009 and finished cobalt production of 936 tonnes (100% basis) was comparable to the first quarter of 2009. Finished metals production was higher due to increased feed availability, a higher nickel-to-cobalt ratio, and the impact of an autoclave replacement program at Fort Saskatchewan that was completed in the fourth quarter of 2009.

Finished nickel sales were 656,000 pounds (50% basis) higher primarily due to higher global nickel demand and higher finished nickel production. Finished cobalt sales volumes were 91,000 pounds (50% basis) lower primarily due to the timing of sales. Fertilizer sales volumes were 4,957 tonnes lower primarily due to the timing of spring season sales.

OPERATING COSTS

Unit operating costs

For the three months ended March 31		2010		2009
Mining, processing and refining costs	$	**4.68**	$	5.00
Third-party feed costs		**0.38**		0.35
Cobalt by-product credits		**(1.87)**		(1.48)
Other [1]		**0.26**		0.25
Net direct cash cost (US$/lb of nickel)	$	**3.45**	$	4.12
Natural gas costs ($/gigajoule)		**4.87**		4.74
Sulphur (US$/tonne)		**114.22**		153.61
Sulphuric acid (US$/tonne)		**129.60**		184.94

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

Components of mining, processing and refining costs[1]

For the three months ended March 31	2010	2009
Fixed costs	**21%**	22%
Sulphur	**6%**	8%
Sulphuric acid	**14%**	20%
Fuel oil	**19%**	12%
Maintenance	**14%**	13%
Other Variable	**26%**	25%
	100%	100%

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

The net direct cash cost of nickel was US$0.67 per pound lower primarily due to lower mining, processing and refining costs and higher cobalt by-product credits resulting from higher cobalt prices. Mining, processing and refining costs were lower primarily due to lower commodity input prices.

CAPITAL SPENDING

Capital Expenditures[1]

$ millions, for the three months ended March 31		2010		2009
Moa Joint Venture				
Sustaining	$	**4.2**	$	2.9
Expansion		**1.3**		2.6
		5.5		5.5
Ambatovy Joint Venture		**315.9**		376.9
Total	$	**321.4**	$	382.4

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

Capital spending for the Moa Joint Venture, which continues to include capitalized interest related to financing of the Phase 2 expansion and the Moa acid plant, was comparable to the first quarter of 2009.

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

AMBATOVY PROJECT UPDATE

- The projected capital cost of the project remains unchanged at US$4.52 billion, excluding accrued financing charges, foreign exchange and working capital requirements;
- Capital spending for the project was $315.9 million for the quarter;
- A total of $39.1 million was provided by the Ambatovy Joint Venture partners during the quarter. Sherritt's share of $15.6 million was financed through loans from the other joint venture partners;
- A total of $22.5 million was drawn from the Ambatovy Joint Venture senior debt financing in the first quarter of 2010;
- Engineering for the project is complete and mechanical completion is expected in early 2011;
- Approximately 14,000 people are engaged in all areas of the project, representing close to the peak workforce during the construction phase;
- An intense expediting program continued throughout the first quarter of 2010 to ensure on-time delivery of materials in support of the construction program;
- Commissioning teams continued system walk-downs and testing of systems and sub-systems that were turned over from construction. This process will continue throughout 2010;
- Operational readiness planning is on schedule;
- The operational focus in the next quarter is on completion of standard operating practices and procedures; and
- The project has not experienced any material disruptions as a result of the political uncertainties in Madagascar. The Corporation actively monitors the political climate in Madagascar and continues its communication with officials of the Transitional Government and with multilateral institutions and key embassies.

OUTLOOK FOR 2010

Production volumes and capital spending For the three and twelve months ended	**Actual 2010 March 31**	Projected 2010 December 31
Production		
Mixed sulphides (tonnes, 100% basis)	**9,318**	37,000
Finished Nickel (tonnes, 100% basis)	**8,529**	33,500
Finished Cobalt (tonnes, 100% basis)	**936**	3,700
Capital expenditures ($ millions)		
Moa Joint Venture (50% basis)	**$ 6**	$ 66
Ambatovy (100% basis, US$)	**$ 306**	$ 1,100

In Metals, full-year 2010 production of mixed sulphides, finished nickel and cobalt is expected to be near 2009 levels, consistent with previous guidance. Finished metals production guidance reflects the impact of a planned total shutdown of the refinery currently scheduled for second-quarter 2010. Capital expenditure guidance is 11% ($8 million) lower than previously provided. The decrease reflects an anticipated delay in the construction of the 2,000 tonne per day sulphuric acid plant at Moa, which remains subject to securing adequate financing. Construction activities related to the 9,000 tonne Phase 2 expansion are not currently scheduled for 2010.

At Ambatovy, the majority of systems are expected to be turned over to commissioning teams by the end of 2010, with mechanical completion expected in early 2011.

Coal

FINANCIAL REVIEW

$ millions, for the three months ended March 31		2010		2009
Prairie Operations (100% basis)				
Mining revenue	$	138.5	$	127.9
Coal royalties		11.1		12.9
Potash royalties		3.3		4.3
		152.9		145.1
Operating costs [1]		104.2		99.2
General and administrative costs		1.0		1.6
EBITDA [2]		47.7		44.3
Depletion, amortization and accretion		20.2		22.1
Operating earnings[2]	$	27.5	$	22.2
Mountain Operations and coal development assets (50% basis)				
Revenue	$	35.4	$	43.8
Operating costs [3]		39.9		26.3
General and administrative costs		1.2		1.8
EBITDA [2]		(5.7)		15.7
Depletion, amortization and accretion		4.5		3.1
Operating earnings [2]	$	(10.2)	$	12.6

(1) Excluding depreciation and amortization of $9.3 million and $12.4 million for the three-month periods ended March 31, 2010 and March 31, 2009, respectively.
(2) For additional information see the Non-GAAP Measures section.
(3) Excluding depreciation and amortization of $4.0 million and $2.7 million for the three-month periods ended March 31, 2010 and March 31, 2009, respectively.

The change in operating earnings between 2010 and 2009 is detailed below:

$ millions, for the three months ended March 31		2010
Prairie Operations		
Lower royalties	$	(2.8)
Lower operating costs, net of mining revenue		5.6
Lower depletion, amortization and accretion		1.9
Other		0.6
Change in operating earnings, compared to 2009	$	5.3
Mountain Operations and coal development assets		
Lower export coal prices, denominated in U.S. dollars	$	(6.6)
Impact of weaker U.S. dollar		(6.4)
Impact of higher export sales volumes		4.9
Higher operating costs		(13.6)
Other		(1.1)
Change in operating earnings, compared to 2009	$	(22.8)

COAL PRICES

Prices ($/tonne)[1] For the three months ended March 31		2010		2009
Prairie Operations - average-realized	$	**14.86**	$	14.99
Mountain Operations - average-realized		**69.45**		98.76

(1) Excludes royalty revenue.

In Prairie Operations, the average-realized price of coal was consistent with the prior quarter.

In Mountain Operations, the average-realized price decreased $29.31 per tonne due to lower export thermal coal pricing and a weaker U.S. dollar relative to the Canadian dollar. In 2008, coal contracts were entered into at record high prices that carried into the first quarter of 2009.

ROYALTY REVENUE

$ millions, for the three months ended March 31 Prairie Operations (100% basis)		2010		2009
Coal royalties	$	**11.1**	$	12.9
Potash royalties		**3.3**		4.3

In Prairie Operations, coal royalties decreased due to the timing of mining in royalty assessable areas. Potash royalties decreased due to lower potash market prices.

PRODUCTION AND SALES

Production (millions of tonnes) For the three months ended March 31	2010	2009
Prairie Operations (100% basis)	**8.8**	8.5
Mountain Operations (50% basis)	**0.4**	0.5

Sales (millions of tonnes) For the three months ended March 31	2010	2009
Prairie Operations (100% basis)	**9.3**	8.5
Mountain Operations (50% basis)	**0.5**	0.4

In Prairie Operations, higher production in the first quarter of 2010 at Genesee mine was primarily due to lower ratios of overburden to coal. Sales volumes were higher at Boundary Dam, Genesee and a contract mine due to increased customer demand. These higher volumes were partially offset by reduced production and sales volumes at Sheerness mine due to reduced demand from its main customer as a result of a scheduled maintenance shutdown at its power generating station.

In Mountain Operations, production volumes were lower primarily due to reduced plant yields mainly related to continued low coal quality. Sales volumes increased due to production volumes from the Obed Mountain mine which re-opened in July 2009.

A dispute relating to an off-take contract for increased production resulting from the re-opening of Obed Mountain mine was resolved in the fourth quarter of 2009 and shipments began in January 2010. The delays caused by this dispute reduced Coal Valley Resources Inc.'s (CVRI) working capital and tangible net worth as it was unable to record expected levels of revenue in 2009. As a result of this and lower production volumes in the first quarter of 2010, CVRI was not in compliance with two financial covenants applicable to a $38.0 million (100% basis) 3-year non-revolving term facility. The financial institution granted a waiver of these covenants for the quarter ended March 31, 2010. See the *Liquidity and capital resources* section for more information.

OPERATING COSTS

Unit operating costs ($ per tonne) For the three months ended March 31	2010	2009
Prairie Operations	$ 11.18	$ 11.62
Mountain Operations	78.42	59.11

Components of operating costs (%) For the three months ended March 31	2010	2009
Prairie Operations		
Labour	41%	40%
Repairs and maintenance	30%	27%
Fuel	12%	13%
Other [1]	17%	20%
Total	100%	100%
Mountain Operations		
Labour	23%	22%
Repairs and maintenance	12%	10%
Fuel	11%	11%
Rentals and contractors	15%	13%
Ex-Mine [2]	33%	40%
Other [3]	6%	4%
Total	100%	100%

(1) Composed of rentals, subcontracts, explosives, power, taxes, tires, licenses and other miscellaneous expenses.
(2) Composed largely of commissions, royalties, freight and port fees.
(3) Composed of tires, explosives, power, taxes, licenses, other miscellaneous expenses.

In Prairie Operations, operating costs decreased $0.44 per tonne primarily due to higher sales volumes at Boundary Dam and Genesee mines, partially offset by increased maintenance costs at Paintearth mine on equipment that had reached specified operating-hour thresholds.

In Mountain Operations, operating costs increased by $19.31 per tonne, primarily due to reduced plant yields at both the Coal Valley and Obed Mountain mines. Both mines are currently in areas of lower quality coal because of permitting delays that have prevented mining in areas with higher quality coal.

CAPITAL SPENDING

Capital Expenditures

$ millions, for the three months ended March 31	2010	2009
Prairie Operations		
Sustaining (100% basis)(1)	$ 8.0	$ 9.1
Growth (50% basis)	7.2	1.8
Mountain Operations (50% basis)		
Sustaining(2)	1.1	3.2
Growth	-	1.2
Total	$ 16.3	$ 15.3

(1) Includes leased expenditures of $5.5 million and $0.5 million for the three-month periods ended March 31, 2010 and March 31, 2009, respectively.
(2) Includes leased expenditures of $nil and $2.0 million for the three-month periods ended March 31, 2010 and March 31, 2009, respectively.

Coal leases the majority of its mobile equipment under long-term mine-support equipment agreements entered into in 2004. In the first quarter of 2010, in addition to the acquisition of $5.5 million of leased equipment, Prairie Operations incurred capital costs of $2.5 million for infrastructure development and capital repairs on mobile equipment.

In the first quarter of 2010, $7.2 million (50% share) was spent on the construction of the activated carbon plant at the Bienfait mine. Commissioning of the plant and sales of activated carbon to coal-fired electric utility power plants is expected in the second quarter of 2010.

In Mountain Operations, capital spending for infrastructure development was lower as capital spending at the Coal Valley and Obed Mountain mines was limited by cash flows. The reduction in growth capital spending was related to the completion of the re-opening of the Obed Mountain mine in July 2009.

OUTLOOK FOR 2010

Production volumes, royalties and capital expenditures For the three and twelve months ended	Actual 2010 March 31	Projected 2010 December 31
Production		
Prairie Operations (millions of tonnes)	8.8	36
Mountain Operations (millions of tonnes, 100% basis)	0.8	5
Royalties ($ millions)		
Coal	11	37
Potash	3	15
Capital expenditures ($ millions)		
Prairie Operations	8	73
Mountain Operations (50% basis)	1	24
Activated carbon project (50% basis)	7	14

In Prairie Operations, guidance remains unchanged from last quarter. Production is expected to remain near 2009 levels. Potash royalties are expected to increase approximately 50% from 2009 levels due to production curtailments in the industry at the end of 2009 and their impact on pricing. Coal royalties are expected to decrease approximately 27% from 2009 as mining plans have less overlap with royalty assessable areas. Capital expenditures are expected to be slightly higher than 2009 as a result of the cyclical timing of equipment purchases. The activated carbon plant remains on schedule for commissioning in second-quarter 2010.

In Mountain Operations, production guidance remains consistent with last quarter. The permitting delays preventing mining in the Mercoal West permit area are expected to be resolved, and mining to commence in the permit area, by mid-year 2010. Mountain Operations plans to compensate for most of the production volume shortfall experienced in the first half of 2010. However, should permitting delays continue beyond mid-year or the resulting yields prove insufficient, production may fall short of the current estimate. Approximately 70% of Coal Valley mine's contract year production will be linked to the Newcastle FOB settlement price. Contract prices are expected to settle within the next several weeks. Current market prices for export thermal coal are significantly higher than the prior-year period, indicating potential for a higher contract price than was achieved in the previous contract year (April 2009 – March 2010). These contracts are denominated in U.S. dollars, and therefore the results will be impacted by the relative movement of the Canadian and U.S. currencies.

Oil and Gas

FINANCIAL REVIEW

$ millions, for the three months ended March 31		2010		2009
Revenue				
Cuba	$	54.7	$	44.3
Spain		3.9		1.5
Pakistan		0.2		0.3
Processing and other		0.5		0.5
		59.3		46.6
Operating costs		9.6		12.7
General and administrative costs		6.6		6.7
EBITDA (1)		43.1		27.2
Depletion, amortization and accretion		19.3		27.2
Operating earnings (1)	$	23.8	$	-

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

The change in operating earnings between 2010 and 2009 is detailed below:

$ millions, for the three months ended March 31		2010
Higher realized oil and gas prices	$	25.6
Impact of weaker U.S. dollar		(0.3)
Lower revenue due to decrease in volumes		(6.3)
Decrease in depletion, amortization and accretion		3.2
Other		1.6
Change in operating earnings, compared to 2009	$	23.8

OIL PRICES

Prices For the three months ended March 31		2010		2009
Average-realized prices				
Cuba ($/barrel)	$	53.00	$	36.01
Spain ($/barrel)		79.70		55.69
Pakistan ($/boe) (1)		7.39		8.94
Reference price (US$/barrel)				
Gulf Coast Fuel Oil No. 6		70.37		38.86
Brent		76.62		44.60

(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.

The average-realized price for oil production in Cuba increased by $16.99 per barrel in 2010 as a result of higher oil reference prices, partially offset by a weaker U.S. dollar relative to the Canadian dollar. The average-realized price for oil produced in Spain was higher in 2010 for the same reasons.

PRODUCTION AND SALES

Daily Production Volumes [1] For the three months ended March 31	2010	2009
Gross working-interest oil production in Cuba [2][4]	22,019	21,687
Net oil production [3]		
Cuba (heavy oil)		
Cost recovery	3,687	8,180
Profit oil	7,772	5,486
Total	11,459	13,666
Spain (light/ medium oil) [3]	546	303
Pakistan (natural gas) [3]	365	370
Total	12,370	14,339

(1) 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.
(2) In Cuba, Oil and Gas delivered all of its gross working-interest oil production to CUPET at the time of production. Gross working-interest oil production excludes (i) production from wells for which commerciality has not been established in accordance with production-sharing contracts, and (ii) working interests of other participants in the production-sharing contracts.
(3) Net oil 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.
(4) For further information on gross working-interest oil production in Cuba, cost recovery, and profit oil see page 42 of the 2009 annual report.

Gross working-interest oil production in Cuba increased by 332 bpd as production increases from wells drilled and workovers in 2009 exceeded natural reservoir declines. The expiration of the Varadero production-sharing contract on March 18, 2010 did not materially impact the results for the first quarter of 2010. Prior to expiring, first-quarter gross working-interest production from Varadero was approximately 2,250 bpd (net working-interest production was 464 bpd).

In the first quarter of 2010, cost recovery oil production decreased by 4,493 bpd compared to the same period in the prior year primarily due to significantly lower oil prices in 2009 and the inclusion of approximately $4 million of non-recurring facility costs in 2009. The profit oil component of net production is Sherritt's contractual share of production after the cost recovery component is subtracted from gross working-interest production. As a result of the increase in gross working-interest production and the decrease in cost recovery oil production, profit oil production increased by 2,286 bpd. Sherritt's average share of profit oil in Cuba during the first quarter of 2010 was 42%.

Production in Spain was higher due to the impact of a series of workovers performed during 2009.

OPERATING COSTS

Unit operating costs ($ per net boe) For the three months ended March 31	2010	2009
Cuba[1]	$ 7.97	$ 9.03
Spain	27.10	55.55
Pakistan	1.22	1.32
Weighted-average	$ 8.61	$ 9.82

(1) 2009 excludes the impact of loss on disposal of Block 7 assets.

Components of operating costs - Cuba (%) For the three months ended March 31	2010	2009
Cuba		
Labour	8%	4%
Maintenance	7%	7%
Treatment and transportation	45%	46%
Other [1]	40%	43%
	100%	100%

(1) Composed mainly of chemicals, insurance, yard maintenance costs and fuel, net of capitalized equipment costs.

Unit operating costs in Cuba decreased by $1.06 per barrel largely due to a weaker U.S. dollar relative to the Canadian dollar. Also, in the first quarter of 2009, operating costs included higher treatment and transportation costs due to higher net production and the inclusion of a retroactive adjustment for 2008 treatment and transportation rates.

CAPITAL SPENDING

Capital Spending $ millions, for the three months ended March 31	2010	2009
Development and facilities	$ 10.9	$ 10.9
Exploration	2.3	1.2
Total	$ 13.2	$ 12.1

In the first quarter of 2010, development and facilities capital spending included $5.7 million for development drilling activities, $2.5 million for equipment and inventory purchases, and $0.3 million related to facilities.

During the first quarter of 2010, two exploration wells and two development wells were drilled in Cuba.

Exploration costs related primarily to two wells drilled in respect of the Block 8 and Boca Profundo production-sharing contracts. Neither well produced commercial quantities of oil and both have been suspended pending further analysis. The Corporation has applied for an extension of the exploration period for Boca Profundo.

OUTLOOK FOR 2010

Production volumes and capital expenditures For the three and twelve months ended	**Actual 2010 March 31**	Projected 2010 December 31
Production		
Gross working-interest oil (Cuba) (bpd)	**22,019**	20,500
Net working-interest production, all operations (boepd)(1)	**12,370**	12,600
Capital expenditures ($ millions)		
Cuba	**$ 13**	$ 98
Other	**$ -**	$ 39

(1) Net oil production outlook is predicted on the Fuel Oil No.6 price remaining consistent with recent historical levels.

In Oil and Gas, 2010 gross working-interest oil production in Cuba is expected to be approximately 4% (800 bpd) higher than previous guidance. The increase is based on the positive results of wells drilled and workovers completed in first-quarter 2010. Capital expenditures reflect three additional development wells to be drilled in Cuba this year, which were not included in the previous guidance.

Power

FINANCIAL REVIEW

$ millions, for the three months ended March 31		2010		2009
Revenue				
Electricity sales	$	22.0	$	27.3
By-products and other		6.0		3.1
		28.0		30.4
Operating costs		5.1		9.6
General and administrative costs		1.6		1.1
EBITDA [1]		21.3		19.7
Depletion, amortization and accretion		8.0		7.6
Operating earnings [1]	$	13.3	$	12.1

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

The change in operating earnings between 2010 and 2009 is detailed below:

$ millions, for the three months ended March 31		2010
Lower realized electricity prices, denominated in Canadian dollars	$	(4.3)
Higher by-products prices		1.7
Higher operating costs in 2009 due to turbine failure		3.7
Other		0.1
Change in operating earnings, compared to 2009	$	1.2

ELECTRICITY PRICES

Prices ($/MWh) [1] For the three months ended March 31		2010		2009
Average-realized price	$	42.67	$	50.46

(1) Megawatt hours (MWh).

The average-realized price of electricity was $7.79 per MWh lower primarily due to the impact of a weaker U.S. dollar relative to the Canadian dollar, offset partially by a higher proportion of electricity generated at facilities with higher tariffs.

By-product revenue increased mainly as a result of higher prices, which are linked to market prices for petroleum products.

PRODUCTION AND SALES

Production/Sales For the three months ended March 31	2010	2009
Electricity sold [1] GWh[2]	515	541

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

Production decreased by 26 GWh primarily due to intermittent gas supply shortages that more than offset the decrease in production in the first quarter of 2009 resulting from a turbine failure at Boca de Jaruco.

The Corporation's lease on a power plant in Varadero, Cuba (20 MW) expired in March 2010. As the power plant only operated during peak demand when sufficient supplies of gas were available, the impact on production was minimal.

OPERATING COSTS

Unit operating costs ($ per MWh) For the three months ended March 31	**2010**	2009
Operating cost	**$ 9.81**	$ 17.78

Components of unit operating costs (%) For the three months ended March 31	**2010**	2009
Labour	**18%**	30%
Maintenance	**72%**	63%
Other [1]	**10%**	7%
Total	**100%**	100%

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

Unit operating costs were $7.97 lower primarily due to higher operating costs in the first quarter of 2009 due to a gas turbine failure at Boca de Jaruco and lower operating costs in 2010 due to an insurance recovery in relation to a separate turbine failure.

CAPITAL SPENDING

Capital Expenditures $ millions, for the three months ended March 31	**2010**	2009
Sustaining	**$ 2.8**	$ 1.3
Growth	**3.5**	7.7
Total	**$ 6.3**	$ 9.0

Sustaining capital expenditures in the first quarter of 2010 related mainly to equipment and infrastructure. Growth capital spending relates mainly to components and capitalized interest relating to the 150 MW Boca de Jaruco Combined Cycle project, which is under review.

OUTLOOK FOR 2010

Production volumes and capital expenditures For the three and twelve months ended	**Actual 2010 March 31**	Projected 2010 December 31
Production		
Electricity (GWh)	**515**	2,040
Capital expenditures ($ millions) [1]		
Cuba	**$ 6**	$ 31

(1) For projected December 31, 2010, capital expenditures include $5 million of progress payments that will be recorded as other assets.

In Power, production levels in 2010 are expected to remain largely consistent with first-quarter levels, based on current gas availability.

Other - Technologies

FINANCIAL REVIEW

In the three months ended March 31, 2010, Technologies generated revenue of $2.0 million, compared to $3.3 million in the same period in the prior year. Revenue decreased primarily due a lower number of new customer agreements established as a result of a weaker global economy.

Other – Mineral Products

FINANCIAL REVIEW

In 2009, the Corporation determined that Mineral Products no longer met the criteria to be classified and accounted for as a discontinued operation as the Corporation was no longer actively marketing this business for sale. Mineral Products incurred losses of $0.8 million and $0.8 million for the three months ended March 31, 2010 and March 31, 2009, respectively.

Liquidity and capital resources

Although economic conditions and commodity prices improved in the latter part of 2009, Sherritt continued to focus on effectively managing liquidity. The primary factors affecting liquidity and how Sherritt manages capital are described in detail in the annual MD&A. Management believes that, based on the financial position and liquidity profile at March 31, 2010, the Corporation should be able to fund the working capital requirements of its operations, to fund capital assets, and to make all of its short and long-term debt repayments and other obligations.

Cash requirements

The following table provides a summary of consolidated liquidity and capital commitments based on existing commitments and debt obligations:

$ millions, as at	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter
Long-term debt repayment obligations	$ 3,174.8	$ 40.5	$ 24.3	$ 391.9	$ 124.0	$ 372.6	$ 2,221.5
Capital commitments	580.5	456.7	75.2	44.9	3.7	-	-
Capital leases and other	109.7	37.4	30.3	23.9	14.8	3.3	-
Operating leases	76.1	15.3	12.7	10.8	6.6	7.3	23.4
Pension obligations	82.5	7.6	7.8	7.8	7.9	8.1	43.3
Asset-retirement obligations	456.3	21.0	25.7	25.5	22.1	14.7	347.3
Total	$ 4,479.9	$ 578.5	$ 176.0	$ 504.8	$ 179.1	$ 406.0	$ 2,635.5

Investment liquidity

At March 31, 2010, cash, cash equivalents and short-term and long-term investments were located in the following countries:

$ millions, as at March 31, 2010	Cash and cash equivalents	Short-term investments	Long-term investments	Total
Canada	**$ 106.2**	**$ 521.8**	**$ 39.5**	**$ 667.5**
Cuba	**37.2**	**-**	**121.4**	**158.6**
England	**61.3**	**-**	**-**	**61.3**
Other	**38.3**	**-**	**-**	**38.3**
Total	**$ 243.0**	**$ 521.8**	**$ 160.9**	**$ 925.7**

CASH AND SHORT-TERM INVESTMENTS

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

At March 31, 2010, included in cash, cash equivalents and short-term investments was $76.0 million (100% basis) of cash held by the Ambatovy Joint Venture and $32.0 million (50% basis) held by the Moa Joint Venture. All cash held by the Ambatovy Joint Venture and Moa Joint Venture is for the exclusive use of those joint ventures.

The Corporation's short-term investments are primarily in Government of Canada treasury bills with original maturity dates of greater than three months and less than one year.

LONG-TERM INVESTMENTS

As a result of an agreement in January 2009 with Oil and Gas and Power's Cuban customers, Sherritt acquired approximately US$159.1 million in certificates of deposit (CDs). These CDs were issued by a Cuban bank and bear interest at a rate of 30-day LIBOR plus 5%. In the event of default, Sherritt has the right to receive payment from the cash flows payable by the Moa Joint Venture to its Cuban beneficiaries. At March 31, 2010, the balance of the CD's was $121.4 million.

At March 31, 2010, the Corporation held MAV notes with a fair value of $33.9 million. These notes are held as an investment. The Corporation has used these notes as collateral for its MAV note loans. Under the terms of the loans, proceeds from the sale of the MAV notes would be used to repay any outstanding principal amounts of the loan, if any and/or reduce the amount available under the loan.

Sources and uses of cash

The Corporation's cash flows from operating, investing and financing activities are summarized in the following table as derived from Sherritt's Consolidated Statements of Cash Flow.

$ millions, for the three months ended March 31	**2010**	2009
Cash from operating activities		
Cash from operating activities before change in non-cash working capital	**$ 107**	$ 86
Change in non-cash working capital	**38**	9
Cash provided by operating activities	**$ 145**	$ 95
Cash from investing and financing		
Capital spending	**$ (299)**	$ (409)
Short-term debt borrowings, net of repayments	**3**	53
Long-term debt borrowings, net of repayments	**31**	81
Dividends paid on common shares	**(11)**	(11)
Funding from Ambatovy Joint Venture partners	**24**	355
Other	**10**	19
	$ (242)	$ 88
	$ (97)	$ 183
Cash, cash equivalents, and short-term investments:		
Beginning of the period	**$ 862**	$ 607
End of the period	**$ 765**	$ 790

Operating cash flow before change in non-cash working capital in the first quarter of 2010 was significantly impacted by an increase in earnings. During the first quarter of 2009, the Corporation received $74.1 million as its share of proceeds related to the termination of the Block 7 production-sharing contract in Oil and Gas.

In the first quarter of 2009, US$161.1 million collected on overdue 2008 receivables from Oil and Gas and Power had a minimal impact on the overall cash position as the Corporation agreed to purchase a similar amount of certificates of deposit. See the Long-term investments description above for more details.

Changes in non-cash working capital in the first quarter of 2010 were primarily due to higher accounts payable due to the timing of payments mostly at the Ambatovy Project, partially offset by lower accounts receivable as a result of collections at Oil and Gas and Power.

Cash used toward capital expenditures for the first quarter of 2010 were $299 million. The majority of this spending related to the development of the Ambatovy Project. A discussion of capital expenditures is included in the Review of operations sections for each division.

Long-term debt proceeds (net of payments) in the first quarter of 2010 were $31 million; the majority of proceeds were received under the Ambatovy Joint Venture senior debt financing and the Ambatovy Joint Venture additional partner loans.

In addition, in the first quarter of 2010, $24 million was received by the Ambatovy Joint Venture from the other Ambatovy Joint Venture partners as their share of the joint venture funding requirements.

Available credit facilities

At March 31, 2010, the Corporation and its divisions have borrowed $3.0 billion under available long-term credit facilities. Total credit available under these facilities was $945 million, inclusive of approximately $492 million (US$485 million) (100% basis) available under the Ambatovy Joint Venture senior debt financing.

The following table outlines the maximum amount and amounts available to the Corporation under its credit facilities as at March 31, 2010 and December 31, 2009.

$ millions, as at		**2010 March 31**		2009 December 31
	Maximum	**Available**	Maximum	Available
Short-term				
Syndicated 364-day revolving term credit facility	$ 140	$ 134	$ 140	$ 117
MAV liquidity line of credit	20	20	20	20
Long-term				
Ambatovy Project financing (US$) (100%)	$ 2,100	$ 485	$ 2,100	$ 507
Ambatovy J.V. partner loans (US$)(1)(2)	213	128	213	128
Ambatovy J.V. additional partner loans (US$)(2)	23	-	23	-
Senior credit facility agreement	235	136	235	135
MAV note loans	33	33	33	33
Total Canadian equivalent	$ 2,800	$ 945	$ 2,874	$ 971
Capital leases(3)	$ 140	$ 54	$ 140	$ 46
Proportionate share of credit facility(4)	**Maximum**	**Available**	Maximum	Available
Ambatovy Project financing (US$) (40%)	$ 840	$ 194	$ 840	$ 203
Total Canadian equivalent	$ 853	$ 197	$ 879	$ 212

(1) The availability under this loan has been reduced by US$22.9 million, the amount repaid to Kores.
(2) The Ambatovy Joint Venture additional partner loans are uncommitted except for a commitment of US$22.9 million. The US$22.9 million is committed to offset the reduction in amounts available under the original Ambatovy Joint Venture partner loans. (See footnote 1, above)
(3) Capital leases include only those that have been committed by lenders.
(4) To illustrate Sherritt's 40% proportion of the available credit under the Ambatovy Project financing. On a proportionate basis, at March 31, 2010, Sherritt had drawn a total of $656 million.

COVENANTS

At March 31, 2010, CVRI was not in compliance with two of its financial covenants applicable to the 3-year non-revolving term loan that requires CVRI to maintain a current ratio of not less than 1:1 and a debt-to-tangible-net-worth ratio of not greater than 2.5. The loan provides total liquidity of $19.0 million (50% basis). CVRI was, however, granted a waiver of these covenants for the quarter ended March 31, 2010.

CVRI has classified the $16.5 million balance on this loan (50% basis) in current liabilities as there is uncertainty that CVRI will be in compliance with the working capital covenant and debt-to-tangible-net-worth covenant for the next 12 months. This potential reduction in liquidity is not expected to preclude the Corporation from satisfying its current and long-term obligations as they come due.

The Corporation and its divisions were in compliance with all of their other financial covenants as at March 31, 2010. Other than the two covenants applicable to the 3-year non-revolving term loan discussed above, the Corporation expects to remain in compliance with all of its other financial covenants during the next 12 months, based on current market conditions. Other than the covenants required for the debt facilities, the Corporation is not subject to any externally imposed capital restrictions.

COMMON SHARES

As at April 26, 2010, the Corporation had 293,886,403 common shares outstanding. An additional 5,469,146 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan.

An additional 1,886,555 common shares are issuable in relation to the cross-guarantees provided by certain Ambatovy Joint Venture partners. These shares are to be issued in approximately-equal amounts on December 31, 2010 and December 31, 2011.

In February 2010, the Board of Directors of the Corporation approved a quarterly dividend of $0.036 per share that was payable on April 14, 2010 to shareholders of record at the close of business on March 31, 2010.

Managing risk

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

Accounting pronouncements

Convergence with International Financial Reporting Standards

BACKGROUND

The Canadian Accounting Standards Board (AcSB) requires all Canadian publicly accountable entities to adopt IFRS for years beginning on or after January 1, 2011. Sherritt's first filing under IFRS will be for the period ending March 31, 2011 and will include 2010 IFRS comparative figures. Accordingly, Sherritt's adoption date for IFRS is January 1, 2011, but Sherritt's effective transition date is January 1, 2010 (Transition Date) in order to accommodate IFRS comparative figures in Sherritt's 2011 financial statements.

IFRS uses a conceptual framework similar to Canadian GAAP; however, there are significant differences in recognition, measurement and disclosure. Adoption of IFRS will require the Corporation to make certain policy choices that could materially impact the reported financial position and results of operations; however, it is not expected that IFRS will change the actual cash flows the Corporation generates or change its business activities. To the extent possible, Sherritt will make these choices with a view to providing meaningful information to stakeholders that is also comparable between industry peers.

PROJECT PLAN

As previously disclosed, the Corporation is managing its IFRS Conversion Project in three phases; Phase 1 - the scoping and planning phase, Phase 2 - the design and build phase, and Phase 3 - the implementation and review phase.

Management provides regular progress reports on the status of Sherritt's IFRS Conversion Project to the IFRS Conversion Project Steering Committee and to the Audit Committee of the Board of Directors.

Phase 1, the scoping and planning phase, is complete. This phase mainly consisted of establishing a project management structure including the formation of a Steering Committee and business unit project teams; approving the project charter and a detailed project plan; performing a high-level diagnostic assessment of potential differences between Canadian GAAP and IFRS in addition to identifying certain exemptions available for first time adopters; and the completion of preliminary training for key members of the IFRS Conversion Project.

Phase 2, the design and build phase, involves performing the conversion to IFRS. Significant progress has been made under Phase 2 which is described further in the 'Project Update' section below.

During Phase 2, in late 2009, Management determined that additional resources were required to meet the implementation deadline. As a result, the Corporation engaged additional professional advisors and added resources to its finance group. The additional resources in the finance group will also be needed to support the increased demands of on-going reporting under IFRS.

Phase 3 is the implementation and review phase. This phase, which will continue to January 1, 2011 and beyond, is the execution phase which will focus on enabling continued IFRS reporting and facilitating knowledge transfer. Phase 3 involves the following key elements: preparation of full IFRS interim and annual financial statements for the transition period ending December 31, 2010 for comparative disclosure; preparation of interim and annual IFRS financial statements for the year ending December 31, 2011; continued IFRS compliance by developing new accounting policies, accounting manuals, guidelines, processes for reporting to management and shareholders; development of detailed training and knowledge transfer to appropriate staff; and development of revised processes for disclosure controls and procedures and internal controls over financial reporting including updating key controls as required and perform testing and addressing any internal or disclosure control deficiencies.

PROJECT UPDATE

Phase 2 is well underway. Progress to date is highlighted below:

Making policy choices and choosing exemptions – A preliminary determination of the significant accounting policies under IFRS has been made as well as the initial determinations of the optional exemptions available under IFRS 1, *First-time Adoption of IFRS.* Management is selecting policies consistent with industry peers to the extent appropriate. The process of quantifying the impacts of accounting policy choices and exemptions is underway for the purpose of preparing the transitional Consolidated Statement of Financial Position as at January 1, 2010 under IFRS;

Financial systems – A scoping study was completed that identified changes to the financial systems necessary to support IFRS. In addition, a strategy was developed for dual internal Canadian GAAP and IFRS reporting during 2010 and changeover to IFRS in 2011;

Financial statement disclosures – Illustrative IFRS financial statements and disclosures have been prepared based on a preliminary determination of accounting policies and optional exemptions available under IFRS 1;

Accounting policy manual – A review of accounting policies throughout the Corporation to ensure consistency is in progress. This work will support the development of a Sherritt IFRS Accounting Policy Manual;

Internal controls – The design of the control framework necessary to support the IFRS reporting environment has been initiated with a view to updating the CEO/CFO certification process by the fourth quarter of 2010;

Training – Training has continued for stakeholders involved in the implementation process including certain members of the Corporation's Audit Committee; and

Other – Began preliminary discussions on an approach to determine the impact of IFRS on business policies, and compensation, debt, and other contractual agreements.

PRELIMINARY ASSESSMENTS

To date, the Corporation has identified some significant differences between Canadian GAAP and IFRS in its current form which could potentially impact its consolidated financial statements. A number of projects underway by standard-setting bodies could materially change IFRS. Management's analysis and preliminary assessments are underway based on current facts and circumstances, which could change prior to the transition to IFRS.

The most significant impact, identified to date, on the consolidated financial statements arising from a difference between Canadian GAAP and IFRS could potentially be a change in the method of accounting for the Corporation's investments in the Ambatovy Joint Venture and Energas which are described further below.

Joint Ventures and Associated entities

Under Canadian GAAP, the Ambatovy Joint Venture and Energas are considered investments in variable interest entities as defined by Accounting Guideline 15, *Consolidation of Variable Interest Entities* (AcG-15) and are fully consolidated with non-controlling interest in the net assets reported separately. In accordance with IAS 28, *Investment in Associates*, and IAS 31, *Interests in Joint Ventures*, it is possible that Ambatovy may have to be treated as an associated entity that is accounted for using the equity method of accounting and Energas may have to be treated as a jointly-controlled entity that is accounted for using proportionate consolidation. If this is determined to be the appropriate accounting treatment, Sherritt may be required to deconsolidate these entities thereby eliminating Non-controlling interest at the Transition Date and significantly reducing assets and liabilities on a line-by-line basis. In addition, the Ambatovy Joint Venture would be reported as an "investment in an associated entity," a single line item on the Consolidated Statement of Financial Position and the Corporation's proportionate share of results would be reported in a single line on its Consolidated Statement of Comprehensive Income (Loss). For Energas, if this accounting is determined to be appropriate, the Corporation would recognize its proportionate share of assets, liabilities and earnings (loss) on a line-by-line basis in its consolidated financial statements.

If the Corporation's investment in the Ambatovy Joint Venture is accounted for as an equity investment under IFRS, it would not be considered to be a qualified asset as defined under IAS 23, *Borrowing Costs*, for the capitalization of certain borrowing costs. As a result, certain previously capitalized borrowing costs would be written off to retained earnings, and future interest relating to the non-qualifying loans would be expensed as incurred.

In addition, as a result of this potential change in accounting for the Ambatovy Joint Venture, the Corporation may be required to account for its investment as if it was equity accounted from inception. As a result, the Ambatovy mineral rights and previously written off goodwill associated with the investment may need to be included in the investment cost and reviewed for impairment at the Transition Date and at subsequent reporting dates.

The potential accounting treatment for Energas is based on current IFRS standards, and does not assume the adoption of Exposure Draft 9 (ED9), *Joint Arrangements*, which is currently under discussion by the International Accounting Standard Board. If adopted in its current form, ED9 would, among other things, eliminate the use of proportionate consolidation for entities determined to be joint ventures and require them to be accounted for as equity investments in most circumstances. If this exposure draft is adopted, it could have a further material impact on Sherritt's financial statements. In addition to Energas, Sherritt's other significant joint ventures are the Coal Valley Partnership (Coal Mountain operations) and the Moa Joint Venture which would also be impacted by the adoption of ED 9.

Foreign currency translation

Under IFRS, the concept of an integrated or self-sustaining foreign operation does not exist as it does under Canadian GAAP. Although similar to Canadian GAAP, the indicators used to determine the functional currency of a foreign operation under IFRS, IAS 21, *The Effects of Changes in Foreign Exchange Rates*, are based on a hierarchy for analyzing the transactions in the entities' primary economic environment. Based on Management's preliminary analysis, the Corporation may conclude that the functional currency of Energas is the U.S. dollar under IFRS. If this were the case, Energas' operations would be translated using the current rate method which translates foreign denominated assets, liabilities and transactions at the exchange rate at the reporting date with all exchange gains and losses included in comprehensive income (loss) and deferred in Accumulated other comprehensive income (loss).

Impairment of assets

Under IFRS, IAS 39, *Impairments*, provides for a one-step approach to test for and measure impairments by comparing asset carrying values directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This compares with Canadian GAAP which involves a two-step approach, first comparing carrying value of an asset with undiscounted future cash flows and, if an impairment is indicated, comparing the carrying value with the fair value (generally based on discounted cash flows). Application of the IFRS guidelines may result in more write downs, as carrying values of assets that may have been supported based on an undiscounted basis under Canadian GAAP may not be supported on a discounted basis under IFRS.

IFRS also requires a full or partial reversal of previous impairment losses, except on goodwill, where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits the reversal of impairment losses.

In addition, where Canadian GAAP assesses impairments on a reporting unit basis, IFRS requires impairment analyses to be performed on a cash generating unit basis which is defined as the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or group of assets. This difference could also result in higher impairment losses.

First time adoption of IFRS

First time adoption of International Financial Reporting Standards (IFRS 1) provides certain exemptions that could be used when the Corporation first adopts IFRS. The Corporation's analysis of these exemptions is ongoing; however, the following exemptions would likely be the most significant exemptions that could apply to Sherritt on adoption of IFRS:

- **Business combinations** – IFRS 1 provides an exemption not to apply IFRS 3R, *Business Combinations*, retrospectively to business combinations that occurred before the Corporation's Transition Date. The Corporation may choose this exemption and not restate any business combinations that occurred prior to its Transition Date.
- **Cumulative translation adjustment** – IFRS 1 provides an exemption to not apply the guidance of IAS 21, *The Effects of Changes in Foreign Exchange Rates*, retrospectively for cumulative translation differences relating to foreign operations that existed at the Transition Date. Retrospective application of IAS 21 would require the Corporation to determine cumulative currency translation differences from the date a subsidiary or other investee was formed or acquired. The Corporation may elect this exemption and reset all cumulative translation gains and losses to zero at its Transition Date.
- **Exploration and evaluation** - IFRS 1 provides an exemption from retrospectively applying the full cost method of accounting for Oil and Gas assets in accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources*.

  The Corporation may elect this exemption which would permit the following capitalization measurement basis to be retained for exploration and evaluation costs incurred prior to the Transition Date:

  - Capitalized amounts for exploration and evaluation assets determined under Canadian GAAP; and
  - Capitalized development and production assets determined for the cost centre under Canadian GAAP and the allocation of this amount to the respective assets based on reserve volumes.
- **Lease arrangements** - IFRS 1 provides an exemption from retrospectively applying the guidance provided in IFRIC 4, *Determining whether an Arrangement contains a Lease*, if, in certain circumstances, a lease was previously accounted for in accordance with Emerging Issues Abstract 150 (EIC-150) under Canadian GAAP. EIC-150 permitted an entity to not have to revisit arrangements that existed prior to the issuance date of the standard, January 1, 2005. The Corporation may apply the exemption that would allow it to apply IFRIC 4 only to arrangements existing at the Transition Date that were entered into prior to January 1, 2005, based on the facts and circumstances at that date. These arrangements that were analyzed in accordance with EIC-150 entered into prior to January 1, 2005 will be required to be in compliance with IFRIC 4.

Accounting pronouncements - Canadian Generally Accepted Accounting Policies

BUSINESS COMBINATIONS/CONSOLIDATED FINANCIAL STATEMENTS/NON-CONTROLLING INTERESTS

In January 2009, the CICA issued Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests", which superseded Sections 1581, "Business Combinations", and 1600 "Consolidated Financial Statements". These new sections replaced existing guidance on business combinations and consolidated financial statements to harmonize Canadian accounting for business combinations with IFRS. These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of these new sections concurrently. The Corporation does not plan to early adopt these sections at this time; however, this plan could change in future periods depending on the facts and circumstances.

MULTIPLE DELIVERABLE REVENUE ARRANGEMENTS

In December 2009, the CICA issued EIC-175, "Multiple Deliverable Revenue Arrangements", which provides guidance for determining whether an arrangement involving multiple deliverables contains one or more units of accounting. The accounting treatments provided in EIC-175 are effective for the first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. The Corporation will not early adopt this standard.

Summary of quarterly results

The following table presents a summary of the segments and consolidated operating results for each of the eight quarters ended June 2008 to March 2010.

$ millions, except per share amounts, for the three months ended	**2010 March 31**	2009 December 31	2009 September 30	2009 June 30	2009 March 31	2008 December 31	2008 September 30	2008 June 30
Revenue[1]								
Metals	**$ 115.8**	$ 110.6	$ 114.3	$ 111.1	$ 79.7	$ 96.0	$ 137.5	$ 177.7
Coal [2]	**188.3**	174.9	181.2	165.7	188.9	200.7	189.9	124.5
Oil and Gas	**59.3**	63.0	59.9	50.2	46.6	44.9	112.9	104.5
Power	**28.0**	28.5	30.6	28.6	30.4	31.8	30.9	30.3
Corporate and other	**1.9**	2.8	3.6	2.9	4.0	6.5	7.1	5.4
	$ 393.3	$ 379.8	$ 389.6	$ 358.5	$ 349.6	$ 379.9	$ 478.3	$ 442.4
Net earnings (loss)	**59.7**	48.3	55.9	24.4	(42.9)	(592.1)	133.1	80.3
Net earnings (loss) per share								
Basic	**$ 0.20**	$ 0.16	$ 0.19	$ 0.08	$ (0.15)	$ (2.03)	$ 0.45	$ 0.28
Diluted	**$ 0.20**	$ 0.16	$ 0.19	$ 0.08	$ (0.15)	$ (2.03)	$ 0.45	$ 0.28

(1) Revenue has been amended for the three months ended March 31, 2009, December 31, 2008, September 30, 2008, and June 30, 2008 to include the results of Mineral Products which had previously been accounted for as a discontinued operation.

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

Net earnings (loss) for the Corporation before the inclusion of unusual items were affected primarily by changes in commodity prices and exchange rates that impact revenue and costs. The Corporation's results have been positively impacted by an increase in nickel, cobalt and oil prices, which have been trending higher in recent quarters compared to the quarters that were impacted to a greater degree by the global financial crisis that began in late 2008. In the first quarter of 2009, the Corporation recognized a loss on the disposal of Block 7 assets of $79.5 million ($57.4 million after-tax). As a result of the weakened economic environment in the fourth quarter of 2008, the Corporation recognized $590.7 million in unusual costs, including the impairment of goodwill related to the Ambatovy Joint Venture and impairment of certain Cuban accounts receivable balances.

Transactions with related parties

The Corporation engaged in the following related-party transactions resulting in the balances at March 31, 2010 below:

$ millions, the three months ended March 31		2010
Total value of goods and services		
Provided to joint ventures and affiliates	$	15.0
Purchased from joint ventures and affiliates		6.0

$ millions, as at March 31		2010
Accounts receivable from joint ventures	$	5.7
Accounts payable to joint ventures		2.1
Advances and loans receivable from certain Moa Joint Venture entities		194.9
Loan receivable from Coal Valley Resources Inc.		5.1

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

Advances and loans receivable include two loans provided pursuant to a funding agreement and advances on a working-capital facility provided by the Corporation to certain Moa Joint Venture entities. The funding arrangement was created in order to finance the expansion activities at the Moa Joint Venture. All amounts are recorded at the proportionately consolidated amounts.

Controls and procedures

Disclosure controls and procedures

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

Internal controls over financial reporting

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

As at March 31, 2010, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended March 31, 2010 the Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Supplementary information

Sensitivity analysis

The following table shows the approximate impact on the Corporation's first quarter 2010 net earnings and EPS of a change in selected key variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor	Increase	Approximate change in Q1 net earnings ($ millions) Increase/(decrease)	Approximate quarterly change in basic EPS Increase/(decrease)
Prices			
Nickel - LME price per pound	US$ 0.50	3	0.01
Cobalt - Metal Bulletin price per pound	US$ 5.00	3	0.01
Oil -U.S. Gulf Coast Fuel Oil No. 6 price per barrel	US$ 5.00	3	0.01
Volume			
Nickel - tonnes	1,000	4	0.01
Cobalt - tonnes	250	3	0.01
Oil - barrels per day	1,000	3	0.01
Exchange rate			
US dollar per Canadian dollar	US$ 0.05	(10)	(0.03)
Operating costs			
Natural Gas - cost per gigajoule (Metals)	$ 1.00	(1)	-
Sulphuric acid - cost per tonne (Metals)	US$ 25.00	(1)	-

Non-GAAP measures

EBITDA AND OPERATING EARNINGS

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

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

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

$ millions, for the three months ended March 31	2010	2009
Revenue	$ 393.3	$ 349.6
Operating, selling, general and administrative expenses	269.8	272.7
	123.5	76.9
Add: Depreciation included in operating expenses	19.6	19.6
EBITDA	143.1	96.5
Less:		
Depreciation included in operating expenses	19.6	19.6
Depletion, amortization and accretion	40.9	49.1
Operating earnings	82.6	27.8
Loss on disposal of property, plant and equipment	-	79.5
Net financing income	(5.0)	(2.1)
Other items	-	2.2
Earnings (loss) from operations before income taxes and non-controlling interests	$ 87.6	$ (51.8)

ADJUSTED BALANCE SHEET

The Corporation is the primary beneficiary of two Variable Interest Entities (VIEs) as defined under CICA Accounting Guideline 15. The Corporation holds an indirect 40% interest in the equity of a VIE, the Ambatovy Joint Venture, and in accordance with Canadian GAAP, the accounts of the Ambatovy Joint Venture are consolidated and the 60% equity interests of the other shareholders are accounted for as non-controlling interests. The Corporation also holds an indirect one-third interest in the equity of another VIE, Energas S.A., and in accordance with Canadian GAAP, the accounts of Energas S.A. are consolidated. The two-thirds equity interests of the other shareholders are accounted for as non-controlling interests.

Given the magnitude of these VIEs relative to the Corporation's total asset base, certain shareholders and other stakeholders have requested additional information that will help them better understand the Corporation's economic interest in and exposure to these VIEs.

To address these concerns, the Corporation has prepared an adjusted balance sheet that includes the Corporation's proportionate interest in these VIEs. The adjusted balance sheet has been prepared using an arithmetic formula and does not represent proportionate consolidation under Canadian GAAP. The adjusted balance sheet has also been condensed in order to better illustrate key financial statement line items of interest to investors and management. The adjusted balance sheet does not have a standardized meaning under Canadian GAAP and is not to be used to compare the Corporation to other companies. An investor may find this information useful in analyzing Sherritt's financial information but it should not be considered in isolation or as a substitute for any information prepared in accordance with Canadian GAAP.

The adjusted balance sheet provides both investors and management with information to help them better understand the Corporation's economic interest in key financial statement line items. Management also reviews key financial statement line items on this adjusted basis.

The adjusted balance sheet has been reconciled to the condensed Canadian GAAP balance sheet as at March 31, 2010. This reconciliation provides a concise view of the impact of these VIEs on the Corporation's balance sheet by clearly identifying the adjustments related to each VIE by financial statement line item.

		Less: Consolidated amount		Add: Proportionate Interest		
$ millions, as at March 31, 2010	GAAP Balance Sheet	Ambatovy 100%	Energas S.A 100%	Ambatovy 40%	Energas S.A $33^{1/3}$%	Adjusted Balance Sheet
ASSETS						
Cash, cash equivalents, short-term investments	$ 764.8	$ (76.0)	$ (16.7)	$ 30.4	$ 5.6	$ 708.1
Other current assets	654.4	(29.0)	(24.1)	11.6	8.0	$ 620.9
Property, plant and equipment	7,337.1	(5,242.5)	(449.3)	2,097.0	149.8	3,892.1
Other	1,178.4	(8.7)	(17.9)	3.5	5.9	1,161.2
	$ 9,934.7	**$ (5,356.2)**	**$ (508.0)**	**$ 2,142.5**	**$ 169.3**	**$ 6,382.3**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities	$ 599.9	$ (324.1)	$ (7.9)	$ 129.3	$ 2.6	399.8
Long-term debt and other long-term liabilities	3,135.1	(1,592.3)	(185.1)	636.9	61.7	2,056.3
Other	680.6	(320.0)	-	128.0	-	488.6
	4,415.6	(2,236.4)	(193.0)	894.2	64.3	2,944.7
Non- controlling interests	2,081.5	(1,871.5)	(210.0)	-	-	-
Shareholders' equity	3,437.6	(1,248.3)	(105.0)	1,248.3	105.0	3,437.6
	$ 9,934.7	**$ (5,356.2)**	**$ (508.0)**	**$ 2,142.5**	**$ 169.3**	**$ 6,382.3**

Forward-looking statements

This discussion contains certain forward-looking statements. Forward-looking statements generally can be identified by the use of statements that include words such as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include statements respecting certain future expectations about the Corporation's capital expenditures; capital project commissioning and completion dates; production volumes; scheduled maintenance and shutdown of production facilities; realized prices for production; royalty revenues; sales of activated carbon; debt repayments; compliance with financial covenants; sufficiency of working capital; collection of account receivables; permitting for the Coal Mountain Operations; conversion plan for the adoption of IFRS; accounting treatment for investments in joint ventures and associated entities, foreign currency translation and impairment of assets due to adoption of IFRS; and other corporate objectives, plans or goals for 2010. These forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. Sherritt cautions readers of this MD&A not to place undue reliance on any forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. By their nature, forward-looking statements require Sherritt to make assumptions and are subject to inherent risks and uncertainties.

Key factors that may result in material differences between actual results and developments and those contemplated by this MD&A include, global economic conditions, business, economic and political conditions in Canada, Cuba, Madagascar, and the principal markets for Sherritt's products. Other such factors include, but are not limited to, uncertainties in the development and construction of large mining projects; risks related to the availability of capital to undertake capital initiatives; changes in capital cost estimates in respect of the Corporation's capital initiatives; risks associated with Sherritt's joint-venture partners; future non-compliance with financial covenants; potential interruptions in transportation; political, economic and other risks of foreign operations; Sherritt's reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainties in oil and gas exploration; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; risks related to the Cuban government's ability to make certain payments to the Corporation; development programs; uncertainties in reserve estimates; uncertainties in asset-retirement and reclamation cost estimates; Sherritt's reliance on significant customers; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; Sherritt's ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainties in pension liabilities; the ability of Sherritt to enforce legal rights in foreign jurisdictions; the ability of Sherritt to obtain government permits; risks associated with government regulations and environmental health and safety matters; differences between Canadian GAAP and IFRS; and other factors listed from time to time in Sherritt's continuous disclosure documents.

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

Interim consolidated financial statements (unaudited)

As at and for the three months ended March 31, 2010

IN THIS SECTION

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4 Consolidated statements of operations
4 Consolidated statements of retained earnings
4 Consolidated statements of comprehensive income (loss)
5 Consolidated statements of cash flows

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6 Note 2 – Accounting pronouncements
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7 Note 4 – Net change in non-cash working capital
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9 Note 9 – Short-term debt, long-term debt and other long-term liabilities
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10 Note 11 – Non-controlling interests
11 Note 12 – Capital stock
12 Note 13 – Contributed surplus
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Consolidated balance sheets (unaudited)

Unaudited, $ millions, as at	Note	2010 March 31	2009 December 31
ASSETS			
Current assets			
Cash and cash equivalents	20	$ 243.0	$ 440.8
Restricted cash		1.1	1.8
Short-term investments	20	521.8	420.8
Current portion of long-term investments	7	39.0	40.5
Current portion of other assets	8	67.0	66.0
Accounts receivable, net	20	329.1	321.2
Inventories	5	178.6	171.0
Prepaid expenses		10.5	11.8
Future income taxes		29.1	29.1
		1,419.2	1,503.0
Long-term receivables	20	28.6	21.2
Property, plant and equipment	6	7,337.1	7,162.9
Investments	7	121.9	125.8
Other assets	8	232.7	286.9
Goodwill		307.9	307.9
Intangible assets		479.6	483.4
Future income taxes		7.7	8.3
		$ 9,934.7	$ 9,899.4
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term debt	9	$ 2.5	$ -
Accounts payable and accrued liabilities		470.4	371.4
Deferred revenue		27.5	2.0
Current portion of long-term debt and other long-term liabilities	9	76.0	77.4
Current portion of asset-retirement obligations	10	23.5	24.1
Future income taxes		-	0.8
		599.9	475.7
Long-term debt and other long-term liabilities	9	3,135.1	3,167.7
Asset-retirement obligations	10	140.0	138.3
Future income taxes		540.6	552.5
		4,415.6	4,334.2
Non-controlling interests	11	2,081.5	2,110.8
Shareholders' equity			
Capital stock	12	2,772.3	2,771.9
Contributed surplus	13	218.5	218.1
Retained earnings		598.4	549.3
Accumulated other comprehensive loss	15	(151.6)	(84.9)
		446.8	464.4
		3,437.6	3,454.4
		$ 9,934.7	$ 9,899.4

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

Consolidated statements of operations

Unaudited, $ millions, except per share amounts, for the three months ended March 31	Note	2010	2009
Revenue		**$ 393.3**	$ 349.6
Operating, selling, general and administrative expenses [1]		**269.8**	272.7
Earnings before undernoted items		**123.5**	76.9
Depletion, amortization and accretion		**40.9**	49.1
Loss on disposal of property, plant and equipment	6	**-**	79.5
Net financing income	16	**(5.0)**	(2.1)
Other items		**-**	2.2
Earnings (loss) from operations before income taxes and non-controlling interests		**87.6**	(51.8)
Non-controlling interests		**4.9**	6.1
Income taxes	18	**23.0**	(15.0)
Net earnings (loss)		**$ 59.7**	$ (42.9)
Net earnings (loss) per share			
Basic	12	**$ 0.20**	$ (0.15)
Diluted	12	**$ 0.20**	$ (0.15)

(1) Includes depreciation on production related depreciable assets of $19.6 million and $19.6 million for the three months ended March 31, 2010 and March 31, 2009, respectively.

Consolidated statements of retained earnings

Unaudited, $ millions, for the three months ended March 31	2010	2009
Beginning of year	**$ 549.3**	$ 505.8
Net earnings (loss)	**59.7**	(42.9)
Dividends on common shares	**(10.6)**	(10.5)
End of period	**$ 598.4**	$ 452.4

Consolidated statements of comprehensive income (loss)

Unaudited, $ millions, for the three months ended March 31	Note	2010	2009
Net earnings (loss)		**$ 59.7**	$ (42.9)
Other comprehensive income (loss)			
Unrealized foreign currency gain (loss) on self-sustaining foreign operations	15	**(66.7)**	142.9
Comprehensive income (loss)		**$ (7.0)**	$ 100.0

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

Consolidated statements of cash flows

Unaudited, $ millions, for the three months ended March 31	Note	2010	2009
Operating activities			
Net earnings (loss)		$ 59.7	$ (42.9)
Add (deduct)			
Non-controlling interests		4.9	6.1
Depletion, amortization and accretion		60.5	68.5
Stock-based compensation expense	14	2.1	0.2
Loss on disposal of property, plant and equipment	6	-	79.5
Impairment of inventory		0.3	0.4
Fair value adjustment		(5.1)	(0.6)
Future income taxes		0.6	(17.5)
Unrealized foreign-exchange gain		(13.1)	(8.7)
Liabilities settled for asset-retirement obligations	10	(3.0)	(3.4)
Other Items		0.2	4.4
		107.1	86.0
Net change in non-cash working capital	4	38.4	9.3
Cash provided by operating activities		145.5	95.3
Investing activities			
Capital expenditures		(362.1)	(416.9)
Purchase of short-term investments		(101.0)	(242.7)
Advances, loans receivable and other assets		16.8	1.3
Restricted cash		0.7	6.8
Net proceeds from sale of property, plant and equipment		0.2	7.4
Net change in non-cash capital expenditures		63.2	7.6
Cash used for investing activities		(382.2)	(636.5)
Financing activities			
Short-term debt repayments		-	(0.1)
Short-term debt borrowings		2.5	53.3
Long-term debt repayments		(13.2)	(11.1)
Long-term debt borrowings		43.7	91.8
Funding from Ambatovy Joint Venture partners		23.5	354.6
Treasury stock	12	(0.8)	-
Dividends paid on common shares		(10.6)	(10.5)
Cash provided by financing activities		45.1	478.0
Effect of exchange rate changes on cash and cash equivalents		(6.2)	2.7
Decrease in cash and cash equivalents		(197.8)	(60.5)
Cash and cash equivalents at beginning of year		440.8	500.9
Cash and cash equivalents at end of period		$ 243.0	$ 440.4
Cash and cash equivalents consist of:			
Cash on hand and balances with banks		$ 161.1	$ 202.6
Cash equivalents		81.9	237.8
Supplementary cash flow information			
Cash received for interest		$ 7.9	$ 5.7
Cash paid for interest on debt		5.3	3.8
Cash paid for income taxes		14.0	3.1

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

Notes to interim consolidated financial statements

1 Summary of significant 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, 2009. The disclosure contained in these interim consolidated financial statements does 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, 2009.

2 Accounting pronouncements

CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board (AcSB) requires all Canadian publicly accountable entities to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The Corporation's first mandatory filing under IFRS, which will be the first quarter of 2011, will contain IFRS-compliant consolidated financial statements on a comparative basis, as well as reconciliations to Canadian GAAP for the comparative quarter and as at the January 1, 2010 transition date. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure.

BUSINESS COMBINATIONS/CONSOLIDATED FINANCIAL STATEMENTS/NON-CONTROLLING INTERESTS

In January 2009, the CICA issued Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests", which superseded Sections 1581, "Business Combinations", and 1600 "Consolidated Financial Statements". These new sections replaced existing guidance on business combinations and consolidated financial statements to harmonize Canadian accounting for business combinations with IFRS. These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of these new sections concurrently. The Corporation does not plan to early adopt these standards at this time; however, this plan could change in future periods depending on the facts and circumstances.

MULTIPLE DELIVERABLE REVENUE ARRANGEMENTS

In December 2009, the CICA issued EIC-175, "Multiple Deliverable Revenue Arrangements", which provides guidance for determining whether an arrangement involving multiple deliverables contains one or more units of accounting. The accounting treatments provided in EIC-175 are effective for the first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. The Corporation will not early adopt this standard.

3 Discontinued operation

During the third quarter of 2009, the Corporation determined that its Mineral Products division no longer met the criteria to be classified and accounted for as a discontinued operation as the Corporation was no longer actively marketing this division for sale. These interim consolidated financial statements include the net assets and results of operations of the division with the prior periods being restated accordingly. The division incurred losses of $0.8 million and $0.8 million for the three months ended March 31, 2010 and March 31, 2009, respectively.

4 Net change in non-cash working capital

$ millions, for the three months ended March 31	2010	2009
Accounts receivable	$ (25.3)	$ 3.2
Inventories	(11.1)	2.6
Prepaid expenses	1.4	(0.6)
Accounts payable and accrued liabilities	73.4	4.1
	$ 38.4	$ 9.3

5 Inventories

$ millions, as at	2010 March 31	2009 December 31
Uncovered coal	$ 5.7	$ 5.4
Raw materials	24.6	23.1
Materials in process	32.5	31.4
Finished products	35.7	31.7
	98.5	91.6
Spare parts and operating materials	80.1	79.4
	$ 178.6	$ 171.0

For the three months ended March 31, 2010, the cost of inventories recognized as an expense and included in Operating, selling, general and administrative expenses was $176.3 million ($173.1 million for the three months ended March 31, 2009).

6 Property, plant and equipment

$ millions, as at		2010 March 31				2009 December 31
	Cost	Accumulated amortization and depletion	Net book value	Cost	Accumulated amortization and depletion	Net book value
Metals	$ 5,998.3	$ 208.7	$ 5,789.6	$ 5,849.2	$ 206.2	$ 5,643.0
Coal	1,392.4	615.7	776.7	1,378.1	600.4	777.7
Oil and Gas	1,225.1	984.1	241.0	1,254.8	1,001.7	253.1
Power	658.1	194.3	463.8	624.0	188.4	435.6
Other	126.7	60.7	66.0	113.3	59.8	53.5
	$ 9,400.6	$ 2,063.5	$ 7,337.1	$ 9,219.4	$ 2,056.5	$ 7,162.9

The Property, plant and equipment balance included development and pre-production expenditures attributable to the Ambatovy Project of $3,867.6 million (December 31, 2009 - $3,657.7 million). In addition to the capitalized Ambatovy Project expenditures, Property, plant and equipment included assets under construction of $367.8 million (December 31, 2009 - $342.0 million).

The Corporation recognized a loss on disposal of $79.5 million in the first quarter of 2009 as a result of the termination of the Block 7 production-sharing contract in Cuba.

The interest expense capitalized for the three months ended March 31, 2010 was $22.0 million (March 31, 2009 - $25.4 million).

7 Investments

$ millions, as at	Note	2010 March 31	2009 December 31
Cuban certificates of deposit		$ 121.4	$ 131.8
Master Asset Vehicle notes (MAV notes)	20	33.9	28.8
Other		5.6	5.7
		160.9	166.3
Current portion of Cuban certificates of deposit		(39.0)	(40.5)
		$ 121.9	$ 125.8

8 Other assets

$ millions, as at	2010 March 31	2009 December 31
Advances and loans receivable	$ 206.3	$ 221.7
Progress payments on equipment	21.6	54.3
Cross-guarantee fee asset	31.5	34.5
Note receivable	16.2	18.3
Pension asset	4.9	5.0
Put/call option - Ambatovy Joint Venture	7.5	7.5
Deferred reclamation recoveries	6.4	6.4
Deferred items	1.7	2.0
Other	3.6	3.2
	299.7	352.9
Current portion of other assets	(67.0)	(66.0)
	$ 232.7	$ 286.9

ADVANCES AND LOANS RECEIVABLE

In March 2010, an amended $15.1 million (100%) revolving-lending facility was provided to Coal Valley Resources Inc.'s (CVRI), a subsidiary of Coal Valley Partnership, in which the Corporation has a 50% interest. The amended facility includes principal amounts of $10.1 million from Sherritt and $5.0 million from its partner in CVRI. The amended facility is subject to an interest rate of prime plus 3% per annum and may be repaid at any time without additional interest or penalty. This facility matures on November 30, 2010. The amount of loan payable by CVRI is presented net of the elimination of the 50% proportionately consolidated intercompany balances.

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

SHORT-TERM DEBT

$ millions, as at	Note	2010 March 31	2009 December 31
Other	8	$ 2.5	$ -
		$ 2.5	$ -

LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES

$ millions, as at	2010 March 31	2009 December 31
7.875% senior unsecured debentures due 2012	$ 268.3	$ 267.8
8.25% senior unsecured debentures due 2014	222.0	221.8
7.75% senior unsecured debentures due 2015	272.1	272.0
Ambatovy Joint Venture financing	1,592.3	1,616.7
Ambatovy Joint Venture additional partner loans	424.9	422.0
Ambatovy Joint Venture partner loans	89.1	91.7
Senior credit facility agreement	65.6	65.6
Loan from financial institution	15.6	18.3
3-year non-revolving term loan	16.5	18.0
	2,966.4	2,993.9
Advances and loans payable	128.9	131.0
Capital lease obligations	86.4	88.6
Pension liability	10.8	11.4
Other long-term liabilities	18.6	20.2
	3,211.1	3,245.1
Current portion of long-term debt and other long-term liabilities	(76.0)	(77.4)
	$ 3,135.1	$ 3,167.7

3-year non-revolving term loan

At March 31, 2010, CVRI was not in compliance with two financial covenants related to this loan. CVRI was, however, granted a waiver of these covenants for the quarter ended March 31, 2010 (note 21).

10 Asset-retirement obligations

$ millions		For the three months ended 2010 March 31		For the year ended 2009 December 31
Balance, beginning of year	$	162.4	$	148.2
Additions to liabilities		5.8		28.5
Liabilities settled		(3.0)		(14.0)
Accretion expense		2.1		8.9
Change in foreign-exchange rates		(3.8)		(9.2)
Balance, end of period		163.5		162.4
Current portion of asset-retirement obligations		(23.5)		(24.1)
	$	140.0	$	138.3

11 Non-controlling interests

$ millions		For the three months ended 2010 March 31		For the year ended 2009 December 31
Ambatovy Joint Venture				
Balance, beginning of year	$	1,906.9	$	1,464.0
Share of net earnings (loss)		(1.2)		2.0
(Decrease) increase in net assets		(34.2)		440.9
		1,871.5		1,906.9
Energas S.A.				
Balance, beginning of year	$	203.9	$	204.4
Share of net earnings		6.1		18.4
Dividends to non-controlling interests		-		(18.9)
		210.0		203.9
Total balance, end of period	$	2,081.5	$	2,110.8

12 Capital stock

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

	Number		Stated Capital	
$ millions, except share amounts	**For the three months ended 2010 March 31**	For the year ended 2009 December 31	**For the three months ended 2010 March 31**	For the year ended 2009 December 31
Balance, beginning of year	**293,981,277**	293,051,276	**$ 2,771.9**	$ 2,758.3
Share purchase plan	**-**	95,580	**-**	0.5
Cross-guarantee	**-**	943,277	**-**	13.9
Treasury stock	**(94,874)**	(108,856)	**(0.8)**	(0.8)
Stock options exercised	**-**	-	**-**	-
Other	**-**	-	**1.2**	-
Balance, end of period	**293,886,403**	293,981,277	**$ 2,772.3**	$ 2,771.9

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

$ millions, except per share amounts, for the three months ended March 31	**2010**	2009
Net earnings (loss) - basic and diluted	**$ 59.7**	$ (42.9)
Weighted-average number of common shares - basic	**294.0**	293.1
Weighted-average effect of dilutive securities: (1) (2)		
Stock options	**0.5**	-
Restricted stock	**0.1**	-
Cross-guarantee	**1.9**	-
Weighted-average number of common shares - diluted	**296.5**	293.1
Net earnings (loss) per common share		
Basic	**$ 0.20**	$ (0.15)
Diluted	**$ 0.20**	$ (0.15)

(1) The determination of Weighted-average number of common shares-diluted excludes 4.4 million (March 31, 2009 – 3.8 million) shares related to stock options and 0.1 million (March 31, 2009 – 0.2 million) shares related to the employee share purchase plan that were anti-dilutive.

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

13 Contributed surplus

$ millions		For the three months ended 2010 March 31		For the year ended 2009 December 31
Balance, beginning of year	$	218.1	$	232.0
Restricted Stock Plan amortization		0.4		-
Issuance of common shares to cross-guarantors		-		(13.9)
Balance, end of period	$	218.5	$	218.1

14 Stock-based compensation plans

The following is a summary of stock option activity:

For the three months ended March 31			2010			2009
	Options		Weighted-average exercise price	Options		Weighted-average exercise price
Outstanding at beginning of year	4,774,906	$	10.69	3,978,335	$	12.30
Granted	724,240		8.33	-		-
Exercised for cash	-		-	-		-
Exercised for shares	-		-	-		-
Forfeited	(30,000)		15.13	(160,000)		14.84
Outstanding at end of period	5,469,146		10.35	3,818,335		12.19
Options exercisable, end of period	2,527,983	$	11.76	1,507,334	$	11.22

At March 31, 2010, 5,449,146 options (March 31, 2009 - 3,798,335) with a share appreciation right (SAR) attachment and 20,000 options (March 31, 2009 - 20,000) remained outstanding. For the three months ended March 31, 2010, there was a compensation expense of $0.9 million (March 31, 2009 – $nil) related to these options.

A summary of SARs, RSUs, DSUs and RSP's outstanding as at March 31, 2010 and 2009 and changes during the period are as follows:

For the three months ended March 31				**2010**
	SAR	**RSU**	**DSU**	**RSP**
Balance, beginning of year	**212,500**	**1,304,689**	**216,946**	**108,856**
Issued	**-**	**693,536**	**62,120**	**94,874**
Exercised	**(72,500)**	**(214,299)**	**-**	**-**
Forfeited	**-**	**(21,298)**	**-**	**-**
Outstanding at end of period	**140,000**	**1,762,628**	**279,066**	**203,730**
Units exercisable, end of period	**140,000**	**n/a**	**279,066**	**n/a**
Weighted-average exercise price	**$ 5.56**	**n/a**	**n/a**	**n/a**

For the three months ended March 31				2009
	SAR	RSU	DSU	RSP
Balance, beginning of year	274,125	826,001	165,566	-
Issued	-	19,486	54,048	-
Exercised	-	(133,141)	-	-
Forfeited	-	(24,749)	-	-
Outstanding at end of period	274,125	687,597	219,614	-
Units exercisable, end of period	274,125	n/a	219,614	n/a
Weighted-average exercise price	$ 3.85	n/a	n/a	n/a

The Corporation recorded a compensation expense for the three months ended March 31, 2010 of $1.2 million (March 31, 2009 - $0.2 million) related to the SARs, RSUs, DSUs, and RSPs.

15 Accumulated other comprehensive income (loss)

$ millions	**For the three months ended 2010 March 31**	For the year ended 2009 December 31
Balance, beginning of year	**$ (84.9)**	$ 231.0
Unrealized foreign currency loss on self-sustaining foreign operations	**(66.7)**	(315.9)
Balance, end of period	**$ (151.6)**	$ (84.9)

16 Net financing (income) expense

$ millions, for the three months ended March 31	**2010**	2009
Interest income on cash, cash equivalents, investments and loans receivable	**$ (9.4)**	$ (13.2)
Interest and accretion expense on debt	**20.2**	21.9
Foreign-exchange gain, net	**(10.4)**	(10.4)
Fair-value adjustment	**(5.1)**	(0.6)
Other	**(0.3)**	0.2
	$ (5.0)	$ (2.1)

During the three months ended March 31, 2010, foreign-exchange gains of $10.4 million (March 31, 2009 – $10.4 million) were recorded which mainly arose as a result of a weaker U.S. dollar relative to the Canadian dollar. The foreign exchange gain recorded from revaluing U.S. dollar-denominated loans payable was partially offset by the foreign exchange loss recorded from revaluing U.S. dollar-denominated advances and loans receivable.

Also during the three months ended March 31, 2010, the Corporation recognized an upward fair-value adjustment of $5.1 million (March 31, 2009 - $0.6 million) on its MAV notes primarily due to a decrease in credit spreads.

17 Post-employment benefits

The Corporation's pension expense for the three months ended March 31, 2010 was $3.4 million (March 31, 2009 - $3.3 million).

18 Income taxes

$ millions, for the three months ended March 31	2010	2009
Current	$ 22.4	$ 2.5
Future	0.6	(17.5)
	$ 23.0	$ (15.0)

19 Related party transactions

$ millions, for the three months ended March 31	2010	2009
Total value of goods and services		
Provided to joint ventures and affiliates	$ 15.0	$ 27.3
Purchased from joint ventures and affiliates	6.0	19.0

$ millions, as at	2010 March 31	2009 December 31
Accounts receivable from joint ventures	$ 5.7	$ 4.4
Accounts payable to joint ventures	2.1	1.7
Advances and loans receivable from certain Moa Joint Venture entities	194.9	210.0
Loan receivable from Coal Valley Resources Inc.	5.1	5.0

20 Financial instruments and financial risk management

FINANCIAL INSTRUMENT HIERARCHY

$ millions, as at	Hierarchy Level		2010 March 31		2009 December 31
Financial assets					
Held for trading, measured at fair value:					
Cash and cash equivalents	1	$	243.0	$	440.8
Restricted cash	1		1.1		1.8
Short-term investments	1		521.8		420.8
Master Asset Vehicle notes	3		33.9		28.8
Put/call option - Ambatovy Joint Venture	3		7.5		7.5

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

$ millions, as at March 31, 2010		Master Asset Vehicle Notes		Put/Call Option		Total
Balance, beginning of year	$	28.8	$	7.5	$	36.3
Total gains in Net earnings [(1)]		5.1		-		5.1
Balance, end of period	$	33.9	$	7.5	$	41.4

(1) Gains (losses) included in Net earnings (loss) are recognized in Net financing (income) expense.

MAV notes

In determining the fair value, the Corporation used credit spreads based on the current market bids available for A1, A2, B, C and Class 15 notes totaling $32.1 million. The remaining $1.8 million of notes held by the Corporation are not widely traded and the fair value was determined using discounted cash flows; the interest rate used was based on management's estimate of credit and other risk factors.

A 1% increase or decrease in the yields or discount rate could increase or decrease the Corporation's determination of fair value by approximately $1.8 million, respectively.

FAIR VALUES

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

$ millions, as at		2010 March 31 Carrying Value		2010 March 31 Fair Value		2009 December 31 Carrying Value		2009 December 31 Fair Value
7.875% senior unsecured debentures due 2012	$	268.3	$	277.8	$	267.8	$	279.2
8.25% senior unsecured debentures due 2014		222.0		229.0		221.8		231.3
7.75% senior unsecured debentures due 2015		272.1		280.5		272.0		278.2

At March 31, 2010, 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.

The fair values of other long-term debts approximate their carrying value. At March 31, 2010, the carrying value for the Cuban certificates of deposit (CDs) was approximately equal to the fair value (note 7).

At March 31, 2010, the carrying value of the lenders' conversion option under the Ambatovy Joint Venture additional partner loan agreements was approximately equal to the fair value.

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The Corporation's cash balances are deposited with major financial institutions rated A or higher by Standard and Poor's and with banks in Cuba that are not rated. The total cash held in Cuban bank deposit accounts was $37.2 million at March 31, 2010 (December 31, 2009 – $28.6 million).

At March 31, 2010, $76.0 million of cash on the Corporation's balance sheet was held by the Ambatovy Joint Venture and $32.0 million was held by the Moa Joint Venture (December 31, 2009 – $272.1 million and $14.2 million, respectively). These funds are for the use of each joint venture, respectively.

At March 31, 2010, the Corporation had $603.7 million in Government of Canada treasury bills (December 31, 2009 - $523.7 million) included in cash and cash equivalents and short-term investments.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

The Corporation's Accounts receivable are composed of the following:

$ millions, as at	2010 March 31	2009 December 31
Trade receivables	$ 290.5	$ 283.3
Allowances for doubtful accounts	(6.5)	(6.6)
Other	45.1	44.5
	$ 329.1	$ 321.2
Long-term receivables	$ 28.6	$ 21.2

Of which:

$ million, as at	2010 March 31	2009 December 31
Not past due	$ 301.8	$ 306.3
Past due no more than 30 days	43.4	26.4
Past due for more than 30 days but no more than 60 days	3.5	2.4
Past due for more than 60 days	9.0	7.3
	$ 357.7	$ 342.4

Accounts receivable that are past due primarily relate to the Corporation's Oil and Gas and Power operations in Cuba. At March 31, 2010, $20.2 million of Oil and Gas and $3.1 million of Power trade receivables were overdue. These overdue amounts were collected in April 2010.

CREDIT RISK

The Corporation has credit risk exposure related to its share of Cash, Accounts receivable and Advances and loans associated with its businesses located in Cuba or businesses which have Cuban joint venture partnersrs as follows:

$ millions, as at	2010 March 31	2009 December 31
Cash	$ 26.1	$ 22.7
Accounts receivable, net	150.4	157.2
Advances and loans receivable	623.7	664.6
Cuban certificates of deposit	103.7	112.6
	$ 903.9	$ 957.1

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

CONTRACTUAL COMMITMENTS AND OBLIGATIONS

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

$ millions, as at	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter
Long-term debt repayment obligations	$ 3,174.8	$ 40.5	$ 24.3	$ 391.9	$ 124.0	$ 372.6	$ 2,221.5
Capital commitments	580.5	456.7	75.2	44.9	3.7	-	-
Capital leases and other	109.7	37.4	30.3	23.9	14.8	3.3	-
Operating leases	76.1	15.3	12.7	10.8	6.6	7.3	23.4
Pension obligations	82.5	7.6	7.8	7.8	7.9	8.1	43.3
Asset-retirement obligations	456.3	21.0	25.7	25.5	22.1	14.7	347.3
Total	$ 4,479.9	$ 578.5	$ 176.0	$ 504.8	$ 179.1	$ 406.0	$ 2,635.5

Significant capital commitments include:

- $387.1 million related to capital for the Ambatovy Joint Venture (December 31, 2009 - $518.8 million); and
- $379.2 million for purchases of capital equipment and services, capital leases, primarily for production equipment and operating leases for equipment, office space and vehicles (December 31, 2009 - $384.1 million).

FOREIGN-EXCHANGE SENSITIVITY

Based on financial instrument balances as at March 31, 2010, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have a favourable or unfavourable impact of approximately $13.4 million, respectively, on net earnings. This amount excludes the foreign-exchange risk arising from the translation of the self-sustaining foreign subsidiaries to Canadian dollars impacting other comprehensive income, as this is limited to the net investment in these operations, which is not considered a financial instrument.

INTEREST RATE SENSITIVITY

Based on the short-term and long-term debt at March 31, 2010, excluding interest capitalized to project costs, a 1% increase or decrease in the market interest rate could increase or decrease the Corporation's annual interest expense by approximately $0.8 million, respectively.

21 Capital disclosures

At March 31, 2010, CVRI was not in compliance with two of its financial covenants applicable to a 3-year non-revolving term loan that requires CVRI to maintain a current ratio of not less than 1:1 and a debt-to-tangible-net-worth ratio of not greater than 2.5. The loan provides total liquidity of $19.0 million (50% basis). CVRI was, however, granted a waiver of these covenants for the quarter ended March 31, 2010.

CVRI has classified the $16.5 million balance on this loan (50% basis) in current liabilities as there is uncertainty that CVRI will be in compliance with the working capital covenant and debt-to-tangible-net-worth covenant for the next twelve months. This potential reduction in liquidity is not expected to preclude the Corporation from satisfying its current and long-term obligations as they come due.

The Corporation and its divisions were in compliance with all of their other financial covenants as at March 31, 2010. Other than the two covenants applicable to the 3-year non-revolving term loan discussed above, the Corporation expects to remain in compliance with all of its other financial covenants during the next 12 months, based on current market conditions. Other than the covenants required for the debt facilities, the Corporation is not subject to any externally imposed capital restrictions.

22 Segmented information

BUSINESS SEGMENTS

The results of the Corporation's reportable segments are as follows:

$ millions, for the three months ended March 31						**2010**
	Metals	**Coal**	**Oil and Gas**	**Power**	**Corporate and Other**	**Consolidated**
Revenue	$ 115.8	$ 188.3	$ 59.3	$ 28.0	$ 1.9	$ 393.3
Operating, selling, general and administrative expenses	74.0	159.6	16.2	6.7	13.3	269.8
Earnings (loss) before undernoted items	41.8	28.7	43.1	21.3	(11.4)	123.5
Depletion, amortization and accretion (1)	1.9	11.4	19.3	8.0	0.3	40.9
Net financing expense						(5.0)
Non-controlling interests						4.9
Income taxes						23.0
Net earnings						59.7
Capital expenditures	321.4	10.8	13.2	6.3	10.4	362.1
Goodwill and intangible assets	3.3	760.8	-	16.8	6.6	787.5
Total Assets	$ 6,078.5	$ 1,743.5	$ 730.2	$ 630.1	$ 752.4	$ 9,934.7

$ millions, for the three months ended March 31						2009
	Metals	Coal	Oil and Gas	Power	Corporate and Other (2)	Consolidated
Revenue	$ 79.7	$ 188.9	$ 46.6	$ 30.4	$ 4.0	$ 349.6
Operating, selling, general and administrative expenses	85.6	144.0	19.4	10.7	13.0	272.7
Earnings (loss) before undernoted items	(5.9)	44.9	27.2	19.7	(9.0)	76.9
Depletion, amortization and accretion (1)	2.9	10.1	27.2	7.6	1.3	49.1
Loss on disposal of property, plant and equipment	-	-	79.5	-	-	79.5
Net financing (income) expense						(2.1)
Other items	-	-	-	-	2.2	2.2
Non-controlling interests						6.1
Income taxes						(15.0)
Net loss						(42.9)
Capital expenditures	382.4	12.8	12.1	9.0	0.6	416.9
Goodwill and intangible assets	4.1	771.1	-	19.0	7.5	801.7
Total Assets	$ 6,042.5	$ 1,846.9	$ 771.9	$ 619.1	$ 811.0	$ 10,091.4

(1) Includes depreciation on production related depreciable assets of $6.3 million in Metals and $13.3 million in Coal for the three months ended March 31, 2010 (March 31, 2009 - $4.5 million in Metals and $15.1 million in Coal).

(2) Amounts have been amended to include results of the Mineral Products division which had previously been accounted for as a discontinued operation.

GEOGRAPHIC SEGMENTS

The Corporation carries on business in the following geographic areas:

$ millions, for the three months ended March 31			2010			2009
	Goodwill and Intangible Assets	**Revenue**	**Property, Plant, and Equipment**	Goodwill and Intangible Assets	Revenue	Property, Plant, and Equipment
Canada	**$ 767.4**	**$ 166.1**	**$ 1,091.1**	$ 778.6	$ 161.4	$ 986.7
Cuba	**16.8**	**82.5**	**1,001.0**	19.0	75.6	1,197.0
Madagascar	**3.3**	**1.4**	**5,229.5**	4.1	-	4,939.3
Europe	**-**	**49.5**	**6.2**	-	37.1	4.7
Asia	**-**	**71.3**	**9.2**	-	65.5	6.8
Other foreign countries	**-**	**22.5**	**0.1**	-	10.0	0.1
	$ 787.5	**$ 393.3**	**$ 7,337.1**	$ 801.7	$ 349.6	$ 7,134.6

23 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation in the current period.

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