sherritt

Q2

2014 SECOND QUARTER REPORT

Sherritt International Corporation

For the three months ended June 30, 2014

PRESS RELEASE

Sherritt Reports Second Quarter 2014 Results

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

IN THIS SECTION

All amounts are Canadian dollars unless otherwise indicated.

For immediate release

Sherritt's Second Quarter 2014 Results Build Positive Momentum

Extension completed for a production-sharing contract in Oil and Gas business
Ambatovy records first positive adjusted EBITDA as ramp-up continues

Toronto, Ontario – July 30, 2014 – Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S), a world leader in the mining and refining of nickel from lateritic ores and the largest independent energy producer in Cuba, today reported its financial results for the second quarter ended June 30, 2014.

HIGHLIGHTS

- Nickel and cobalt production at Ambatovy in the second quarter was slightly better than the first quarter and increased 26% and 14%, respectively, over the prior year period. The second quarter was the first period for Ambatovy to record positive adjusted EBITDA, which was $2.1 million ($5.3 million on a 100% basis).

- On May 29, 2014, Sherritt executed an agreement with the Government of Cuba to amend an existing Production-Sharing Contract ("PSC") for an additional ten-year extension to March 2028 for new wells drilled.

- On April 28, 2014, Sherritt closed the previously announced transaction to sell the non-core coal business from its portfolio. Sherritt received net cash proceeds of $804.3 million from the transaction.

- Debt repayments were $365.0 million, including repaying the Coal revolving credit facility of $300.0 million. Further reduction of overall debt levels will be pursued by the Corporation.

- Market prices for nickel and cobalt continued their recovery in the second quarter, up by 35% and 13% year-to-date, resulting in higher revenues in our Metals business.

- Adjusted EBITDA of $75.4 million increased 42% for the three months ended June 30, 2014 compared to $53.2 million in the prior year period primarily due to higher adjusted EBITDA contribution from the Metals business and due to the fact that an impairment was recognized in the Power business in the prior year.

- Net loss for the three months ended June 30, 2014 was $30.1 million ($0.10 per share) compared to $10.7 million ($0.04 per share) in the same period in the prior year principally due to the Corporation's share of losses in Ambatovy, which primarily consisted of significant depletion, depreciation and amortization of $40.3 million (Sherritt's share).

- Adjusted operating cash flow from continuing operations per share was $0.01 for the three months ended June 30, 2014 compared to $0.09 per share in the same period in the prior year largely due to timing of income tax payments.

- During the quarter Sherritt continued the evaluation of its operations and capital allocation to pursue longer term operating efficiencies and has updated its year-to-date realized cost savings to $25 million. Work continues on further opportunities to reduce structural costs following the completion of the coal transaction, and to improve efficiencies.

- On May 6, 2014, Mr. Timothy Baker was elected to the Corporation's Board of Directors. Mr. Baker was the former Chief Operating Officer of Kinross Gold Corporation and a former senior executive of Placer Dome.

Q2 FINANCIAL HIGHLIGHTS

	For the three months ended			For the six months ended		
	2014	2013		**2014**	2013	
$ millions, unless otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
Revenue	130.2	121.7	7%	251.1	228.7	10%
Adjusted EBITDA(1)	75.4	53.2	42%	130.3	114.5	14%
Net (loss) earnings per share	(0.10)	(0.04)	(150%)	(0.26)	0.04	(750%)
Adjusted continuing operating cash flow per share(1)	0.01	0.09	(89%)	0.11	0.19	(42%)

(1) For additional information, see the Non-GAAP measures section of this release.

$ millions, except as noted, as at	2014 June 30	2013 December 31	Change
Cash, cash equivalents and short term investments	965.9	651.8	48%
Total loans and borrowings	2,163.3	2,489.8	(13%)
Long-term debt to total assets	39%	39%	-

"During the second quarter, we made clear steps forward in executing our long-term plan to refocus on base metals and our Cuban oil business," said David Pathe, President and CEO. "The strong nickel market has had positive benefits in our metals business and we remain committed to ramping up at Ambatovy towards financial completion next year. In Cuba, we achieved a significant milestone with the approval of an important oil PSC that will extend our oil and gas operations and continue to strengthen our relationship with the country. We are proud of the significant progress made this year and look to continue to build momentum over the balance of 2014."

CORPORATE AND OTHER

The Corporation continues to target savings in 2014 in general, administrative and other costs. For the six months ended June 30, 2014, $25 million of savings has been realized.

Separately, administrative expenses during the quarter included several one-time items related to the coal sale transaction, the annual general meeting and the revaluation of stock-based compensation due to share price appreciation in the quarter. In addition, administrative expenses for Ambatovy are recognized as part of the share of loss of an associate only for the second quarter 2014 and not the prior year period as the project capitalized those figures. Excluding the several one-time items and the Ambatovy expenses, total administrative expenses declined 17% ($2.6 million) compared to the prior year period.

At the end of the second quarter, total cash, cash equivalents and short term investments was $965.9 million and total debt was $2,163.3 million.

REVIEW OF OPERATIONS

METALS

	For the three months ended 2014 June 30			For the three months ended 2013 June 30			
$ millions, unless otherwise noted	Moa[1] (50%)	Ambatovy (40%)	Metals[2]	Moa[1] (50%)	Ambatovy (40%)	Metals[2]	Change
Production volumes (Sherritt's share)							
Mixed sulphides (tonnes)	4,893	3,756	8,649	4,569	2,312	6,881	26%
Finished nickel (tonnes)	3,870	3,602	7,472	3,868	2,854	6,722	11%
Finished cobalt (tonnes)	376	285	661	374	250	624	6%
Sales volumes (Sherritt's share)							
Nickel, finished (tonnes)	3,792	3,485	7,277	3,907	–	3,907	86%
Cobalt, finished (tonnes)	366	260	626	378	–	378	66%
Average realized prices[3]							
Nickel (US$/lb)	8.74	8.92	8.84	6.85	–	6.85	29%
Cobalt (US$/lb)	14.68	13.26	14.01	12.82	–	12.82	9%
Unit operating costs[3]							
Nickel – net direct cash cost (US$/lb)	5.05	7.19		4.27	–		
Revenue	122.9	77.8	216.0	114.5	–	120.6	79%
Adjusted EBITDA [3]	22.0	2.1	24.7	17.2	(0.3)	17.3	43%
Spending on capital	5.7	8.4	14.1	9.8	9.0	18.8	(25%)

(1) Includes results for certain 100% owned assets at Fort Saskatchewan plant.
(2) Includes results for Sherritt's marketing organization for certain Ambatovy sales.
(3) For additional information, see the Non-GAAP measures section of this release.

$ millions, unless otherwise noted	For the six months ended 2014 June 30			For the six months ended 2013 June 30			Change
	Moa[1] (50%)	Ambatovy (40%)	Metals[2]	Moa[1] (50%)	Ambatovy (40%)	Metals[2]	
Production volumes (Sherritt's share)							
Mixed sulphides (tonnes)	8,884	7,608	16,492	8,736	5,433	14,169	16%
Finished nickel (tonnes)	7,509	7,114	14,623	7,770	5,186	12,956	13%
Finished cobalt (tonnes)	732	562	1,294	779	466	1,245	4%
Sales volumes (Sherritt's share)							
Nickel, finished (tonnes)	7,615	6,089	13,704	7,822	–	7,822	75%
Cobalt, finished (tonnes)	755	453	1,208	790	–	790	53%
Average realized prices[3]							
Nickel (US$/lb)	7.93	8.26	8.26	7.35	–	7.35	12%
Cobalt (US$/lb)	14.77	14.31	14.57	12.14	–	12.14	20%
Unit operating costs[3]							
Nickel – net direct cash cost (US$/lb)	5.17	7.04		4.80	–		
Revenue	213.3	128.6	376.1	211.8	–	224.3	68%
Adjusted EBITDA[3]	29.0	(2.3)	27.5	33.8	(0.8)	34.2	(20%)
Spending on capital	10.3	12.3	22.6	14.5	14.0	28.5	(21%)

(1) Includes results for certain 100% owned assets at Fort Saskatchewan plant.
(2) Includes results for Sherritt's marketing organization for certain Ambatovy sales.
(3) For additional information, see the Non-GAAP measures section of this release.

Metal markets

Pricing for nickel and cobalt continued to improve from lower pricing levels in 2013 as global nickel markets anticipate future shortages due to the Indonesian mineral export ban on raw ore exports. Nickel prices have rebounded this year, increasing 35% since the start of 2014. Cobalt prices have also increased in 2014, up 13% year-to-date, reflecting continued strength in cobalt demand.

Moa Joint Venture (50% interest) and Fort Site

Adjusted EBITDA increased 28% ($4.8 million) during the second quarter compared to the prior year period primarily due to higher nickel prices, which was partially offset by lower fertilizer prices in the Western Canadian market.

Nickel production of 3,870 tonnes (7,740 tonnes, 100% basis) and cobalt production of 376 tonnes (751 tonnes, 100% basis) were in line with production compared to the prior year period. Sales volumes were similar to production for the quarter.

Net direct cash cost of nickel increased 18% (US$0.78 per pound) compared to the prior year period due primarily to lower by-product credits from fertilizer sales and, to a lesser extent, higher third-party feed costs. This increase was partly offset by lower mining and processing costs due to lower prices for sulphuric acid and sulphur.

Capital spending was lower than prior year periods due to the timing of mining equipment additions in the prior year. Expansion capital included the mobilization of resources for the construction of the 2,000 tonne per day acid plant at Moa. Commencement of construction has been deferred until the first quarter of 2015 as a result of further government review of key contracts.

Ambatovy Joint Venture (40% interest)

Ambatovy generated adjusted EBITDA of $2.1 million during the quarter ($5.3 million on a 100% basis).

Nickel and cobalt production at Ambatovy in the second quarter was slightly better than the first quarter and both achieved quarterly production records. In the second quarter of 2014, 3,602 tonnes of nickel was produced (9,004 tonnes, 100% basis), representing a 26% increase over the prior year period. Also during the quarter, 285 tonnes of cobalt was produced (712 tonnes, 100% basis), representing a 14% increase year-over-year.

The average ore throughput in the PAL circuit was approximately 58% for the second quarter compared to 67% in the first quarter of 2014. The lower throughput in the quarter was a result of various unanticipated mechanical issues, such as valve and piping maintenance, as well as thickener performance downstream of the autoclaves.

Autoclave operating hours during the second quarter of 2014 were 6,911 hours, compared to 6,740 hours in the first quarter, demonstrating increased mechanical reliability of the autoclaves.

To support Ambatovy's production targets, additional technical staff with metallurgical and operational expertise have been hired to assist in optimizing plant performance.

Second-quarter nickel and cobalt sales volumes were lower than production levels due to the timing of shipments.

The net direct cash cost of nickel was US$7.19 per pound in the second quarter of 2014, consistent with the expectation for the facility when operating at approximately 60% of its finished metal production capacity. Mining, processing and refining costs per pound in the quarter were higher than the post commercial production period in the prior quarter due to various unanticipated mechanical issues, thickener performance and higher sulphur prices.

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

OIL AND GAS

$ millions, unless otherwise noted	For the three months ended 2014 June 30	2013 June 30	Change	For the six months ended 2014 June 30	2013 June 30	Change
Production and sales (boepd)						
Gross working-interest - Cuba	**19,528**	20,425	(4%)	**19,862**	19,990	(1%)
Total net working interest	**11,109**	11,485	(3%)	**11,441**	11,181	2%
Average-realized price(1)						
Cuba ($ per barrel)	**72.88**	67.64	8%	**72.32**	69.34	4%
Average unit operating costs(1)						
Cuba ($ per barrel)	**14.38**	12.70	13%	**13.21**	12.48	6%
Revenue	**74.7**	71.2	5%	**151.6**	142.3	7%
Adjusted EBITDA (1)	**57.5**	55.7	3%	**117.9**	113.1	4%
Spending on capital	**15.4**	11.8	31%	**31.2**	23.3	34%

(1) For additional information, see the Non-GAAP measures section of this release.

On May 29, 2014, Sherritt executed an agreement with the Government of Cuba to amend an existing PSC for an additional ten-year extension to March 2028. The extension of the Puerto Escondido/ Yumuri PSC applies to new development well commitments made following the amendment of the PSC. The PSC will terminate with respect to existing wells as of its original expiry date in March 2018. As part of the minimum development commitments under the amended PSC, Sherritt is required to drill a minimum of seven new wells in the development area. Three of these wells are expected to be drilled in 2014.

Oil prices remained strong in the second quarter of 2014 with prices slightly higher than the prior year period.

Adjusted EBITDA was 3% ($1.8 million) higher in the second quarter compared to the prior year period, primarily as a result of a weaker Canadian dollar and higher oil prices which were partially offset by lower net production volumes.

Gross working-interest (GWI) oil production in Cuba decreased 4% (897 bopd) in the second quarter compared to the prior year period. The decrease was caused by a mechanical failure in a well in the Yumuri area and natural reservoir declines, which were partially offset by the optimization of production from existing wells. The well that was impacted during the quarter is expected to return to its production capability in the third-quarter of 2014.

The average-realized price for oil produced in Cuba increased 8% ($5.24 per barrel) in the second quarter compared to the prior year period, due to a weaker Canadian dollar.

Unit operating costs in Cuba increased 13% ($1.68 per barrel) in the second quarter compared to the prior year period due to an increase in workover maintenance costs, and a weaker Canadian dollar.

Spending on capital in the second quarter of 2014 was 31% higher ($3.6 million) due to increased equipment purchases in Cuba related to the start-up of the second drilling rig and a related camp, as well as the purchase of a service rig. During the second quarter, one development well was drilled and completed in Cuba, which is currently pending a workover.

POWER

	For the three months ended			For the six months ended		
$ millions, unless otherwise noted	**2014**	2013		**2014**	2013	
33 1/3% basis	**June 30**	June 30	Change	**June 30**	June 30	Change
Production and sales						
Electricity (GWh)	**224**	153	46%	**411**	313	31%
Average-realized price (1)						
Electricity ($/MWh)	**46.24**	42.28	9%	**46.22**	42.07	10%
Total unit operating costs						
Electricity ($/MWh)	**15.62**	28.92	(46%)	**16.45**	27.78	(41%)
Net capacity factor (%)	**67**	66	2%	**62**	68	(9%)
Revenue	**12.7**	13.5	(6%)	**24.6**	29.5	(17%)
Adjusted EBITDA (1)	**6.5**	(5.5)	218%	**11.4**	(2.0)	670%
Spending on capital (2)	**1.0**	6.1	(84%)	**3.2**	14.1	(77%)

(1) For additional information, see the Non-GAAP measures section of this release.
(2) Includes service concession arrangements.

Adjusted EBITDA increased 218% ($12.0 million) in the second quarter when compared with the year prior. This increase was a result of a provision on receivables and an impairment of facilities in Madagascar in the prior year period, as well as an increase in production.

Electricity production increased 46% (71 GWh) in the second quarter compared to the prior year period. This increase primarily reflected the increased production from the recently completed Boca de Jaruco Combined Cycle Project.

The average-realized price of electricity was 9% higher ($3.96 per MWh) in the second quarter compared to the prior year period, primarily due to a weaker Canadian dollar relative to the U.S. dollar.

Operating costs decreased by 46% ($13.30 per MWh) in the second quarter compared to the prior year period because of lower scheduled major turbine inspections and the effect of higher production on fixed costs.

Capital spending, including service concession arrangements, declined by 84% ($5.1 million) for the second quarter 2014 as compared to the prior year period, due to the completion of the 150 MW Boca de Jaruco project.

NEAR-TERM PRIORITIES

Over the past year, Sherritt has undergone significant changes to its business in order to focus on its core competencies, improve its liquidity position and streamline its operations. As a result, Sherritt has gained positive momentum and will continue to focus on the following:

1. **Base metals focus**: With over 60 years of technological and operating experience, as well as the favourable medium-to-long-term fundamentals of the nickel market, Sherritt will focus its attention on its base metals business. This includes continuing to ramp up the Ambatovy nickel operation in Madagascar and advancing various initiatives to reduce costs from projects such as the construction of a third acid plant in Moa.

2. **Ambatovy**: Meeting the target of ramping up Ambatovy to 90% of its nameplate capacity in 2015 is a significant priority for Sherritt. Despite mechanical challenges and unanticipated maintenance requirements during the quarter, the Corporation remains committed to increasing output of finished metal from Ambatovy. In the first quarter, Ambatovy reached the key milestone of declaring commercial production and this quarter is reporting positive EBITDA for the first time.

3. **Oil and Gas**: For more than two decades Sherritt has developed a unique Oil & Gas business in Cuba where Sherritt is the largest foreign oil producer in the country. As part of its strategy to extend the life of the Oil and Gas business, Sherritt announced the extension of an oil PSC for an additional 10 years to March 2028. The amended agreement provides for the extension of the Puerto Escondido/Yumuri PSC to allow for further development drilling in those fields. With respect to existing wells, the PSC will terminate upon its original expiry date in March 2018. Sherritt is also awaiting final approval by Cuban ministries with respect to four new exploration blocks.

4. **Financial discipline**: During the quarter the coal revolving credit facility of $300.0 million was repaid, in addition to repayments of $65.0 million on other borrowings. Further reduction of overall debt levels will be pursued by the Corporation that will strengthen the balance sheet and allow Sherritt to take advantage of growth opportunities as they become available.

5. **Cost reduction**: During the quarter Sherritt continued the evaluation of its operations and capital allocation to pursue longer term operating efficiencies and has updated its year-to-date realized cost savings to $25 million. Work continues on further opportunities to reduce structural costs following the completion of the coal transaction, and to improve efficiencies.

6. **Communication**: Sherritt's priorities include an emphasis on its communication strategy and execution to meet its commitment of effective and frequent communication with employees, shareholders and other stakeholders.

OUTLOOK

For the year ended December 31, 2014, Sherritt expects production volumes and spending on capital projected for full-year 2014 as shown below.

Production volumes for Ambatovy have been revised for mixed sulphides, nickel and cobalt primarily due to lower than anticipated production for the first six months of the year.

Moa Joint Venture capital spending has been revised down by $15 million for the year as construction has not yet commenced on the acid plant project resulting from further government review of key contracts.

Oil and Gas capital spending has been revised to $94 million, representing an increase of $21 million from the previous guidance in order to support additional drilling under the extended Oil and Gas PSC. This increase in capital will be directed towards drilling three wells under the minimum development commitments, the start-up of the second drilling rig, and purchasing and investing in support equipment and facilities.

(units as noted)	Projected for the year ending December 31, 2014
Production volumes	
Mixed sulphides (tonnes, Ni+Co contained, 100% basis)	
Moa Joint Venture	38,000
Ambatovy Joint Venture	39,000 – 44,000
Total	77,000 – 82,000
Nickel, finished (tonnes, 100% basis)	
Moa Joint Venture	34,000
Ambatovy Joint Venture	37,000 – 41,000
Total	71,000 – 75,000
Cobalt, finished (tonnes, 100% basis)	
Moa Joint Venture	3,350
Ambatovy Joint Venture	2,700 – 3,100
Total	6,050 – 6,450
Oil – Cuba (gross working-interest, bopd)	19,000
Oil and Gas – All operations (net working-interest, boepd)	11,200
Electricity (GWh, 33 1/3% basis)	750
Spending on capital ($ millions)	
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis)(1)	55
Metals – Ambatovy Joint Venture (40% basis)	34
Oil and Gas (2)	94
Power (33 1/3% basis)	4
Spending on capital (excluding Corporate)	187

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

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

NON-GAAP MEASURES

The Corporation uses adjusted EBITDA, average-realized price, unit operating cost, and adjusted operating cash flow to monitor the performance of the Corporation and its operating divisions and believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and evaluate the results of its underlying business. These measures do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies. See Sherritt's Management's Discussion and Analysis for the period ended June 30, 2014 for further information.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its quarterly conference call and webcast today at 2:00 p.m. Eastern Time.

Conference Call and Webcast:	July 30, 2014, 2:00 p.m. ET
Speakers:	David Pathe, President and CEO
	Dean Chambers, EVP and CFO
North American callers, please dial:	1-866-530-1553
International callers, please dial:	416-847-6330
Live webcast:	http://www.sherritt.com/

An archive of the webcast will be made available on the website. The conference call will be available for replay until August 28, 2014 by calling 647-436-0148 or 1-888-203-1112, access code 6822208#.

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's complete unaudited condensed interim consolidated financial statements, and MD&A for the three and six months ended June 30, 2014 are available at www.sherritt.com and should be read in conjunction with this news release.

ABOUT SHERRITT

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

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements set out in the "Outlook" sections of this press release; certain expectations about capital costs and expenditures; capital project commissioning and completion dates; sufficiency of working capital and capital project funding; completion of development and exploration wells.

Forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; realized prices for production; earnings and revenues; development and exploratory wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory approvals; compliance with applicable environmental laws and regulations; the impact of regulations related to greenhouse gas emissions and credits; debt repayments; collection of accounts receivable; and certain corporate objectives, goals and plans for 2014. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The Corporation cautions readers of this press release not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

Key factors that may result in material differences between actual results and developments and those contemplated by this press release include global economic and market conditions, and business, economic and political conditions in Canada, Cuba, Madagascar, and the principal markets for the Corporation's products. Other such factors include, but are not limited to, uncertainties in the development, construction, ramp-up and operation of large mining, processing and refining projects; risks related to the availability of capital to undertake capital initiatives; changes in capital cost estimates in respect of the Corporation's capital initiatives; risks associated with the Corporation's joint-venture partners; expectations of the timing of financial completion at the Ambatovy Joint Venture; risk of future non-compliance with financial covenants; potential interruptions in transportation; political, economic and other risks of foreign operations; the Corporation's reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainty of gas supply for electrical generation; uncertainties in oil and gas exploration; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; risks related to the Cuban government's and Malagasy government's ability to make certain payments to the Corporation; risks related to exploration and development programs; uncertainties in reserve estimates; risks associated with access to reserves and resources; uncertainties in environmental rehabilitation provisions estimates; risks related to the Corporation's reliance on partners and significant customers; risks related to the Corporation's corporate structure; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; the Corporation's ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; risks associated with future acquisitions; uncertainty in the ability of the Corporation to obtain government permits; risks associated with governmental regulations regarding greenhouse gas emissions; risks associated with government regulations and environmental, health and safety matters; uncertainties in growth management; interest rate risk; risks related to political or social unrest or change and those in respect of indigenous and community relations; risks associated with rights and title claims; and certain corporate objectives, goals and plans for 2014; and the Corporation's ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this press release and in the Corporation's other documents filed with the Canadian securities authorities.

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

-30 -

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2014

This Management's Discussion and Analysis (MD&A) is intended to help the reader understand Sherritt International Corporation's operations, financial performance and the present and future business environment. This MD&A, which has been prepared as of July 29, 2014, should be read in conjunction with Sherritt's interim condensed consolidated financial statements for the three and six months ended June 30, 2014 and the MD&A for the year ended December 31, 2013. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's website at www.sherritt.com.

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

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

Key financial and operational data

$ millions, except as otherwise noted		For the three months ended 2014 June 30		2013 June 30	Change		For the six months ended 2014 June 30		2013 June 30	Change
FINANCIAL HIGHLIGHTS(1)(2)										
Revenue	**$**	**130.2**	$	121.7	7%	**$**	**251.1**	$	228.7	10%
Adjusted EBITDA(3)		**75.4**		53.2	42%		**130.3**		114.5	14%
(Loss) earnings from operations, associate and joint venture		**(19.2)**		14.6	(232%)		**(35.5)**		41.7	(185%)
Loss from continuing operations(1)		**(49.0)**		(15.2)	(222%)		**(119.5)**		(17.8)	(571%)
Earnings from discontinued operations, net of tax		**18.9**		4.5	320%		**41.2**		30.2	36%
Net (loss) earnings for the period		**(30.1)**		(10.7)	(181%)		**(78.3)**		12.4	(731%)
(Loss) earnings per common share (basic and diluted)($ per share):										
Net loss from continuing operations		**(0.16)**		(0.05)	(220%)		**(0.40)**		(0.06)	(567%)
Net (loss) earnings		**(0.10)**		(0.04)	(150%)		**(0.26)**		0.04	(750%)
CASH FLOW(1)										
Cash provided by continuing operating activities	**$**	**33.1**	$	10.7	209%	**$**	**10.7**	**$**	32.9	(67%)
Adjusted continuing operating cash flow per share ($ per share)(3)		**0.01**		0.09	(89%)		**0.11**		0.19	(42%)
OPERATIONAL DATA – CONTINUING OPERATIONS:										
SPENDING ON CAPITAL AND INTANGIBLE ASSETS(4)	**$**	**30.0**	$	33.2	(10%)	**$**	**55.6**	$	56.5	(2%)
PRODUCTION VOLUMES(2)										
Finished nickel (tonnes)										
Moa Joint Venture (50% basis)		**3,870**		3,868	–		**7,509**		7,770	(3%)
Ambatovy Joint Venture (40% basis)		**3,602**		2,854	26%		**7,114**		5,186	37%
Finished cobalt (tonnes)										
Moa Joint Venture (50% basis)		**376**		374	1%		**732**		779	(6%)
Ambatovy Joint Venture (40% basis)		**285**		250	14%		**562**		466	21%
Oil (boepd, net working-interest production)(5)		**11,109**		11,485	(3%)		**11,441**		11,181	2%
Electricity (gigawatt hours) (33⅓% basis)		**224**		153	46%		**411**		313	31%
AVERAGE-REALIZED PRICES(2)(3)										
Nickel ($ per pound)	**$**	**8.84**	$	6.85	29%	**$**	**8.26**	$	7.35	12%
Cobalt ($ per pound)		**14.01**		12.82	9%		**14.57**		12.14	20%
Oil ($ per boe)(5)		**72.51**		66.98	8%		**71.86**		68.62	5%
Electricity ($ per megawatt hour)		**46.24**		42.28	9%		**46.22**		42.07	10%
UNIT OPERATING COSTS(2)(3)										
Nickel (US$ per pound)(6)										
Moa Joint Venture	**$**	**5.05**	$	4.27	18%	**$**	**5.17**	$	4.80	8%
Ambatovy Joint Venture		**7.19**		–	–		**7.04**		–	–
Oil ($ per boe)(5)		**14.68**		12.81	15%		**13.81**		12.50	10%
Electricity ($ per megawatt hour)		**15.62**		28.92	(46%)		**16.45**		27.78	(41%)

$ millions, except as noted, as at		2014 June 30		2013 December 31	Change
FINANCIAL CONDITION(1)					
Current ratio		**9.77:1**		1.87:1	423%
Net working capital balance	$	**1,189.0**	$	481.8	147%
Cash, cash equivalents and short-term investments		**965.9**		651.8	48%
Total assets		**5,488.8**		6,457.8	(15%)
Total loans and borrowings		**2,163.3**		2,489.8	(13%)
Shareholders' equity		**3,037.7**		3,107.2	(2%)
Long-term debt to total assets(7)		**39%**		39%	–

(1) On April 28, 2014, the Corporation completed the sale of its Coal operations. For the period prior to completing the sale, earnings from Coal were reported in (loss) earnings from discontinued operations, and cash provided (used) by Coal was reported in cash provided (used) by discontinued operations for the three and six months ended June 30, 2014 and 2013, respectively.

(2) On January 22, 2014, Ambatovy achieved the requirements for commercial production. As a result, effective February 1, 2014, Ambatovy ceased capitalizing project costs and commenced recognizing revenues and costs within the statement of comprehensive income. Production volumes are presented for the three and six months ended June 30, 2014. Financial results, including sales volumes, unit operating costs and average-realized prices, are presented for the post-commercial production periods.

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

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

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

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

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

Executive summary

Q2 2014 HIGHLIGHTS

Ambatovy Joint Venture

- Nickel and cobalt production at Ambatovy in the second quarter was slightly better than the first quarter and increased 26% and 14%, respectively, over the prior year period. The second quarter was the first period for Ambatovy to record positive adjusted EBITDA, which was $2.1 million ($5.3 million on a 100% basis).

Extension of Production-Sharing Contract Agreement

- On May 29, 2014, Sherritt executed an agreement with the Government of Cuba to amend an existing Production-Sharing Contract (PSC) for an additional ten-year extension to March 2028. The extension of the Puerto Escondido/Yumuri PSC applies to new development well commitments made following the amendment of the PSC. The PSC will terminate with respect to existing wells as of its original expiry date in March 2018. As part of the minimum development commitments under the amended PSC, Sherritt is required to drill a minimum of seven new wells in the development area. Three of these new wells are expected to be drilled in 2014.

Sale of Coal

- On April 28, 2014, the Corporation completed the sale of its Coal operations receiving net proceeds from sale, net of cash disposed, of $804.3 million. As a result, the Corporation recognized a gain of $13.0 million in the quarter. Concurrent with the sale, the Coal revolving credit facility was repaid and terminated.

Results

- Revenue from continuing operations for the three months ended June 30, 2014 was $130.2 million compared to $121.7 million in the same period in the prior year. With the inclusion of the Moa Joint Venture and Ambatovy Joint Venture, total revenue for the three months ended June 30, 2014 was $304.6 million compared to $207.0 million in the same period in the prior year. The increase in total revenue was primarily due to $77.8 million of revenue recognized at Ambatovy;

- Adjusted EBITDA from continuing operations for the three months ended June 30, 2014 was $75.4 million compared to $53.2 million in the same period in the prior year. The higher Adjusted EBITDA was primarily a result of higher realized prices in Metals and the provision on receivables and impairment of facilities related to Madagascar assets in Power recognized in the prior-year period. Adjusted EBITDA was also impacted by a $7.6 million increase in administrative expenses in the quarter. Increased administrative expenses are attributable to proxy costs incurred in relation to the Corporation's annual general meeting, the revaluation of stock-based compensation due to share price appreciation in the quarter, and costs related to the completion of the Coal sale;

- Loss from continuing operations for the three months ended June 30, 2014 was $49.0 million compared to $15.2 million in the same period in the prior year. The loss from continuing operations includes the Corporation's share of losses in Ambatovy partly offset by the impact of higher Adjusted EBITDA, as described above;

- Net loss for the three months ended June 30, 2014 was $30.1 million compared to $10.7 million in the same period in the prior year due to the factors noted above partly offset by a gain of $13.0 million related to the sale of Coal included in earnings from discontinued operations;

- Operating cash flow provided by continuing operations for the three months ended June 30, 2014 was $33.1 million compared to $10.7 million in the same period in the prior year. Higher operating cash flow resulted from the positive net change in non-cash working capital due to the recovery of receivables partly offset by higher income tax paid at Oil and Gas due to timing of payments.

Financial Position

At June 30, 2014, total available liquidity was $1.0 billion. Total debt at June 30, 2014 was $2.2 billion, including $899.2 million related to non-recourse Ambatovy Partner Loans. The Corporation's liquidity profile includes a current ratio of 9.77:1; a net working capital balance of $1.2 billion; and cash, cash equivalents and short-term investments of $965.9 million. The Corporation's long-term debt to total assets ratio was 39%. With the close of the Coal sale transaction on April 28, 2014, the Corporation's liquidity and working capital improved significantly as a result of receiving cash proceeds from the sale and the termination of the Coal revolving credit facility and repayment of any amounts outstanding.

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

- The Corporation's significant operations include Moa Joint Venture and Fort Site, Ambatovy Joint Venture (which together are included within Metals), Oil and Gas, Power and Corporate and Other.
- The Consolidated financial results and Review of operations sections, present amounts by reporting segment, based on the Corporation's economic or ownership interest. Amounts presented can be reconciled to note 4 of the interim condensed financial statements.

Consolidated financial results

	For the three months ended			For the six months ended		
$ millions, except as otherwise noted	**2014 June 30**	2013 June 30	Change	**2014 June 30**	2013 June 30	Change
Revenue by segment						
Metals(1)	$ **216.0**	$ 120.6	79%	$ **376.1**	$ 224.3	68%
Oil and Gas	**74.7**	71.2	5%	**151.6**	142.3	7%
Power	**12.7**	13.5	(6%)	**24.6**	29.5	(17%)
Corporate and Other	**1.2**	1.7	(29%)	**3.0**	2.9	3%
	304.6	207.0	47%	**555.3**	399.0	39%
Adjust joint venture and associate revenue	**(174.4)**	(85.3)		**(304.2)**	(170.3)	
Financial statement revenue	**130.2**	121.7	7%	**251.1**	228.7	10%
Adjusted EBITDA(2) by segment						
Metals(1)	$ **24.7**	$ 17.3	43%	$ **27.5**	$ 34.2	(20%)
Oil and Gas	**57.5**	55.7	3%	**117.9**	113.1	4%
Power	**6.5**	(5.5)	218%	**11.4**	(2.0)	670%
Corporate and Other	**(13.3)**	(14.3)	7%	**(26.5)**	(30.8)	14%
	75.4	53.2	42%	**130.3**	114.5	14%
(Loss) earnings from operations by segment						
Metals(1)	$ **(25.4)**	$ 6.7	(479%)	$ **(59.5)**	$ 13.7	(534%)
Oil and Gas	**39.9**	37.8	6%	**83.5**	79.2	5%
Power	**0.8**	(15.5)	105%	**1.7**	(14.6)	112%
Corporate and Other	**(14.2)**	(15.6)	9%	**(28.4)**	(33.0)	14%
	1.1	13.4	(92%)	**(2.7)**	45.3	(106%)
Adjust earnings from joint venture and associate	**(20.3)**	1.2		**(32.8)**	(3.6)	
Financial statement (loss) earnings from operations, associate and joint venture	**(19.2)**	14.6	(232%)	**(35.5)**	41.7	(185%)
Net finance expense	**17.0**	21.4	(21%)	**57.8**	48.3	20%
Income tax expense	**12.8**	8.4	52%	**26.2**	11.2	134%
Net loss from continuing operations	**(49.0)**	(15.2)	(222%)	**(119.5)**	(17.8)	(571%)
Earnings from discontinued operations, net of tax(3)	**18.9**	4.5	320%	**41.2**	30.2	36%
Net (loss) earnings	$ **(30.1)**	$ (10.7)	(181%)	$ **(78.3)**	$ 12.4	(731%)
Net (loss) earnings per share (basic and diluted)						
Net loss from continuing operations	$ **(0.16)**	$ (0.05)	(220%)	$ **(0.40)**	$ (0.06)	(567%)
Net (loss) earnings	**(0.10)**	(0.04)	(150%)	**(0.26)**	0.04	(750%)

(1) Consistent with note 4 - Segmented information of the interim condensed consolidated financial statements for the three and six months ended June 30, 2014, Metal's operating results in the above table include the Corporation's 50% interest in the Moa Joint Venture, 100% interest in the utility and fertilizer operations in Fort Saskatchewan (Fort Site), 40% interest in the Ambatovy Joint Venture, and 100% interest in a wholly-owned subsidiary established to buy, market and sell certain Ambatovy nickel production. For financial statement purposes, the Moa Joint Venture and Ambatovy Joint Venture are accounted for using the equity method of accounting which recognizes the Corporation's share of earnings (loss) from joint venture and associate, respectively.

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

(3) As a result of completing the divesture of the Coal business on April 28, 2014, earnings from Coal prior to completing the sale, is reported in earnings from discontinued operations for the current and prior-year periods.

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

- Metals' loss from operations was $25.4 million and $59.5 million for the three and six months ended June 30, 2014 compared to earnings of $6.7 million and $13.7 million in the same periods in the prior year, respectively. Revenue was higher compared to the same period in the prior year primarily as a result of the addition of sales volume from Ambatovy, since declaring commercial production, as well as higher nickel prices across Metals compared to the prior-year periods. Higher revenue, however, was more than offset by cost of sales, including depreciation, depletion and amortization, at Ambatovy consistent with the continued ramp-up of operations;
- Oil and Gas' earnings from operations were $39.9 million and $83.5 million for the three and six months ended June 30, 2014 increased slightly compared to the same periods in the prior year. Higher earnings for the three and six months ended June 30, 2014 were primarily due to higher sales prices;
- Power's earnings from operations were $0.8 million and $1.7 million for the three and six months ended June 30, 2014 compared to losses of $15.5 million and $14.6 million in the same periods in the prior year, respectively. Lower earnings in the prior periods were primarily due to the recognition of a provision on receivables and an impairment on an electricity generation facility related to Madagascar assets recognized in the second quarter of 2013;
- Net finance expense was $17.0 million and $57.8 million for the three and six months ended June 30, 2014 compared to $21.4 million and $48.3 million in the same periods in the prior year. Interest income, for the three and six months ended June 30, 2014, was higher primarily as a result of higher cash and cash equivalents and short term investments related to the sale of Coal partly offset by higher interest expense and unrealized losses on financial instruments. In addition, net finance expense for the six months ended June 30, 2014 was impacted by higher foreign exchange losses;
- Income tax expense relates primarily to the Oil and Gas and Power earnings. For the three and six months ended June 30, 2014, the tax expense was higher as the tax benefit of losses incurred by the Corporate head office were not recognized in the financial statements; whereas, in the same periods in the prior year, the tax losses of the Corporate head office were recognized. With the sale of the Coal business, and the reclassification of Coal as a discontinued operation in the fourth quarter of 2013, the tax benefit that had been previously set up was reversed.

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

Review of operations

METALS

Financial review

$ millions, for the three months ended June 30				2014				2013	Change
	Moa JV and Fort Site	Ambatovy JV	Other(2)	Total	Moa JV and Fort Site	Ambatovy JV	Other(2)	Total	
FINANCIAL HIGHLIGHTS(1)									
Revenue	$ 122.9	$ 77.8	$ 15.3	$ 216.0	$ 114.5	$ –	$ 6.1	$ 120.6	79%
Cost of sales(3)	99.0	69.7	14.4	183.1	95.4	–	5.8	101.2	81%
	23.9	8.1	0.9	32.9	19.1	–	0.3	19.4	70%
Administrative expenses(3)	1.9	6.0	0.3	8.2	1.9	0.3	(0.1)	2.1	290%
Depletion, depreciation and amortization	9.8	40.3	–	50.1	9.9	–	0.7	10.6	373%
(Loss) earnings from operations	12.2	(38.2)	0.6	(25.4)	7.3	(0.3)	(0.3)	6.7	(479%)
Adjusted EBITDA(4)	22.0	2.1	0.6	24.7	17.2	(0.3)	0.4	17.3	43%
PRODUCTION VOLUMES(1)(tonnes)									
Mixed Sulphides	4,893	3,756	–	8,649	4,569	2,312	–	6,881	26%
Finished Nickel	3,870	3,602	–	7,472	3,868	2,854	–	6,722	11%
Finished Cobalt	376	285	–	661	374	250	–	624	6%
Fertilizer	68,905	9,872	–	78,777	67,232	6,350	–	73,582	7%
SALES VOLUMES(1)(tonnes)									
Finished Nickel	3,792	3,485	–	7,277	3,907	–	–	3,907	86%
Finished Cobalt	366	260	–	626	378	–	–	378	66%
Fertilizer	81,929	10,721	–	92,650	69,930	–	–	69,930	32%
AVERAGE-REFERENCE PRICES(4)(US$ per pound)									
Nickel	$ 8.38	$ 8.38			$ 6.79	$ –			
Cobalt(5)	13.94	13.94			13.06	–			
AVERAGE-REALIZED PRICES(4)									
Nickel ($ per pound)	$ 8.74	$ 8.92		$ 8.84	$ 6.85	$ –		$ 6.85	29%
Cobalt ($ per pound)	14.68	13.26		14.01	12.82	–		12.82	9%
Fertilizer ($ per tonne)	416	153		325	559	–		559	(42%)
UNIT OPERATING COSTS(4)(US$ per pound)									
Nickel – net direct cash cost	$ 5.05	$ 7.19			$ 4.27	$ –			
SPENDING ON CAPITAL(1)	$ 5.7	$ 8.4	$ –	$ 14.1	$ 9.8	$ 9.0	$ –	$ 18.8	(25%)

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

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

(3) Excludes depletion, depreciation and amortization.

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

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

$ millions, for the six months ended June 30	2014				2013				Change
	Moa JV and Fort Site	Ambatovy JV[2]	Other[3]	Total	Moa JV and Fort Site	Ambatovy JV[2]	Other[3]	Total	
FINANCIAL HIGHLIGHTS[1]									
Revenue	$ 213.3	$ 128.6	$ 34.2	$ 376.1	$ 211.8	$ –	$ 12.5	$ 224.3	68%
Cost of sales[4]	180.1	119.8	32.8	332.7	174.2	–	11.7	185.9	79%
	33.2	8.8	1.4	43.4	37.6	–	0.8	38.4	13%
Administrative expenses[4]	4.2	11.1	0.6	15.9	3.8	0.8	(0.4)	4.2	279%
Depletion, depreciation and amortization	19.2	67.8	–	87.0	19.2	–	1.3	20.5	324%
(Loss) earnings from operations	9.8	(70.1)	0.8	(59.5)	14.6	(0.8)	(0.1)	13.7	(534%)
Adjusted EBITDA[5]	29.0	(2.3)	0.8	27.5	33.8	(0.8)	1.2	34.2	(20%)
PRODUCTION VOLUMES[1] (tonnes)									
Mixed Sulphides	8,884	7,608	–	16,492	8,736	5,433	–	14,169	16%
Finished Nickel	7,509	7,114	–	14,623	7,770	5,186	–	12,956	13%
Finished Cobalt	732	562	–	1,294	779	466	–	1,245	4%
Fertilizer	128,758	18,209	–	146,967	126,627	15,132	–	141,759	4%
SALES VOLUMES[1](tonnes)									
Finished Nickel	7,615	6,089	–	13,704	7,822	–	–	7,822	75%
Finished Cobalt	755	453	–	1,208	790	–	–	790	53%
Fertilizer	118,812	15,349	–	134,161	101,443	–	–	101,443	32%
AVERAGE-REFERENCE PRICES[5](US$ per pound)									
Nickel	$ 7.49	$ 7.73			$ 7.32	$ –			
Cobalt[6]	13.92	14.12			12.51	–			
AVERAGE-REALIZED PRICES[5]									
Nickel ($ per pound)	$ 7.93	$ 8.26		$ 8.26	$ 7.35	$ –		$ 7.35	12%
Cobalt ($ per pound)	14.77	14.31		14.57	12.14	–		12.14	20%
Fertilizer ($ per tonne)	398	165		298	520	–		520	(43%)
UNIT OPERATING COSTS[5](US$ per pound)									
Nickel – net direct cash cost	$ 5.17	$ 7.04			$ 4.80	$ –			
SPENDING ON CAPITAL[1]	$ 10.3	$ 12.3	$ –	$ 22.6	$ 14.5	$ 14.0	$ –	$ 28.5	(21%)

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

(2) Production volumes for Ambatovy are presented for the six months ended June 30, 2014. Financial results, including sales volumes, unit operating costs, reference prices and average-realized prices, are presented for the post-commercial production period.

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

(4) Excludes depletion, depreciation and amortization.

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

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

Metals Reference Prices

The average reference price for nickel increased in 2014 compared to the same periods in the prior year as global nickel markets anticipate future shortage as a result of the Indonesian mineral export ban on raw ore exports. The average reference price for cobalt increased in 2014 compared to the same periods in the prior year reflecting continued strength in cobalt demand.

Moa Joint Venture and Fort Site

Revenue is composed of the following:

	For the three months ended			For the six months ended		
	2014	2013		**2014**	2013	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Nickel	**$ 73.1**	$ 58.9	24%	**$ 133.1**	$ 126.7	5%
Cobalt	**11.9**	10.7	11%	**24.6**	21.2	16%
Fertilizers	**37.0**	42.4	(13%)	**53.2**	59.6	(11%)
Other	**0.9**	2.5	(64%)	**2.4**	4.3	(44%)
	$ 122.9	$ 114.5	7%	**$ 213.3**	$ 211.8	1%

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

$ millions	For the three months ended **2014** **June 30**	For the six months ended **2014** **June 30**
Higher (lower) U.S. dollar denominated realized nickel prices	**$ 11.4**	**$ (0.2)**
Higher U.S. dollar denominated realized cobalt prices	**0.8**	**2.7**
Lower fertilizer prices	**(10.6)**	**(13.6)**
Lower metals sales volumes	**(0.6)**	**(1.0)**
Higher fertilizer sales volumes	**1.8**	**2.2**
Lower fertilizer, mining, processing and refining costs, net of higher third-party feed costs	**3.5**	**3.9**
Weaker Canadian dollar relative to the U.S. dollar	**2.2**	**3.5**
Other	**(3.6)**	**(2.3)**
Change in earnings from operations, compared to 2013	**$ 4.9**	**$ (4.8)**

The average-realized nickel price increased $1.89 per pound in the second quarter and $0.58 per pound in the first six months of 2014 compared to the same periods in the prior year while the average-realized cobalt price increased $1.86 per pound in the second quarter and $2.63 in the first six months of 2014 compared to the same periods in the prior year. The weaker Canadian dollar relative to the U.S. dollar had a positive impact on average-realized prices.

Production of 9,786 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides for the second quarter of 2014 was 647 tonnes (100% basis) higher than the same period in the prior year as Moa's mining operations operated at capacity compared to the second quarter of 2013. Metallurgical recoveries returned to expected levels during the second quarter as a result of measures taken to improve leaching of the ore from the newer mining concession during the first quarter. Finished nickel production of 7,740 tonnes (100% basis) and finished cobalt production of 751 tonnes (100% basis) for the second quarter of 2014 were in line with the same period in the prior year.

Finished nickel and cobalt sales volumes were lower in 2014 compared to the same periods in the prior year reflecting lower production in the first six months of 2014 and timing of shipments. Fertilizer sales volumes increased 11,999 tonnes in the second quarter and 17,369 tonnes in the first six months of 2014 compared to the same periods in the prior year reflecting strong spring season sales.

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

$ millions		For the three months ended 2014 June 30		2013 June 30	Change		For the six months ended 2014 June 30		2013 June 30	Change
Mining, processing and refining	$	**59.3**	$	62.3	(5%)	$	**121.1**	$	123.0	(2%)
Third-party feed costs		**4.5**		1.3	246%		**6.6**		3.2	106%
Fertilizers		**26.4**		25.1	5%		**38.2**		34.7	10%
Selling costs		**4.8**		4.6	4%		**8.6**		8.4	2%
Other		**4.0**		2.1	90%		**5.6**		4.9	14%
	$	**99.0**	$	95.4	4%	$	**180.1**	$	174.2	3%

(1) Excludes depletion, depreciation and amortization

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

$ millions		For the three months ended 2014 June 30		2013 June 30	Change		For the six months ended 2014 June 30		2013 June 30	Change
Mining, processing and refining costs	$	**6.34**	$	7.09	(11%)	$	**6.46**	$	7.05	(8%)
Third-party feed costs		**0.50**		0.13	285%		**0.36**		0.18	100%
Cobalt by-product credits		**(1.30)**		(1.21)	(7%)		**(1.33)**		(1.21)	(10%)
Other[2]		**(0.49)**		(1.74)	72%		**(0.32)**		(1.22)	74%
Net direct cash cost (US$ per pound of nickel)	$	**5.05**	$	4.27	18%	$	**5.17**	$	4.80	8%
Natural gas costs ($ per gigajoule)		**4.65**		3.52	32%		**5.10**		3.35	52%
Fuel oil (US$ per tonne)		**606**		620	(2%)		**605**		630	(4%)
Sulphur (US$ per tonne)		**179**		229	(22%)		**153**		234	(35%)
Sulphuric acid (US$ per tonne)		**124**		146	(15%)		**126**		153	(18%)

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

(2) Includes the Moa Joint Venture and Fort Site refinery fertilizer by-product profit or loss and marketing costs, discounts, and other by-product credits. Fort Site refinery by-product fertilizer profit was US$0.87 and US$0.62 for the three and six months ended June 30, 2014 (2013 - US$1.31 and US$0.98, respectively). The Corporation commenced including Fort Site refinery by-product fertilizer profit or loss in net direct cash cost effective January 1, 2014. The comparative periods have been adjusted accordingly.

Net direct cash cost of nickel increased US$0.78 per pound in the second quarter of 2014 compared to the same period in the prior year primarily due to lower net fertilizer by-product credits and to a lesser extent higher third party feed costs. The increase was partly offset by lower mining and processing costs. Lower net fertilizer by-product credits largely reflected lower fertilizer pricing in the Western Canadian market and higher natural gas input commodity prices. Lower mining and processing costs largely reflected lower sulphuric acid and sulphur input commodity prices, while fixed period costs have been closely managed and remain consistent with prior periods. Net direct cash cost of nickel increased US$0.37 per pound in the first six months of 2014 compared to the same period in the prior year reflecting similar trends.

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

Components of mining, processing and refining costs[1]	For the three months ended 2014 June 30	2013 June 30	For the six months ended 2014 June 30	2013 June 30
Fixed costs	**25%**	22%	**25%**	22%
Sulphur	**6%**	7%	**5%**	8%
Sulphuric acid	**15%**	18%	**14%**	16%
Fuel oil	**20%**	19%	**21%**	20%
Maintenance	**16%**	16%	**16%**	15%
Other variable	**18%**	18%	**19%**	19%
	100%	100%	**100%**	100%

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

Capital spending is composed of the following:

	For the three months ended			For the six months ended		
	2014	2013		**2014**	2013	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Sustaining[1]	$ **4.8**	$ 9.3	(48%)	$ **8.6**	$ 14.0	(39%)
Expansion	**0.9**	0.5	80%	**1.7**	0.5	240%
	$ **5.7**	$ 9.8	(42%)	$ **10.3**	$ 14.5	(29%)

(1) Includes assets acquired under finance leases of $nil for the three months and six months ended June 30, 2014 (2013 – $4.2 million and $4.4 million respectively).

Capital spending for the Moa Joint Venture focused on sustaining activities and was lower than prior year periods primarily reflecting the timing of mining equipment additions in the prior year and deferrals executed by management due lower nickel prices earlier in the year. Expansion capital for the three and six months ended June 30, 2014 included the mobilization of resources for the construction of the 2,000 tonne per day acid plant at Moa. Commencement of construction has been deferred to the first quarter of 2015 as a result of further government review of key contracts.

Ambatovy

In January 2014 Ambatovy met the requirements for commercial production, defined as 70% of ore throughput of nameplate capacity in the Pressure Acid Leach (PAL) circuit on average over a thirty-day period. As such, effective February 1, 2014, Ambatovy ceased capitalizing project costs and commenced recognizing operating revenues and costs for accounting purposes. Production volumes, are presented for the three and six months ended June 30, 2014. Financial results, including sales volume, average-realized price and net direct cash cost, are presented for the post-commercial production periods.

For the three and six months ended June 30, 2014 Ambatovy's operating losses were primarily a result of high depletion, depreciation, and amortization relative to revenue during the ramp-up period.

The Corporation's share of loss of an associate was $50.9 million and $91.0 million, respectively for the three and six months ended June 30, 2014, which primarily consisted of its share of Ambatovy's loss from operations of $38.2 million and $70.1 million, respectively, and net financing expenses for each period.

Revenue is composed of the following:

	For the three months ended	For the six months ended
	2014	**2014**
$ millions	**June 30**	**June 30**[1]
Nickel	$ **68.5**	$ **111.5**
Cobalt	**7.6**	**14.4**
Fertilizers	**1.6**	**2.5**
Other	**0.1**	**0.2**
	$ **77.8**	$ **128.6**

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

The average-realized nickel price for the three and six months ended June 30, 2014 was $8.92 per pound (US$8.18 per pound) and $8.26 per pound (US$7.58 per pound), respectively.

During the second quarter of 2014, Ambatovy sold 8,714 tonnes (100% basis) of finished nickel and 650 tonnes (100% basis) of finished cobalt; an increase of 1,236 tonnes and a decrease of 37 tonnes of nickel and cobalt, respectively, compared to the same period in the prior year. For the six months ended June 30, 2014, Ambatovy sold 17,446 tonnes (100% basis) of finished nickel and 1,363 tonnes (100% basis) of finished cobalt; an increase of 4,880 tonnes and 236 tonnes of nickel and cobalt, respectively, compared to the same period in the prior year. Year-to-date, for the commercial production period ending June 30, 2014, Ambatovy sold 15,221 tonnes (100% basis) of finished nickel and 1,132 tonnes (100% basis) of finished cobalt.

In the second quarter of 2014, Ambatovy produced 9,390 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides, 9,004 tonnes (100% basis) of finished nickel, and 712 tonnes (100% basis) of finished cobalt; an increase of 3,610 tonnes, 1,869 tonnes, and 88 tonnes, respectively, compared to the same period in the prior year. For the six months ended, June 30, 2014, Ambatovy produced 19,021 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides, 17,786 tonnes (100% basis) of finished nickel, and 1,405 tonnes (100% basis) of finished cobalt; an increase of 5,438 tonnes, 4,822 tonnes, and 241 tonnes, respectively, compared to the same period in the prior year. Overall, production was higher due to continued ramp-up of operations. Both finished nickel and finished cobalt production volumes in the second quarter established quarterly production records for the refinery, as mixed sulphides inventory was processed, more than offsetting the impact of low mixed sulphide availability from the PAL circuit.

The average ore throughput in the PAL circuit during the second quarter of 2014 was approximately 58% of nameplate capacity. The lower ore throughput in the quarter relative to the first quarter of 2014 was the result of various unanticipated mechanical issues, such as valve and piping maintenance as well as thickener performance downstream of the autoclaves. To support Ambatovy's production targets, additional technical staff with metallurgical and operational expertise have been hired to assist in optimizing plant performance.

Autoclave operating hours during the second quarter of 2014 were 6,911 hours, compared to 6,740 hours in the first quarter, reflecting increased mechanical reliability of the autoclaves.

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

$ millions	For the three months ended 2014 June 30	For the six months ended 2014 June 30 (2)
Mining, processing and refining	$ 65.4	$ 112.6
Selling costs	3.0	5.3
Other	1.3	1.9
	$ 69.7	$ 119.8

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

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

Net direct cash cost	For the three months ended 2014 June 30	For the six months ended 2014 June 30 (2)
Mining, processing and refining costs	$ 7.80	$ 7.67
Cobalt by-product credits	(1.03)	(1.01)
Other(3)	0.42	0.38
Net direct cash cost (US$ per pound of nickel)	$ 7.19	$ 7.04
Sulphur (US$ per tonne)	201	189
Limestone (US$ per tonne)	20	19
Coal (US$ per tonne)	88	92

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

Net direct cash cost of nickel was US$7.19 per pound in the second quarter of 2014 and US$7.04 per pound for the six months ended June 30, 2014, consistent with expectation for the facility when operating at approximately 60% of its finished metal nameplate capacity. Mining, processing and refining costs per pound in the quarter were higher than the post-commercial production period in the prior quarter due to the unanticipated mechanical issues, thickener performance and higher sulphur prices.

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

Components of mining, processing and refining costs[1]	For the three months ended 2014 June 30	For the six months ended 2014 June 30
Sulphur	**14%**	**13%**
Limestone	**3%**	**4%**
Coal	**6%**	**7%**
Other Commodities	**19%**	**19%**
Maintenance	**31%**	**32%**
Other	**27%**	**25%**
	100%	**100%**

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

Capital spending is composed of the following:

	For the three months ended			For the six months ended		
$ millions	**2014 June 30**	2013 June 30	Change	**2014 June 30**	2013 June 30	Change
Sustaining	**$ 8.4**	$ 9.0	(7%)	**$ 12.3**	$ 14.0	(12%)

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

For the three and six months ended June 30, 2014, a total of US$179.0 million (100% basis) and US$269.0 million (100% basis) in funding was provided by the Ambatovy Joint Venture partners, respectively. Sherritt's 40% share of funding for the three and six months ended June 30, 2014 was US$71.6 million ($78.6 million) and US$107.6 million ($118.0 million), respectively, sourced from cash on hand.

Outlook for 2014

Production volumes and spending on capital, for the six and twelve months ended	**Actual 2014 June 30**	Projected 2014 December 31
PRODUCTION		
Mixed sulphides (tonnes, 100% basis):		
Moa Joint Venture	**17,767**	38,000
Ambatovy Joint Venture	**19,021**	39,000 – 44,000
	36,788	77,000 – 82,000
Finished nickel (tonnes, 100% basis):		
Moa Joint Venture	**15,081**	34,000
Ambatovy Joint Venture	**17,786**	37,000 – 41,000
	32,867	71,000 – 75,000
Finished cobalt (tonnes, 100% basis):		
Moa Joint Venture	**1,463**	3,350
Ambatovy Joint Venture	**1,405**	2,700 – 3,100
	2,868	6,050 – 6,450
SPENDING ON CAPITAL ($ millions):		
Moa Joint Venture (50% basis), Fort Site[1]	**10**	55
Ambatovy Joint Venture (40% basis)	**12**	34

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

Moa Joint Venture capital spending has been revised down by $15 million for the year as construction has not yet commenced on the acid plant project resulting from further government review of key contracts.

Production volumes for Ambatovy have been revised for mixed sulphides, nickel and cobalt primarily due to lower than anticipated production for the first six months of the year.

OIL AND GAS

Financial review

$ millions, except as otherwise noted	For the three months ended 2014 June 30	2013 June 30	Change	For the six months ended 2014 June 30	2013 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 74.7**	$ 71.2	5%	**$ 151.6**	$ 142.3	7%
Cost of sales[1]	**15.9**	13.4	19%	**29.6**	25.3	17%
	58.8	57.8	2%	**122.0**	117.0	4%
Administrative expenses[1]	**2.3**	2.1	10%	**5.1**	3.9	31%
Depletion, depreciation and amortization	**16.6**	17.9	(7%)	**33.4**	33.9	(1%)
Earnings from operations	**39.9**	37.8	6%	**83.5**	79.2	5%
Adjusted EBITDA[2]	**57.5**	55.7	3%	**117.9**	113.1	4%
PRODUCTION AND SALES[3] (net working-interest)						
Cuba (heavy oil)	**10,440**	10,825	(4%)	**10,811**	10,537	3%
Spain (light oil)	**352**	330	7%	**315**	311	1%
Pakistan (natural gas)	**317**	330	(4%)	**315**	333	(5%)
	11,109	11,485	(3%)	**11,441**	11,181	2%
AVERAGE-REFERENCE PRICE (US$ per barrel)						
Gulf Coast Fuel Oil No. 6	**$ 91.82**	$ 90.87	1%	**$ 90.58**	$ 93.92	(4%)
Brent	**110.25**	103.16	7%	**109.68**	108.29	1%
AVERAGE REALIZED PRICE[2]						
Cuba ($ per barrel)	**$ 72.88**	$ 67.64	8%	**$ 72.32**	$ 69.34	4%
Spain ($ per barrel)	**118.96**	104.11	14%	**118.87**	108.24	10%
Pakistan ($ per boe)[4]	**8.67**	8.31	4%	**8.90**	8.28	7%
Weighted-average	**72.51**	66.98	8%	**71.86**	68.62	5%
UNIT OPERATING COSTS[2][5] ($ per net boe)						
Cuba	**$ 14.38**	$ 12.70	13%	**$ 13.21**	$ 12.48	6%
Spain	**30.37**	25.20	21%	**38.74**	20.28	91%
Pakistan	**5.83**	3.98	46%	**5.90**	5.97	(1%)
Weighted-average	**14.68**	12.81	15%	**13.81**	12.50	10%
SPENDING ON CAPITAL	**$ 15.4**	$ 11.8	31%	**$ 31.2**	$ 23.3	34%

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

Extension of Production-Sharing Contract Agreement

On May 29, 2014, Sherritt executed an agreement with the Government of Cuba to amend an existing Production-Sharing Contract (PSC) for an additional ten-year extension to March 2028. The extension of the Puerto Escondido/Yumuri PSC applies to new development well commitments made following the amendment of the PSC. The PSC will terminate with respect to existing wells as of its original expiry date in March 2018. As part of the minimum development commitments under the amended PSC, Sherritt is required to drill a minimum of seven new wells in the development area. Three of these new wells are expected to be drilled in 2014.

Oil and Gas revenue is composed of the following:

	For the three months ended			For the six months ended		
	2014	2013		**2014**	2013	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Cuba	**$ 69.2**	$ 66.7	4%	**$ 141.5**	$ 132.2	7%
Spain	**3.8**	3.1	23%	**6.8**	6.1	11%
Pakistan	**0.2**	0.2	–	**0.5**	0.5	–
Processing	**1.5**	1.2	25%	**2.8**	3.5	(20%)
	$ 74.7	$ 71.2	5%	**$ 151.6**	$ 142.3	7%

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

$ millions	For the three months ended **2014** **June 30**	For the six months ended **2014** **June 30**
Higher (lower) realized oil and gas prices, denominated in U.S. dollars	**$ 0.9**	**$ (3.7)**
Lower gross working-interest volumes	**(2.2)**	**(0.6)**
Higher cost recovery revenue due to higher recoverable spending	**0.2**	**3.4**
Higher operating costs	**(1.1)**	**(2.4)**
Higher administrative costs	**(0.2)**	**(1.2)**
Lower depletion, depreciation and amortization	**2.3**	**3.0**
Weaker Canadian dollar relative to the U.S. dollar	**2.9**	**7.4**
Other	**(0.7)**	**(1.6)**
Change in earnings from operations, compared to 2013	**$ 2.1**	**$ 4.3**

The average-realized price for oil produced in Cuba increased by $5.24 per barrel in the second quarter and by $2.98 per barrel in the first six months of 2014 compared to the same periods in the prior year primarily as a result of a weaker Canadian dollar relative to the U.S. dollar. The increase in the first six months of 2014 was partly offset by a lower Gulf Coast Fuel Oil No. 6 reference price when compared to the same period in the prior year.

The average-realized price for oil produced in Spain increased by $14.85 per barrel in the second quarter and by $10.63 per barrel in the first six months of 2014 compared to the same periods in the period year. The increases were primarily as a result of a weaker Canadian dollar relative to the U.S. dollar and a higher Brent reference price.

Production and sales volumes were as follows:

	For the three months ended			For the six months ended		
	2014	2013		**2014**	2013	
Daily production volumes(1)	**June 30**	June 30	Change	**June 30**	June 30	Change
Gross working-interest oil production in Cuba(2)(3)	**19,528**	20,425	(4%)	**19,862**	19,990	(1%)
Net working-interest oil production(4)						
Cuba (heavy oil)						
Cost recovery	**3,004**	2,971	1%	**3,422**	2,802	22%
Profit oil	**7,436**	7,854	(5%)	**7,389**	7,735	(4%)
Total	**10,440**	10,825	(4%)	**10,811**	10,537	3%
Spain (light oil)(4)	**352**	330	7%	**315**	311	1%
Pakistan (natural gas)(4)	**317**	330	(4%)	**315**	333	(5%)
	11,109	11,485	(3%)	**11,441**	11,181	2%

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

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

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

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

Gross working interest (GWI) oil production in Cuba decreased 897 bopd in the second quarter and by 128 bopd in the first six months of 2014 compared to the same periods in the prior year. The decreases were primarily caused by a mechanical failure in a well in the Yumuri area, which accounted for a decrease of 446 bopd in the second quarter and of 266 bopd in the first six months of 2014 compared to the same periods in the prior year. The mechanical issue is scheduled to be rectified in the third quarter of 2014. The remaining decrease in production in the second quarter of 2014 compared to the same period in the prior year was due to natural reservoir declines, which were partially offset by the optimization of production from existing wells.

Cost-recovery oil production in Cuba increased 33 bopd in the second quarter and by 620 bopd in the first six months of 2014 compared to the same periods in the prior year, primarily due to higher recoverable spending, partly offset by higher oil prices. Profit oil production, which represents Sherritt's share of production after cost recovery volumes are deducted from GWI volumes, decreased by 418 bopd in the second quarter and by 346 bopd in the first six months of 2014 compared to the same periods in the prior year.

Production in Spain increased slightly in the second quarter and in the first six months of 2014 compared to the same periods in the prior year due to a successful workover that was performed.

Unit operating cost for Cuba is composed of the following:

	For the three months ended		For the six months ended	
	2014	2013	**2014**	2013
Components of unit operating cost (%)	**June 30**	June 30	**June 30**	June 30
Labour	**20%**	22%	**21%**	22%
Maintenance	**14%**	12%	**12%**	11%
Treatment and transportation	**16%**	18%	**17%**	18%
Fuel and electricity	**9%**	9%	**10%**	9%
Production chemicals	**7%**	8%	**7%**	8%
Freight and duty	**7%**	6%	**6%**	6%
Insurance	**3%**	3%	**4%**	3%
Other	**24%**	22%	**23%**	23%
	100%	100%	**100%**	100%

Unit operating cost in Cuba increased $1.68 per barrel in the second quarter and by $0.73 per barrel in the first six months of 2014 primarily the result of an increase in workover maintenance costs and a weaker Canadian dollar.

Unit operating cost in Spain increased by $5.17 per barrel in the second quarter and by $18.46 per barrel in the first six months of 2014 when compared to the same periods in the prior year. The increase in the second quarter of 2014 was primarily due to the effect of a weaker Canadian dollar relative to the Euro. The increase in the first six months of 2014 was primarily due to the effect of a weaker Canadian dollar relative to the Euro, a workover performed and an adjustment in the first quarter of 2013 related to 2012 costs.

Spending on capital is composed of the following:

	For the three months ended			For the six months ended		
	2014	2013		**2014**	2013	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Development, facilities and other	$ **15.3**	$ 11.6	32%	$ **30.6**	$ 22.4	37%
Exploration	**0.1**	0.2	(50%)	**0.6**	0.9	(33%)
	$ **15.4**	$ 11.8	31%	$ **31.2**	$ 23.3	34%

Spending on capital in the second quarter of 2014 is composed primarily of $7.0 million related to equipment and $5.6 million related to development drilling activities. The increase in spending compared to the second quarter of 2013 is the result of increased equipment purchases in Cuba, which included purchases related to the start-up of the second drilling rig and a related camp, as well as the purchase of a service rig. During the second quarter of 2014, one development well was drilled and completed in Cuba, which is currently suspended pending a workover.

In the first six months of 2014, capital spending is composed primarily of $14.5 million related to development drilling activities and $9.8 million related to equipment purchases. The increase in spending compared to the prior year period is primarily the result of increased development drilling costs and increased equipment purchases in Cuba, which include the same major purchases as outlined above. During the first six months of 2014, two development wells were drilled and completed in Cuba, one of which is currently producing oil. The second well is suspended pending a workover, as previously noted.

The Corporation has ceased capital spending on the United Kingdom North Sea prospect area and continues to seek partners to participate in the further development of the prospect area, which would involve the drilling of one or more exploratory wells.

Outlook for 2014

Production volumes and spending on capital, for the six and twelve months ended	**Actual 2014 June 30**	Projected 2014 December 31
Production		
Gross working-interest oil (Cuba) (bopd)	**19,862**	19,000
Net working-interest production, all operations (boepd)	**11,441**	11,200
Spending on capital ($ millions)	**31**	94

Sherritt is awaiting final approval by Cuban ministries with respect to four new exploration blocks.

Capital spending has been revised to $94 million, representing an increase of $21 million from the previous guidance in order to support additional drilling under the extended Oil and Gas PSC. This increase in capital will be directed towards drilling three wells under the minimum development commitments, the start-up of the second drilling rig, and purchasing and investing in support equipment and facilities.

POWER

Financial review

$ millions (33⅓% basis), except as otherwise noted	For the three months ended 2014 June 30	2013 June 30	Change	For the six months ended 2014 June 30	2013 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 12.7**	$ 13.5	(6%)	**$ 24.6**	$ 29.5	(17%)
Cost of sales[1]	**4.0**	25.2	(84%)	**8.5**	36.2	(77%)
	8.7	(11.7)	174%	**16.1**	(6.7)	340%
Administrative expenses[1]	**2.2**	1.1	100%	**4.7**	2.6	81%
Depletion, depreciation and amortization	**5.7**	2.7	111%	**9.7**	5.3	83%
Earnings (loss) from operations	**0.8**	(15.5)	105%	**1.7**	(14.6)	112%
Adjusted EBITDA[2]	**6.5**	(5.5)	218%	**11.4**	(2.0)	670%
PRODUCTION AND SALES						
Electricity (GWh[3])	**224**	153	46%	**411**	313	31%
AVERAGE-REALIZED PRICES[2]						
Electricity (per MWh[3])	**$ 46.24**	$ 42.28	9%	**$ 46.22**	$ 42.07	10%
UNIT OPERATING COSTS[2]**(per MWh)**						
Base[4]	**$ 14.32**	$ 18.24	(21%)	**$ 14.61**	$ 17.50	(17%)
Non-base[5]	**1.30**	10.68	(88%)	**1.84**	10.28	(82%)
	15.62	28.92	(46%)	**16.45**	27.78	(41%)
SPENDING ON CAPITAL AND SERVICE CONCESSION ARRANGEMENTS						
Capital	**$ 0.5**	$ 1.9	(74%)	**$ 1.5**	$ 3.8	(61%)
Service concession arrangements	**0.5**	4.2	(88%)	**1.7**	10.3	(83%)
	1.0	6.1	(84%)	**3.2**	14.1	(77%)

(1) Excludes depletion, depreciation and amortization.
(2) For additional information see the Non-GAAP measures section.
(3) Gigawatt hours (GWh), Megawatt hours (MWh).
(4) Excludes the impact of impairment of receivables and property, plant and equipment in 2013.
(5) Costs incurred at the Boca de Jaruco and Puerto Escondido facilities that otherwise would have been capitalized if these facilities were not accounted for as service concession arrangements.

Power revenue is composed of the following:

$ millions (33⅓% basis)	For the three months ended 2014 June 30	2013 June 30	Change	For the six months ended 2014 June 30	2013 June 30	Change
Electricity sales	**$ 10.4**	$ 6.5	60%	**$ 19.0**	$ 13.2	44%
By-products and other	**1.8**	2.8	(36%)	**3.9**	6.0	(35%)
Construction activity[1]	**0.5**	4.2	(88%)	**1.7**	10.3	(83%)
	$ 12.7	$ 13.5	(6%)	**$ 24.6**	$ 29.5	(17%)

(1) Consists of the costs of construction, enhancement or upgrading activity of the Boca de Jaruco and Puerto Escondido facilities. The contractual arrangements related to the activities of these facilities are treated as service concession arrangements for accounting purposes.

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

$ millions	For the three months ended 2014 June 30	For the six months ended 2014 June 30
Higher electricity volumes	$ **3.5**	$ **4.8**
Higher realized by-product prices	**0.2**	**0.2**
2013 provision on receivables and impairment on Madagascar assets	**16.6**	**17.2**
Lower scheduled maintenance costs	**1.2**	**2.3**
Higher administrative expenses	**(1.1)**	**(2.1)**
Higher depletion, depreciation and amortization	**(3.0)**	**(4.4)**
Weaker Canadian dollar relative to the U.S. dollar	**0.5**	**1.3**
Other	**(1.6)**	**(3.0)**
Change in earnings from operations, compared to 2013	**16.3**	**16.3**

Production increased by 71 GWh in the second quarter and 98 GWh in the first six months of 2014 compared to the same periods in the prior year. These increases were primarily due to increased production from the Boca de Jaruco Combined Cycle Project and a decrease in scheduled maintenance activities, which resulted in higher production availability.

The average-realized price of electricity was $3.96 per MWh higher in the second quarter and $4.15 per MWh higher in the first six months of 2014 compared to the same periods in the prior year primarily due to a weaker Canadian dollar relative to the U.S. dollar.

Administrative expenses were higher in the second quarter and the first six months of 2014 compared to the same periods in the prior year. The increase was primarily related to the absence of overhead recoveries due to the construction of the Boca de Jaruco Combined Cycle Project being completed in early 2014.

Unit operating cost is composed of the following:

	For the three months ended		For the six months ended	
Components of unit operating cost (%)	**2014 June 30**	2013 June 30	**2014 June 30**	2013 June 30
Labour	**31%**	22%	**32%**	21%
Maintenance	**20%**	44%	**22%**	44%
Freight and duty	**7%**	9%	**5%**	8%
Insurance	**9%**	5%	**10%**	6%
Other	**33%**	20%	**31%**	21%
	100%	100%	**100%**	100%

Overall, unit operating cost decreased by $13.30 per MWh in the second quarter and by $11.33 per MWh in the first six months of 2014 compared to the same periods in the prior year. Base unit operating cost decreased by $3.92 per MWh in the second quarter and by $2.89 per MWh in the first six months of 2014 compared to the same periods in the prior year primarily due to lower scheduled turbine maintenance costs and the effect of higher production on fixed costs. Non-base unit operating costs decreased by $9.38 per MWh in the second quarter and by $8.44 per MWh in the first six months of 2014, compared to the same periods in the prior year. Lower non-base unit operating costs were primarily due to the absence of scheduled major turbine inspections at Boca de Jaruco in 2014, one of which occurred in each the first and second quarter in 2013, which accounted for $6.27 per MWh in the second quarter of 2013 and $5.98 per MWh in the first six months of 2013.

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

	For the three months ended			For the six months ended		
$ millions (33⅓% basis)	**2014 June 30**	2013 June 30	Change	**2014 June 30**	2013 June 30	Change
Sustaining	$ **0.5**	$ 0.1	400%	$ **0.8**	$ 0.3	167%
Growth	**–**	1.8	(100%)	**0.7**	3.5	(80%)
	$ **0.5**	$ 1.9	(74%)	$ **1.5**	$ 3.8	(61%)

Sustaining capital expenditures were primarily related to routine maintenance and the purchase of equipment. Growth spending is capitalized interest on the 150 MW Boca de Jaruco Combined Cycle Project, which ceased to be capitalized on February 2, 2014 when the Boca Combined Cycle Project was fully operational.

	For the three months ended			For the six months ended		
	2014	2013		**2014**	2013	
$ millions (33⅓% basis)	**June 30**	June 30	Change	**June 30**	June 30	Change
Service concession arrangements	$ **0.5**	$ 4.2	(88%)	$ **1.7**	$ 10.3	(83%)

Service concession arrangement expenditures are primarily related to the 150 MW Boca de Jaruco Combined Cycle Project. The project was fully operational on February 2, 2014, and is currently operating as expected.

Outlook for 2014

	Actual	Projected
	2014	2014
Production volumes and spending on capital, for the six and twelve months ended	**June 30**	December 31
Production		
Electricity (GWh)	**411**	750
Spending on capital ($ millions)		
Cuba	**1**	4

Liquidity and capital resources

Total available liquidity at June 30, 2014 was $1.0 billion which includes cash and cash equivalent and short term investments of $965.9 million and available credit facilities of $53.6 million.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

$ millions, as at June 30, 2014	Total	Falling due within 1 year	Falling due within between 1-2 years	Falling due within between 2-3 years	Falling due within between 3-4 years	Falling due within between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ 90.7	$ 90.7	$ –	$ –	$ –	$ –	$ –
Income taxes payable	14.9	14.9	–	–	–	–	–
Loans and borrowings(1)	3,294.4	91.8	365.5	186.7	213.0	649.2	1,788.2
Provisions	152.4	0.2	0.3	0.4	0.1	0.3	151.1
Operating leases	13.0	2.0	2.0	2.0	2.0	2.0	3.0
Capital commitments	44.4	35.4	9.0	–	–	–	–
	$ 3,609.8	$ 235.0	$ 376.8	$ 189.1	$ 215.1	$ 651.5	$ 1,942.3

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

OTHER COMMITMENTS

The following commitments are not reflected in the table above:

Moa Joint Venture

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

- Environmental rehabilitation commitments of $66.0 million, with no significant repayments due in the next four years;
- Advances and loans payable of $147.5 million; and
- Other commitments of $2.2 million.

Ambatovy Joint Venture

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

- Environmental rehabilitation commitments of $178.4 million, with no significant repayments due in the next four years;
- Other contractual commitments of $31.0 million; and
- Ambatovy Joint Venture senior debt financing of US$753.5 million ($804.4 million). On an undiscounted basis, principal and interest repayments are $908.3 million.

INVESTMENT LIQUIDITY

At June 30, 2014, cash and cash equivalents and investments were located in the following countries:

$ millions, as at June 30, 2014	Cash	Cash equivalents and Short-term investments	Total
Canada	$ 16.0	$ 927.1	$ 943.1
Cuba	14.8	–	14.8
Other	8.0	–	8.0
	$ 38.8	$ 927.1	$ 965.9

Cash and short-term investments

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

At June 30, 2014, cash equivalents included $427.3 million in Government of Canada treasury bills having original maturity dates of less than three months and short-term investments included $499.9 million in Government of Canada treasury bills having original maturity dates of greater than three months and less than one year.

The table above does not include cash and cash equivalents of $41.0 million (100% basis) held by the Moa Joint Venture, nor $41.7 million (100% basis) held by the Ambatovy Joint Venture. The Corporation's share is included as part of the investment in a joint venture and associate balances in the consolidated statement of financial position. The cash and short-term investments amounts are deposited with or issued by financial institutions whose parent company is rated A- or higher by Standard and Poor's.

Available credit facilities

At June 30, 2014, the Corporation and its divisions had borrowed $2.2 billion under available credit facilities and through the issuance of debentures.

The following table outlines the maximum amounts available to the Corporation for credit facilities that had amounts undrawn at June 30, 2014 and December 31, 2013. A detailed description of these facilities is provided in the Loans, borrowings and other liabilities note in the Corporation's audited consolidated financial statements for the year ended December 31, 2013.

$ millions, as at			**2014 June 30**			2013 December 31
	Maximum	**Undrawn**	**Available[1]**	Maximum	Undrawn	Available[1]
Short-term						
Syndicated 364-day revolving-term credit facility[2]	**$ 90**	**$ 52**	**$ 34**	$ 90	$ 9	$ –
Line of credit[3]	**20**	**20**	**20**	20	–	–
Long-term						
Ambatovy Joint Venture partner loans (US$)[4]	**213**	**127**	**–**	213	127	–
Coal revolving credit facility[5]	**–**	**–**	**–**	525	66	–
Total Canadian equivalent	**$ 338**	**$ 208**	**$ 54**	$ 862	$ 211	$ –

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

(2) Established for general corporate purposes. Total available draw is based on eligible receivables and inventory. At June 30, 2014, the Corporation had $38.0 million of letters of credit outstanding on this facility. The change in the undrawn amount at June 30, 2014 from December 31, 2013 is due to repayment of $45.0 million in principal amounts outstanding in the current quarter and foreign exchange translation on outstanding letters of credit.

(3) The change in the undrawn amount at June 30, 2014 from December 31, 2013 is due to repayment of $20.0 million in principal amounts outstanding in the current quarter.

(4) Established to fund Sherritt's contributions to the Ambatovy Joint Venture.

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

Coal sale transaction

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

Covenants

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

At June 30, 2014, the Corporation and its divisions were in compliance with all of their financial covenants. The Corporation expects to remain in compliance with all of its financial covenants over the next 12 months, based on current market conditions.

In addition to the covenants required for the debt facilities, the Corporation is subject under the terms of the indentures governing its three outstanding debenture issues to utilize the proceeds from the sale of Coal that are not redeployed to acquire other assets or repay term debt within 360 days from the closing date of the transaction towards debenture debt repayment.

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 2014 June 30	2013 June 30	Change	For the six months ended 2014 June 30	2013 June 30	Change
Cash provided by operating activities						
Cash provided by continuing operating activities before change in non-cash working capital	$ **2**	$ 27	(93%)	$ **32**	$ 56	(43%)
Change in non-cash working capital	**31**	(16)	294%	**(21)**	(23)	9%
Cash provided by continuing operations	**33**	11		**11**	33	
Cash (used) provided by discontinued operations	**(6)**	38	(116%)	**43**	64	(33%)
	$ **27**	$ 49	(45%)	$ **54**	$ 97	(44%)
Cash (used) provided by investing and financing activities						
Property, plant, equipment and intangible expenditures	$ **(20)**	$ (17)	(18%)	$ **(38)**	$ (36)	(6%)
Net repayment of loans, borrowings and other financial liabilities	**(365)**	(13)	(2708%)	**(365)**	(28)	(1204%)
Loans to an associate	**(79)**	(23)	(243%)	**(118)**	(65)	(82%)
Investment in an associate	**-**	-	-	**-**	(13)	100%
Receipts from investments	**-**	7	(100%)	**6**	14	(57%)
Dividends paid on common shares	**(3)**	(13)	77%	**(16)**	(24)	33%
Cash used by discontinued operations	**(3)**	(18)	83%	**(23)**	(27)	15%
Net proceeds from sale of Coal (net of cash disposed)	**804**	-	-	**804**	-	-
Other	**1**	(8)	113%	**10**	(15)	167%
	$ **335**	$ (85)	494%	$ **260**	$ (194)	234%
	362	(36)	1106%	**314**	(97)	424%
Cash, cash equivalents and short-term investments:						
Beginning of the period	**604**	393	54%	**652**	454	44%
End of the period	$ **966**	$ 357	171%	$ **966**	$ 357	171%

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

The significant items affecting the sources and uses of cash during the three and six months ended June 30, 2014 are described below:

- Cash from continuing operating activities before change in non-cash working capital for the three and six months ended June 30, 2014 were lower than the same periods in the prior year primarily as a result of timing of income tax paid at Oil and Gas in the second quarter of 2014 and a decrease in provisions due to work performed related to the Obed incident;
- The change in non-cash working capital in the three months ended June 30, 2014 is favorable compared to the prior-year period primarily as a result of higher receivable collections in Oil and Gas. For the six months ended June 30, 2014, the change in non-cash working capital was favourable compared to the prior year period primarily due to an increase in accounts payable, as a result of the timing of payments, and lower inventory levels partly offset by lower accounts receivable collections and a reduction in deferred revenue due to spring fertilizer sales;
- The net repayment of loans and borrowings for the three and six months ended June 30, 2014 relates primarily to the repayment of the Coal revolving credit facility ($300.0 million), the syndicated 364-day revolving-term credit facility ($45.0 million) and the line of credit ($20.0 million) during the quarter;
- A total of $78.6 million and $118.0 million (US$71.6 million and US$107.6 million) was provided in cash to the Ambatovy Joint Venture as Sherritt's share of the joint venture funding requirements in the three and six months ended June 30, 2014, respectively. This funding was provided as a loan;
- The net proceeds from the sale of Coal include the proceeds received of $814.4 million (including closing adjustments) offset by the cash disposed on the sale of Coal of $10.1 million.

COMMON SHARES

As at July 29, 2014, the Corporation had 297,231,491 common shares outstanding. An additional 5,543,752 common shares are issuable upon exercise of outstanding stock options granted to employees pursuant to the Corporation's stock option plan.

On June 18, 2014, the Corporation's Board of Directors approved a quarterly dividend of $0.01 per common share, paid on July 14, 2014 to shareholders of record as of the close of business on June 30, 2014.

Managing risk

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

Accounting Pronouncements

The following is a summary of accounting pronouncements issued in the first six months of 2014 that are expected to impact the Corporation.

IFRS 15- REVENUE FROM CONTRACTS AND CUSTOMERS

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

For a summary of previously issued accounting pronouncements, see the accounting pronouncements note in the Corporation's audited consolidated financial statements for the year ended December 31, 2013.

Summary of quarterly results

The following table presents a summary of the segment revenue and consolidated operating results for each of the eight quarters ended September 30, 2012 to June 30, 2014[(1)(2)].

$ millions, except per share amounts, for the three months ended	2014 June 31	2014 Mar 31	2013 Dec 31	2013 Sept 30	2013 June 30	2013 Mar 31	2012 Dec 31	2012 Sept 30
Revenue								
Metals	$ **216.0**	$ 160.1	$ 101.6	$ 104.8	$ 120.6	$ 103.7	$ 138.4	$ 89.6
Oil and Gas	**74.7**	76.9	74.9	74.2	71.2	71.1	68.2	74.2
Power	**12.7**	11.9	10.6	14.7	13.5	16.0	17.0	18.8
Corporate and Other	**1.2**	1.8	2.0	1.6	1.7	1.2	2.3	3.7
	$ **304.6**	$ 250.7	$ 189.1	$ 195.3	$ 207.0	$ 192.0	$ 225.9	$ 186.3
Adjust joint venture and associate revenue	**(174.4)**	(129.8)	(80.5)	(84.1)	(85.3)	(85.0)	(95.6)	(81.9)
Financial statement revenue	$ **130.2**	$ 120.9	$ 108.6	$ 111.2	$ 121.7	$ 107.0	$ 130.3	$ 104.4
Net (loss) earnings from continuing operations	**(49.0)**	(70.5)	(134.8)	1.9	(15.2)	(2.6)	7.2	(31.6)
(Loss) earnings from discontinued operations, net of tax	**18.9**	22.3	(539.0)	(0.8)	4.5	25.7	(24.1)	9.0
Net (loss) earnings	$ **(30.1)**	$ (48.2)	$ (673.8)	$ 1.1	$ (10.7)	$ 23.1	$ (16.9)	$ (22.6)
Net (loss) earnings per share, basic and diluted ($ per share)								
Net (loss) earnings from continuing operations	$ **(0.16)**	$ (0.24)	$ (0.45)	$ 0.01	$ (0.05)	$ (0.01)	$ 0.02	$ (0.11)
Net (loss) earnings	**(0.10)**	(0.16)	(2.27)	–	(0.04)	0.08	(0.06)	(0.08)

(1) As a result of disposing the Coal operations on April 28, 2014, earnings for Coal, prior to disposal, is reported in earnings from discontinued operations for the current and prior-year period. Amounts previously reported have been restated.

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

In general, net (loss) earnings for the Corporation are primarily affected by commodity prices, sales volumes and exchange rates that impact revenue and costs. The average Canadian dollar cost to purchase one U.S. dollar for the above quarters has ranged between $0.99 to $1.10. In addition to the impact of commodity prices, sales volumes and exchange rates, net (loss) earnings were impacted by the following significant items (pre-tax):

- the second quarter of 2014 includes the Corporation's share of losses of the Ambatovy Joint Venture of $50.9 million partly offset by a $13.0 million gain recognized on the sale of the Coal operations;
- the first quarter of 2014 includes the Corporation's share of losses of the Ambatovy Joint Venture of $40.1 million partly offset by a reduction in depletion, depreciation, and amortization as a result of classifying Coal as a discontinued operation;
- the fourth quarter of 2013 included total impairments of $577.7 million recognized in Coal (discontinued operation), Metals and Power. Net finance expense includes a $13.6 million non-cash downward adjustment in the fair value of the Ambatovy call option;
- the third quarter of 2013 included a $12.4 million non-cash upward adjustment in the fair value of the Ambatovy call option;
- the second quarter of 2013 included a non-cash provision on accounts receivable and impairment on Madagascar assets of $17.2 million;

- the first quarter of 2013 included a non-cash gain on termination of the Highvale mining contract of $22.0 million (in earnings of discontinued operations);
- the fourth quarter of 2012 included the recognition of total impairments of $18.7 million; and,
- the third quarter of 2012 included an early redemption premium on the redemption/repurchase of debentures of $27.0 million.

Off-balance sheet arrangements

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

Transactions with related parties

The Corporation and subsidiaries provide goods, labour, advisory and other administrative services to joint operations and an associate at fair value. The Corporation and its subsidiaries also market, pursuant to sales agreements, a portion of the nickel, cobalt and certain by-products produced by certain joint operations and an associate in the Metals business.

	For the three months ended		For the six months ended	
	2014	2013	**2014**	2013
$ millions	**June 30**	June 30	**June 30**	June 30
Total value of goods and services:				
Provided to joint operations	**$ 2.8**	$ 9.1	**$ 8.5**	$ 14.3
Provided to joint venture	**47.2**	43.7	**85.3**	78.3
Provided to associate	**1.3**	–	**1.9**	5.7
Purchased from joint operations	**0.3**	–	**1.0**	0.9
Purchased from joint venture	**49.8**	36.8	**90.0**	57.5
Purchased from associate	**13.4**	5.1	**30.6**	10.1
Net financing income from joint operations	**4.4**	6.2	**9.5**	11.9
Net financing income from associate	**11.8**	–	**19.4**	–
Net financing income from joint venture	**1.9**	1.9	**3.6**	3.5

	2014	2013
$ millions, as at	**June 30**	December 31
Accounts receivable from joint operations	**$ 0.3**	$ 0.2
Accounts receivable from joint venture	**23.5**	23.2
Accounts receivable from associate	**32.5**	36.2
Accounts payable to joint operations	**0.3**	–
Accounts payable to joint venture	**5.9**	1.9
Accounts payable to associate	**4.0**	4.5
Advances and loans receivable from associate	**1,261.5**	1,106.9
Advances and loans receivable from joint operations	**257.9**	251.7
Advances and loans receivable from joint venture entities	**235.0**	241.7

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

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal control over financial reporting means a process designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

As at June 30, 2014, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended June 30, 2014 the Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Supplementary information

SENSITIVITY ANALYSIS

The following table shows the approximate impact on the Corporation's net earnings and earnings per share from continuing operations for the three months ended June 30, 2014 from a change in selected key external variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor		Increase	Approximate change in quarterly net earnings ($ millions) Increase/(decrease)	Approximate change in quarterly basic EPS Increase/(decrease)
Prices				
Nickel – LME price per pound[1]	US$	0.50	$ 7	$ 0.02
Cobalt – Metal Bulletin price per pound[1]	US$	5.00	5	0.02
Oil –U.S. Gulf Coast Fuel Oil No. 6 price per barrel	US$	5.00	3	0.01
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	US$	0.05	(16)	(0.05)
Operating costs[1]				
Natural gas – per gigajoule (Moa Joint Venture)	$	1.00	(1)	–
Sulphur – per tonne (Moa Joint Venture and Ambatovy)	US$	25.00	(1)	–
Sulphuric acid – per tonne (Moa Joint Venture)	US$	25.00	(1)	–
Coal – per tonne (Ambatovy)	US$	20.00	(1)	–
Limestone – per tonne (Ambatovy)	US$	5.00	(1)	–

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

NON-GAAP MEASURES

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

Adjusted EBITDA

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

$ millions, for the three months ended June 30									2014
	Metals							Adjustment for Joint Venture and Associate	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other		Total
Earnings (loss) from operations, associate and joint venture per financial statements	$ 12.2	$ (38.2)	$ 0.6	$ (25.4)	$ 39.9	$ 0.8	$ (14.2)	$ (20.3)	$ (19.2)
Add (deduct):									
Depletion, depreciation and amortization	2.8	–	–	2.8	16.6	5.7	0.9	–	26.0
Impairment of property, plant and equipment	–	–	–	–	1.0	–	–	–	1.0
Adjustments for share of associate and joint									
Associate									
Depletion, depreciation and amortization	–	40.3	–	40.3	–	–	–	–	40.3
Net finance expense	–	–	–	–	–	–	–	19.0	19.0
Income tax recovery	–	–	–	–	–	–	–	(6.0)	(6.0)
Joint venture									
Depletion, depreciation and amortization	7.0	–	–	7.0	–	–	–	–	7.0
Net finance expense	–	–	–	–	–	–	–	1.8	1.8
Income tax expense	–	–	–	–	–	–	–	5.5	5.5
Adjusted EBITDA	$ 22.0	$ 2.1	0.6	$ 24.7	$ 57.5	$ 6.5	$ (13.3)	$ –	$ 75.4

$ millions, for the three months ended June 30									2013
	Metals							Adjustment for Joint Venture and Associate	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other		Total
Earnings (loss) from operations, associate and joint venture per financial statements	$ 7.3	$ (0.3)	$ (0.3)	$ 6.7	$ 37.8	$ (15.5)	$ (15.6)	$ 1.2	$ 14.6
Add:									
Depletion, depreciation and amortization	2.8	–	(0.2)	2.6	17.9	2.7	1.3	–	24.5
Impairment of property, plant and equipment	–	–	–	–	–	7.3	–	–	7.3
Adjustments for share of associate and joint									
Associate									
Depletion, depreciation and amortization	–	–	0.9	0.9	–	–	–	–	0.9
Net finance expense	–	–	–	–	–	–	–	0.8	0.8
Income tax recovery	–	–	–	–	–	–	–	(0.7)	(0.7)
Joint venture									
Depletion, depreciation and amortization	7.1	–	–	7.1	–	–	–	–	7.1
Net finance expense	–	–	–	–	–	–	–	3.3	3.3
Income tax recovery	–	–	–	–	–	–	–	(4.6)	(4.6)
Adjusted EBITDA	$ 17.2	$ (0.3)	0.4	$ 17.3	$ 55.7	$ (5.5)	$ (14.3)	$ –	$ 53.2

$ millions, for the six months ended June 30									2014
	Metals							Adjustment for Joint Venture and Associate	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other		Total
(Loss) earnings from operations, associate and joint venture per financial statements (note 4)	$ 9.8	$ (70.1)	$ 0.8	$ (59.5)	$ 83.5	$ 1.7	$ (28.4)	$ (32.8)	$ (35.5)
Add (deduct):									
Depletion, depreciation and amortization	5.2	–	–	5.2	33.4	9.7	1.9	–	50.2
Impairment of property, plant and equipment	–	–	–	–	1.0	–	–	–	1.0
Adjustments for share of associate and joint									
Associate									
Depletion, depreciation and amortization	–	67.8	–	67.8	–	–	–	–	67.8
Net finance expense	–	–	–	–	–	–	–	30.7	30.7
Income tax recovery	–	–	–	–	–	–	–	(9.8)	(9.8)
Joint venture									
Depletion, depreciation and amortization	14.0	–	–	14.0	–	–	–	–	14.0
Net finance expense	–	–	–	–	–	–	–	4.6	4.6
Income tax expense	–	–	–	–	–	–	–	7.3	7.3
Adjusted EBITDA	$ 29.0	$ (2.3)	0.8	$ 27.5	$ 117.9	$ 11.4	$ (26.5)	$ –	$ 130.3

$ millions, for the six months ended June 30									2013
	Metals							Adjustment for Joint Venture and Associate	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other		Total
Earnings (loss) from operations, associate and joint venture per financial statements (note 4)	$ 14.6	$ (0.8)	$ (0.1)	$ 13.7	$ 79.2	$ (14.6)	$ (33.0)	$ (3.6)	$ 41.7
Add:									
Depletion, depreciation and amortization	5.1	–	(0.3)	4.8	33.9	5.3	2.2	–	46.2
Impairment of property, plant and equipment	–	–	–	–	–	7.3	–	–	7.3
Adjustments for share of associate and joint									
Associate									
Depletion, depreciation and amortization	–	–	1.6	1.6	–	–	–	–	1.6
Net finance expense	–	–	–	–	–	–	–	0.8	0.8
Income tax recovery	–	–	–	–	–	–	–	(0.7)	(0.7)
Joint venture									
Depletion, depreciation and amortization	14.1	–	–	14.1	–	–	–	–	14.1
Net finance expense	–	–	–	–	–	–	–	7.2	7.2
Income tax recovery	–	–	–	–	–	–	–	(3.7)	(3.7)
Adjusted EBITDA	$ 33.8	$ (0.8)	1.2	$ 34.2	$ 113.1	$ (2.0)	$ (30.8)	$ –	$ 114.5

Average-realized price

Average-realized price is calculated by dividing revenue by sales volume for the given product in a given division.

Unit operating cost

With the exception of Metals, which uses net direct cash cost, unit operating cost is generally calculated by dividing cost of sales as reported in the financial statements, less depreciation, depletion and amortization in cost of sales and certain non-production related costs by the number of units sold.

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

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

$ millions, except unit cost and sales volume, for the three months ended June 30						2014
	Metals					
	Moa JV and Fort Site	Ambatovy JV[1]	Other	Total	Oil and Gas	Power
Cost of sales per financial statements	$ 108.7	$ 110.0	$ 14.4	$ 233.1	$ 32.4	$ 9.7
Less:						
Depletion, depreciation and amortization in cost of sales	(9.7)	(40.3)	–	(50.0)	(16.5)	(5.7)
Cost of sales per review of operations	99.0	69.7	14.4	183.1	15.9	4.0
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(49.8)	(8.6)			–	–
Impact of opening/closing inventory and other	(2.4)	(0.8)			–	–
Service concession arrangements – Cost of construction	–	–			–	(0.5)
Other	–	–			(1.0)	–
Cost of sales for purposes of unit cost calculation	46.8	60.3			14.9	3.5
Sales volume for the period	8.4	7.7			1.0	224
Volume units	Millions of pounds	Millions of pounds			Millions of barrels[4]	Gigawatts
Unit operating cost[2][3][4]	$ 5.60	$ 7.85			$ 14.68	$ 15.62
Unit operating cost (U.S. dollars)	$ 5.05	$ 7.19				

$ millions, except unit cost and sales volume, for the three months ended June 30						2013
	Metals					
	Moa JV and Fort Site	Ambatovy JV[1]	Other	Total	Oil and Gas	Power
Cost of sales per financial statements	$ 105.2	$ –	$ 6.5	$ 111.7	$ 31.1	$ 27.9
Less:						
Depletion, depreciation and amortization in cost of sales	(9.8)	–	(0.7)	(10.5)	(17.7)	(2.7)
Cost of sales per review of operations	95.4	–	5.8	101.2	13.4	25.2
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(55.6)				–	–
Impact of opening/closing inventory and other	(2.0)				–	–
Service concession arrangements – Cost of construction	–				–	(4.2)
Other	–				–	(16.6)
Cost of sales for purposes of unit cost calculation	37.8				13.4	4.4
Sales volume for the period	8.6				1.0	153
Volume units	Millions of pounds				Millions of barrels[4]	Gigawatts
Unit operating cost[2][3][4]	$ 4.39				$ 12.81	$ 28.92
Unit operating cost (U.S. dollars)	$ 4.27					

(1) On January 22, 2014, Ambatovy Joint Venture achieved the requirements for commercial production. As a result, effective February 1, 2014, Ambatovy ceased capitalizing project costs and commenced recognizing revenues and costs within the statement of comprehensive income. Unit operating cost is presented for the post-commercial production period only.

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

(3) Power, unit operating cost per MWh.

(4) Net working-interest oil production.

$ millions, except unit cost and sales volume, for the six months ended June 30							**2014**
	Metals						
	Moa JV and Fort Site	**Ambatovy JV(1)**	**Other**	**Total**	**Oil and Gas**	**Power**
Cost of sales per financial statements (note 4)	**$ 199.2**	**$ 187.6**	**$ 32.8**	**$ 419.6**	**$ 62.9**	**$ 18.2**
Less:						
Depletion, depreciation and amortization in cost of sales	**(19.1)**	**(67.8)**	**–**	**(86.9)**	**(33.3)**	**(9.7)**
Cost of sales per review of operations	**180.1**	**119.8**	**32.8**	**332.7**	**29.6**	**8.5**
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(80.2)**	**(14.9)**			**–**	**–**
Impact of opening/closing inventory and other	**(4.0)**	**(1.5)**			**–**	**–**
Service concession arrangements - Cost of construction	**–**	**–**			**–**	**(1.7)**
Other	**–**	**–**			**(1.0)**	**–**
Cost of sales for purposes of unit cost calculation	**95.9**	**103.4**			**28.6**	**6.8**
Sales volume for the period	**16.8**	**13.4**			**2.1**	**411**
Volume units	Millions of pounds	Millions of pounds			Millions of barrels(4)	Gigawatts
Unit operating cost(2)(3)	**$ 5.71**	**$ 7.70**			**$ 13.81**	**$ 16.45**
Unit operating cost (U.S. dollars)	**$ 5.17**	**$ 7.04**				

$ millions, except unit cost and sales volume, for the six months ended June 30						2013
	Metals					
	Moa JV and Fort Site	Ambatovy JV(1)	Other	Total	Oil and Gas	Power
Cost of sales per financial statements (note 4)	$ 193.3	$ –	$ 13.0	$ 206.3	$ 59.0	$ 41.5
Less:						
Depletion, depreciation and amortization in cost of sales	(19.1)	–	(1.3)	(20.4)	(33.7)	(5.3)
Cost of sales per review of operations	174.2	–	11.7	185.9	25.3	36.2
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(85.1)				–	–
Impact of opening/closing inventory and other	(4.7)				–	–
Service concession arrangements - Cost of construction	–				–	(10.3)
Other	–				–	(17.2)
Cost of sales for purposes of unit cost calculation	84.4				25.3	8.7
Sales volume for the period	17.2				2.0	313
Volume units	Millions of pounds				Millions of barrels(4)	Gigawatts
Unit operating cost(2)(3)	$ 4.89				$ 12.50	$ 27.78
Unit operating cost (U.S. dollars)	$ 4.80					

(1) On January 22, 2014, Ambatovy Joint Venture achieved the requirements for commercial production. As a result, effective February 1, 2014, Ambatovy ceased capitalizing project costs and commenced recognizing revenues and costs within the statement of comprehensive income. Unit operating cost is presented for the post-commercial production period only.
(2) Unit operating costs may not calculate based on amounts presented due to rounding.
(3) Power, unit operating cost per MWh.
(4) Net working-interest oil production.

Adjusted operating cash flow per share

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

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

	For the three months ended		For the six months ended	
	2014	2013	**2014**	2013
$ millions, except weighted average shares outstanding and per share amounts	**June 30**	June 30	**June 30**	June 30
Cash provided by continuing operations	$ **33.1**	$ 10.7	$ **10.7**	$ 32.9
Adjust: net change in non-cash working capital	**(30.8)**	16.0	**20.7**	22.5
Adjusted continuing operating cash flow	$ **2.3**	$ 26.7	$ **31.4**	$ 55.4
Weighted-average number of common shares - basic	**297.0**	296.6	**297.0**	296.5
Adjusted continuing operating cash flow per share	$ **0.01**	$ 0.09	$ **0.11**	$ 0.19

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; realized prices for production; earnings and revenues; development and exploratory wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory approvals; compliance with applicable environmental laws and regulations; the impact of regulations related to greenhouse gas emissions and credits; debt repayments; collection of accounts receivable; and certain corporate objectives, goals and plans for 2014. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The Corporation cautions readers of this MD&A not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

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

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2014

Condensed consolidated statements of comprehensive (loss) income

Unaudited, Canadian $ millions, except per share amounts	Note	For the three months ended 2014 June 30	2013 June 30	For the six months ended 2014 June 30	2013 June 30
Revenue		**$ 130.2**	$ 121.7	**$ 251.1**	$ 228.7
Cost of sales	5	**79.1**	94.6	**152.5**	160.2
Gross profit		**51.1**	27.1	**98.6**	68.5
Administrative expenses		**20.4**	12.8	**37.2**	26.9
Operating profit		**30.7**	14.3	**61.4**	41.6
Share of loss of an associate, net of tax	6	**(50.9)**	(0.7)	**(91.0)**	(0.7)
Share of earnings (loss) of a joint venture, net of tax	7	**1.0**	1.0	**(5.9)**	0.8
(Loss) earnings from operations, associate and joint venture		**(19.2)**	14.6	**(35.5)**	41.7
Financing income	8	**(16.3)**	(6.3)	**(24.4)**	(8.9)
Financing expense	8	**33.3**	27.7	**82.2**	57.2
Net finance expense		**17.0**	21.4	**57.8**	48.3
Loss before tax		**(36.2)**	(6.8)	**(93.3)**	(6.6)
Income tax expense	9	**12.8**	8.4	**26.2**	11.2
Net loss from continuing operations		**(49.0)**	(15.2)	**(119.5)**	(17.8)
Earnings from discontinued operations, net of tax	10	**18.9**	4.5	**41.2**	30.2
Net (loss) earnings for the period		**$ (30.1)**	$ (10.7)	**$ (78.3)**	$ 12.4
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	18	**(106.5)**	84.9	**12.7**	133.0
Items that will not be subsequently reclassified to profit or loss:					
Actuarial gains (losses) on pension plans, net of tax					
Continuing operations	18	**0.1**	(0.3)	**0.6**	(0.1)
Discontinued operations	18	**0.1**	(0.2)	**0.6**	2.5
Other comprehensive (loss) income		**(106.3)**	84.4	**13.9**	135.4
Total comprehensive (loss) income		**$ (136.4)**	$ 73.7	**$ (64.4)**	$ 147.8
Net loss from continuing operations per common share, basic and diluted	11	**$ (0.16)**	$ (0.05)	**$ (0.40)**	$ (0.06)
Net (loss) earnings per common share, basic and diluted	11	**$ (0.10)**	$ (0.04)	**$ (0.26)**	$ 0.04

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

Condensed consolidated statements of financial position

Unaudited, Canadian $ millions, as at	Note	2014 June 30	2013 December 31
ASSETS			
Current assets			
Cash and cash equivalents	12	**$ 466.0**	$ 324.2
Restricted cash		**1.0**	1.0
Short-term investments	12	**499.9**	327.6
Investments		**–**	6.0
Advances, loans receivable and other financial assets	13	**67.6**	76.7
Trade accounts receivable, net	12	**250.7**	253.9
Income taxes receivable		**0.1**	1.2
Inventories	14	**27.3**	35.5
Prepaid expenses		**11.9**	10.1
		1,324.5	1,036.2
Non-current assets			
Advances, loans receivable and other financial assets	13	**1,710.3**	1,549.2
Other non-financial assets	13	**2.6**	2.2
Property, plant and equipment	15	**393.1**	392.8
Investment in an associate	6	**1,551.8**	1,652.5
Investment in a joint venture	7	**343.8**	352.0
Intangible assets		**159.7**	163.7
Deferred income taxes		**3.0**	3.7
		4,164.3	4,116.1
Assets of discontinued operations	10	**–**	1,305.5
Total assets		**$ 5,488.8**	$ 6,457.8
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Loans and borrowings	16	**$ 0.9**	$ 365.2
Trade accounts payable and accrued liabilities		**90.7**	104.7
Income taxes payable		**14.9**	15.8
Other financial liabilities	16	**5.3**	4.4
Other non-financial liabilities	16	**3.2**	27.6
Provisions	17	**20.5**	36.7
		135.5	554.4
Non-current liabilities			
Loans and borrowings	16	**2,162.4**	2,124.6
Other financial liabilities	16	**3.8**	2.8
Other non-financial liabilities	16	**4.1**	4.2
Provisions	17	**92.9**	88.2
Deferred income taxes		**52.4**	51.7
		2,315.6	2,271.5
Liabilities of discontinued operations	10	**–**	524.7
Total liabilities		**2,451.1**	3,350.6
Shareholders' equity			
Capital stock	18	**2,809.2**	2,808.5
Retained (deficit) earnings		**(42.5)**	40.2
Reserves	18	**196.9**	196.5
Accumulated other comprehensive income	18	**74.1**	62.0
		3,037.7	3,107.2
Total liabilities and shareholders' equity		**$ 5,488.8**	$ 6,457.8

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

Condensed consolidated statements of cash flow

		For the three months ended		For the six months ended	
		2014	2013	**2014**	2013
Unaudited, Canadian $ millions	Note	**June 30**	June 30	**June 30**	June 30
Operating activities					
Net loss from continuing operations		**$ (49.0)**	$ (15.2)	**$ (119.5)**	$ (17.8)
Add (deduct):					
Depletion, depreciation and amortization		**26.0**	24.3	**50.2**	46.0
Share of loss of an associate, net of tax	6	**50.9**	0.7	**91.0**	0.7
Share of (earnings) loss of a joint venture, net of tax	7	**(1.0)**	(1.0)	**5.9**	(0.8)
Loss on impairment of assets		**1.0**	17.3	**1.0**	17.3
Finance costs (less accretion expenses)	8	**16.8**	21.1	**57.4**	47.7
Income tax expense	9	**12.8**	8.4	**26.2**	11.2
Gain on settlement of environmental rehabilitation provisions		**–**	(0.2)	**–**	(0.2)
Service concession arrangement		**(0.5)**	(4.2)	**(1.7)**	(10.3)
Net change in non-cash working capital	20	**30.8**	(16.0)	**(20.7)**	(22.5)
Decrease in provisions		**(10.1)**	–	**(18.5)**	–
Interest received		**4.0**	3.4	**6.7**	6.9
Interest paid		**(25.0)**	(25.9)	**(44.3)**	(44.7)
Income tax paid		**(26.7)**	(0.8)	**(27.1)**	(1.3)
Dividends received from joint venture		**–**	2.3	**–**	2.3
Other operating items	20	**3.1**	(3.5)	**4.1**	(1.6)
Cash provided by continuing operations		**33.1**	10.7	**10.7**	32.9
Cash (used) provided by discontinued operations	10	**(6.4)**	38.3	**42.8**	64.1
Cash provided by operating activities		**26.7**	49.0	**53.5**	97.0
Investing activities					
Property, plant and equipment expenditures	4	**(19.5)**	(15.4)	**(36.7)**	(31.1)
Intangible expenditures	4	**(0.2)**	(2.0)	**(1.3)**	(4.5)
Decrease (increase) in advances, loans receivable and other financial assets		**0.4**	(12.1)	**(1.3)**	(22.5)
Repayment of advances, loans receivable and other financial assets		**0.4**	2.3	**10.2**	5.9
Investments		**–**	6.9	**6.2**	13.8
Loans to an associate		**(78.6)**	(22.5)	**(118.0)**	(65.3)
Investment in an associate		**–**	–	**–**	(13.2)
Net proceeds from sale of property, plant and equipment		**0.2**	–	**0.4**	–
Net proceeds from sale of Coal operations, net of cash disposed	10	**804.3**	–	**804.3**	–
Short-term investments		**(131.5)**	137.7	**(172.3)**	306.8
Cash provided by continuing operations		**575.5**	94.9	**491.5**	189.9
Cash provided (used) by discontinued operations	10	**0.2**	(9.3)	**(13.5)**	(20.0)
Cash provided by investing activities		**575.7**	85.6	**478.0**	169.9
Financing activities					
Repayment of loans and borrowings and other financial liabilities		**(365.0)**	(13.0)	**(364.8)**	(28.0)
Dividends paid on common shares	18	**(3.0)**	(12.7)	**(15.9)**	(24.0)
Cash used by continuing operations		**(368.0)**	(25.7)	**(380.7)**	(52.0)
Cash used by discontinued operations	10	**(2.7)**	(8.3)	**(9.5)**	(6.6)
Cash used by financing activities		**(370.7)**	(34.0)	**(390.2)**	(58.6)
Effect of exchange rate changes on cash and cash equivalents		**(1.2)**	0.9	**0.5**	1.3
Increase in cash and cash equivalents		**230.5**	101.5	**141.8**	209.6
Cash and cash equivalents at beginning of the period		**235.5**	255.2	**324.2**	147.1
Cash and cash equivalents at end of the period		**$ 466.0**	$ 356.7	**$ 466.0**	$ 356.7

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

Condensed consolidated statements of changes in shareholders' equity

Unaudited, Canadian $ millions

	Note	Capital stock	Retained earnings (deficit)	Reserves	Accumulated other comprehensive (loss) income	Total
Balance as at January 1, 2013		**$ 2,806.1**	**$ 774.5**	**$ 194.9**	**$ (129.6)**	**$ 3,645.9**
Total comprehensive (loss) income:						
Net earnings for the period		–	12.4	–	–	12.4
Foreign currency translation differences on foreign operations	18	–	–	–	133.0	133.0
Actuarial gains on defined benefit obligation, net of tax	18	–	–	–	2.4	2.4
Reclassification on settlement of pension obligation	18	–	(22.9)	–	22.9	–
		–	(10.5)	–	158.3	147.8
Shares issued for:						
Restricted stock plan (vested)	18	0.8	–	(0.8)	–	–
Restricted stock plan expense	19	–	–	0.4	–	0.4
Employee share purchase plan expense	19	–	–	0.3	–	0.3
Stock option plan expense	19	–	–	0.7	–	0.7
Dividends declared to common shareholders		–	(25.4)	–	–	(25.4)
Balance as at June 30, 2013		**$ 2,806.9**	**$ 738.6**	**$ 195.5**	**$ 28.7**	**$ 3,769.7**
Total comprehensive (loss) income:						
Net loss for the period		–	(672.7)	–	–	(672.7)
Foreign currency translation differences on foreign operations	18	–	–	–	31.2	31.2
Actuarial gains on defined benefit obligation, net of tax	18	–	–	–	2.1	2.1
		–	(672.7)	–	33.3	(639.4)
Shares issued for:						
Employee share purchase plan (vested)	18	1.6	–	(0.2)	–	1.4
Restricted stock plan expense	19	–	–	0.2	–	0.2
Employee share purchase plan expense	19	–	–	0.1	–	0.1
Stock option plan expense	19	–	–	0.9	–	0.9
Dividends declared to common shareholders		–	(25.7)	–	–	(25.7)
Balance as at December 31, 2013		**$ 2,808.5**	**$ 40.2**	**$ 196.5**	**$ 62.0**	**$ 3,107.2**
Total comprehensive (loss) income:						
Net loss for the period		–	(78.3)	–	–	(78.3)
Foreign currency translation differences on foreign operations	18	–	–	–	12.7	12.7
Actuarial gains on defined benefit obligation, net of tax	18	–	–	–	1.2	1.2
Reclassification on settlement of pension obligation	18	–	1.8	–	(1.8)	–
		–	(76.5)	–	12.1	(64.4)
Shares issued for:						
Restricted stock plan (vested)	18	0.7	–	(0.7)	–	–
Restricted stock plan expense	19	–	–	0.3	–	0.3
Employee share purchase plan expense	19	–	–	0.2	–	0.2
Stock option plan expense	19	–	–	0.6	–	0.6
Dividends declared to common shareholders		–	(6.2)	–	–	(6.2)
Balance as at June 30, 2014		**$ 2,809.2**	**$ (42.5)**	**$ 196.9**	**$ 74.1**	**$ 3,037.7**

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

Notes to the interim condensed consolidated financial statements

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Sherritt International Corporation (the "Corporation" or "Sherritt") is a diversified Canadian natural resource company that operates principally in Canada, Cuba and Madagascar. The Corporation, either directly or through its subsidiaries, has significant interests in nickel and cobalt mining, processing and refining; oil and gas exploration, development and production and, electricity generation. The Corporation had an interest in thermal coal technology and production up to April 28, 2014, the date of the Coal sale (Note 10). The Corporation also licenses its proprietary technologies to other mining companies.

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

2. BASIS OF PRESENTATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

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

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

The following is a summary of significant accounting pronouncements issued in the first six months of 2014 that are expected to impact the corporation.

IFRS 15- Revenue from Contracts and Customers

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

4. SEGMENTED INFORMATION

Business segments

Canadian $ millions, for the three months ended June 30	Metals[1]	Oil and Gas	Power	Corporate and Other[2]	Discontinued operations (note 10)	Adjustments for Joint Venture and Associate[3]	Total 2014
Revenue	$ 216.0	$ 74.7	$ 12.7	$ 1.2	$ –	$ (174.4)	$ 130.2
Cost of sales	233.1	32.4	9.7	0.8	–	(196.9)	79.1
Gross (loss) profit	(17.1)	42.3	3.0	0.4	–	22.5	51.1
Administrative expenses	8.3	2.4	2.2	14.6	–	(7.1)	20.4
Operating (loss) profit	(25.4)	39.9	0.8	(14.2)	–	29.6	30.7
Share of loss of an associate, net of tax	–	–	–	–	–	(50.9)	(50.9)
Share of loss of a joint venture, net of tax	–	–	–	–	–	1.0	1.0
(Loss) earnings from operations, associate and joint venture	(25.4)	39.9	0.8	(14.2)	–	(20.3)	(19.2)
Financing income	7.3	–	(0.9)	(22.7)	–	–	(16.3)
Financing expense	53.3	(27.8)	2.4	26.2	–	(20.8)	33.3
Net finance expense (income)	60.6	(27.8)	1.5	3.5	–	(20.8)	17.0
(Loss) earnings before tax	(86.0)	67.7	(0.7)	(17.7)	–	0.5	(36.2)
Income tax (recovery) expense	(0.5)	14.0	(0.7)	(0.5)	–	0.5	12.8
Net (loss) earnings from continuing operations	(85.5)	53.7	–	(17.2)	–	–	(49.0)
Earnings from discontinued operations, net of tax	–	–	–	–	18.9	–	18.9
Net (loss) earnings for the period	$ (85.5)	$ 53.7	$ –	$ (17.2)	$ 18.9	$ –	$ (30.1)
Supplementary information							
Depletion, depreciation and amortization	$ 50.1	$ 16.6	$ 5.7	$ 0.9	$ –	$ (47.3)	$ 26.0
Property, plant and equipment expenditures	13.6	16.3	0.5	–	–	(10.9)	19.5
Intangible asset expenditures	–	0.2	–	–	–	–	0.2

Canadian $ millions, as at June 30							2014
Non-current assets[4]	$ 4,295.3	$ 206.4	$ 193.4	$ 14.6	$ –	$ (4,156.9)	$ 552.8
Total assets	6,040.3	1,205.7	458.2	416.5	–	(2,631.9)	5,488.8

Canadian $ millions, for the three months ended June 30	Metals[1]	Oil and Gas	Power	Corporate and Other[2]	Discontinued operations (note 10)	Adjustments for Joint Venture and Associate [3]	Total 2013
Revenue	$ 120.6	$ 71.2	$ 13.5	$ 1.7	$ –	$ (85.3)	$ 121.7
Cost of sales	111.7	31.1	27.9	9.1	–	(85.2)	94.6
Gross profit (loss)	8.9	40.1	(14.4)	(7.4)	–	(0.1)	27.1
Administrative expenses	2.2	2.3	1.1	8.2	–	(1.0)	12.8
Operating profit (loss)	6.7	37.8	(15.5)	(15.6)	–	0.9	14.3
Share of loss of an associate, net of tax	–	–	–	–	–	(0.7)	(0.7)
Share of loss of a joint venture, net of tax	–	–	–	–	–	1.0	1.0
Earnings (loss) from operations, associate and joint venture	6.7	37.8	(15.5)	(15.6)	–	1.2	14.6
Financing income	(2.3)	(0.5)	(0.2)	(2.9)	–	(0.4)	(6.3)
Financing expense	(0.7)	24.4	(13.0)	20.7	–	(3.7)	27.7
Net finance expense (income)	(3.0)	23.9	(13.2)	17.8	–	(4.1)	21.4
(Loss) earnings before tax	9.7	13.9	(2.3)	(33.4)	–	5.3	(6.8)
Income tax expense (recovery)	(5.3)	12.4	1.2	(5.2)	–	5.3	8.4
Net (loss) earnings from continuing operations	15.0	1.5	(3.5)	(28.2)	–	–	(15.2)
Earnings from discontinued operations, net of tax	–	–	–	–	4.5	–	4.5
Net (loss) earnings for the period	$ 15.0	$ 1.5	$ (3.5)	$ (28.2)	$ 4.5	$ –	$ (10.7)
Supplementary information							
Depletion, depreciation and amortization	$ 10.6	$ 17.9	$ 2.7	$ 1.1	$ –	$ (8.0)	$ 24.3
Property, plant and equipment expenditures	13.2	11.9	0.2	0.6	–	(10.5)	15.4
Intangible asset expenditures	–	0.2	1.8	–	–	–	2.0

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

Canadian $ millions, for the six months months ended June 30 — **2014**

	Metals[1]	Oil and Gas	Power	Corporate and Other[2]	Discontinued operations (note 10)	Adjustments for Joint Venture and Associate[3]	Total
Revenue	$ 376.1	$ 151.6	$ 24.6	$ 3.0	$ –	$ (304.2)	$ 251.1
Cost of sales	419.6	62.9	18.2	6.6	–	(354.8)	152.5
Gross (loss) profit	(43.5)	88.7	6.4	(3.6)	–	50.6	98.6
Administrative expenses	16.0	5.2	4.7	24.8	–	(13.5)	37.2
Operating (loss) profit	(59.5)	83.5	1.7	(28.4)	–	64.1	61.4
Share of loss of an associate, net of tax	–	–	–	–	–	(91.0)	(91.0)
Share of loss of a joint venture, net of tax	–	–	–	–	–	(5.9)	(5.9)
(Loss) earnings from operations, associate and joint venture	(59.5)	83.5	1.7	(28.4)	–	(32.8)	(35.5)
Financing income	2.0	–	(0.9)	(25.6)	–	0.1	(24.4)
Financing expense	77.4	2.9	(9.3)	46.6	–	(35.4)	82.2
Net finance expense (income)	79.4	2.9	(10.2)	21.0	–	(35.3)	57.8
(Loss) earnings before tax	(138.9)	80.6	11.9	(49.4)	–	2.5	(93.3)
Income tax (recovery) expense	(2.5)	28.8	(0.2)	(2.4)	–	2.5	26.2
Net (loss) earnings from continuing operations	(136.4)	51.8	12.1	(47.0)	–	–	(119.5)
Earnings from discontinued operations, net of tax	–	–	–	–	41.2	–	41.2
Net (loss) earnings for the period	$ (136.4)	$ 51.8	$ 12.1	$ (47.0)	$ 41.2	$ –	$ (78.3)
Supplementary information							
Depletion, depreciation and amortization	$ 87.0	$ 33.4	$ 9.7	$ 1.9	$ –	$ (81.8)	$ 50.2
Property, plant and equipment expenditures	18.8	30.9	0.8	0.3	–	(14.1)	36.7
Intangible asset expenditures	–	0.6	0.7	–	–	–	1.3
Canadian $ millions, as at June 30							2014
Non-current assets[4]	$ 4,295.3	$ 206.4	$ 193.4	$ 14.6	$ –	$ (4,156.9)	$ 552.8
Total assets	6,040.3	1,205.7	458.2	416.5	–	(2,631.9)	5,488.8

Canadian $ millions, for the six months months ended June 30 — 2013

	Metals[1]	Oil and Gas	Power	Corporate and Other[2]	Discontinued operations (note 10)	Adjustments for Joint Venture and Associate [3]	Total
Revenue	$ 224.3	$ 142.3	$ 29.5	$ 2.9	$ –	$ (170.3)	$ 228.7
Cost of sales	206.3	59.0	41.5	18.0	–	(164.6)	160.2
Gross profit (loss)	18.0	83.3	(12.0)	(15.1)	–	(5.7)	68.5
Administrative expenses	4.3	4.1	2.6	17.9	–	(2.0)	26.9
Operating profit (loss)	13.7	79.2	(14.6)	(33.0)	–	(3.7)	41.6
Share of loss of an associate, net of tax	–	–	–	–	–	(0.7)	(0.7)
Share of loss of a joint venture, net of tax	–	–	–	–	–	0.8	0.8
Earnings (loss) from operations, associate and joint venture	13.7	79.2	(14.6)	(33.0)	–	(3.6)	41.7
Financing income	(0.9)	(1.3)	(0.8)	(5.6)	–	(0.3)	(8.9)
Financing expense	8.9	36.4	(21.5)	41.1	–	(7.7)	57.2
Net finance expense (income)	8.0	35.1	(22.3)	35.5	–	(8.0)	48.3
(Loss) earnings before tax	5.7	44.1	7.7	(68.5)	–	4.4	(6.6)
Income tax expense (recovery)	(4.4)	22.0	1.8	(12.6)	–	4.4	11.2
Net (loss) earnings from continuing operations	10.1	22.1	5.9	(55.9)	–	–	(17.8)
Earnings from discontinued operations, net of tax	–	–	–	–	30.2	–	30.2
Net (loss) earnings for the period	$ 10.1	$ 22.1	$ 5.9	$ (55.9)	$ 30.2	$ –	$ 12.4
Supplementary information							
Depletion, depreciation and amortization	$ 20.5	$ 33.9	$ 5.3	$ 2.0	$ –	$ (15.7)	$ 46.0
Property, plant and equipment expenditures	22.9	24.2	0.3	0.9	–	(17.2)	31.1
Intangible asset expenditures	–	0.9	3.6	–	–	–	4.5
Canadian $ millions, as at December 31							2013
Non-current assets[4]	$ 4,293.0	$ 206.8	$ 199.6	$ 15.9	$ –	$ (4,158.8)	$ 556.5
Total assets	5,896.6	1,148.6	449.2	170.3	1,305.5	(2,512.4)	6,457.8

(1) Included in the Metals segment are the operations of the Corporation's 50% interest in the Moa Joint Venture, its 100% interest in the utility and fertilizer operations in Fort Saskatchewan, its 40% interest in the Ambatovy Joint Venture and wholly-owned subsidiaries of the Corporation established to finance the Ambatovy Joint Venture. Also included in the Metals segment are revenues of $14.2 million and $31.8 million for the three and six months ended June 30, 2014, respectively, and costs of $13.5 million and $31.1 million for the three and six months ended June 30, 2014, respectively (revenues and costs for the three and six months ended June 30, 2013 – $4.9 million and $10.0 million, respectively) recognized by a wholly-owned subsidiary of the Corporation established to buy, market and sell certain of Ambatovy's nickel production.

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

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

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

Geographic segments

Canadian $ millions, as at	2014 June 30 Non-current assets(1)	2014 June 30 Total assets(2)	2013 December 31 Non-current assets(1)	2013 December 31 Total assets(2)
North America	$ 161.9	$ 1,587.5	$ 160.0	$ 2,613.1
Cuba	362.8	1,016.9	370.7	1,023.9
Madagascar	1.8	2,819.4	2.0	2,764.7
Europe	25.4	34.2	23.5	32.4
Asia	0.9	1.9	0.3	1.7
Other	–	28.9	–	22.0
	$ 552.8	$ 5,488.8	$ 556.5	$ 6,457.8

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

(2) For its geographic segments, the Corporation has allocated assets based on their physical location.

Canadian $ millions	For the three months ended 2014 June 30 Total revenue(1)	For the three months ended 2013 June 30 Total revenue(1)	For the six months ended 2014 June 30 Total revenue(1)	For the six months ended 2013 June 30 Total revenue(1)
North America	$ 41.5	$ 35.8	$ 71.9	$ 54.6
Cuba	83.1	79.9	168.6	162.5
Madagascar	–	1.8	0.8	3.8
Europe	3.9	3.2	6.9	6.2
Asia	0.3	0.3	1.2	0.6
Other	1.4	0.7	1.7	1.0
	$ 130.2	$ 121.7	$ 251.1	$ 228.7

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

Revenue segments

Revenue includes the following significant categories:

Canadian $ millions	For the three months ended 2014 June 30	For the three months ended 2013 June 30	For the six months ended 2014 June 30	For the six months ended 2013 June 30
Commodity and electricity	$ 126.4	$ 113.8	$ 241.6	$ 210.5
Other	3.8	7.9	9.5	18.2
	$ 130.2	$ 121.7	$ 251.1	$ 228.7

5. COST OF SALES

Cost of sales includes the following select information:

Canadian $ millions	For the three months ended 2014 June 30	For the three months ended 2013 June 30	For the six months ended 2014 June 30	For the six months ended 2013 June 30
Employee costs	$ 15.1	$ 17.9	$ 30.7	$ 32.3
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	25.3	23.5	48.8	44.5
Exploration and evaluation expenses(1)	–	9.6	3.3	16.8
Impairment losses(2)	1.0	17.3	1.0	17.3

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

(2) For the periods ended June 30, 2013, impairment losses are primarily comprised of a provision on overdue receivables and an impairment of an electricity generation facility that is leased to the local electricity utility in Madagascar of $9.3 million and $7.3 million, respectively.

6. INVESTMENT IN AN ASSOCIATE

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

Statement of financial position

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

Canadian $ millions, 100% basis, as at		**2014 June 30**		2013 December 31
Assets				
Cash and cash equivalents(1)	$	**41.7**	$	36.6
Other current assets		**33.5**		21.4
Trade accounts receivable, net		**84.7**		109.0
Inventories		**362.6**		333.9
Other non-current assets(2)		**23.0**		5.3
Property, plant and equipment		**9,182.3**		9,174.5
Total assets		**9,727.8**		9,680.7
Liabilities				
Trade accounts payable and accrued liabilities		**268.9**		286.3
Other financial liabilities		**10.5**		6.4
Current portion of loans and borrowings(3)		**201.1**		200.4
Loans and borrowings:				
Ambatovy revolving credit facility(4)		**31.7**		28.5
Ambatovy Joint Venture financing(3)		**1,780.9**		1,871.6
Ambatovy Subordinated loan payable(5)		**3,153.8**		2,767.3
Environmental rehabilitation provision		**95.2**		78.2
Other long-term liabilities		**0.5**		0.3
Deferred income taxes		**305.8**		310.5
Total liabilities		**5,848.4**		5,549.5
Net assets(6)	$	**3,879.4**	$	4,131.2
Investment in associate carrying value (40%)	$	**1,551.8**	$	1,652.5

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

(2) As at June 30, 2014, the Ambatovy Joint Venture has earned investment tax credits which management has estimated to be $543.9 million (December 31, 2013 – $532.0 million) for which a deferred income tax asset has not been recognized. The investment tax credits have an indefinite carry forward period and may be used to partially offset Malagasy income tax otherwise payable by the Ambatovy Joint Venture in subsequent years.

(3) The Ambatovy Joint Venture financing totalling US$2,100.0 million is limited recourse project financing with a group of international lenders that matures June 15, 2024. For the period ended June 30, 2014, total repayments were US$94.2 million. The project financing is guaranteed by the partners until the project passes certain completion tests at which point the project financing is secured by the project assets. Failure to pass such completion tests would be an event of default. During the year ended December 31, 2013, the financial completion date was extended from September 30, 2013 to September 30, 2015. Interest is payable based on LIBOR rates plus applicable margins, depending on the lenders. Interest is currently payable based on LIBOR rates plus applicable margins ranging from 0.9% to 1.9% until financial completion. As part of the project financing, Sherritt is required to demonstrate its financial capacity to fund its share of the project. Sherritt is required to have available cash or un-drawn partner loans equal to three months of its shareholder contributions. If Sherritt's net tangible assets fall below $1,600.0 million or the ratio of debt-to-total-capitalization on a three-year rolling average basis is equal to or greater than 0.55:1, Sherritt will be required to set aside its remaining shareholder contributions. As at June 30, 2014, the Ambatovy Joint Venture had borrowed US$1,883.7 million (December 31, 2013 – US$1,977.9 million) under the project financing.

(4) The Ambatovy revolving credit facility is comprised of an approximate US$30.0 million revolving and US$9.0 million overdraft credit facility agreement with local financial institutions. The facilities bear interest rates between 9.00% and 11.85% and expire on December 19, 2014. The facilities are subordinated to the Ambatovy Joint Venture financing. As at June 30, 2014, US$29.7 million and US$nil were drawn on the revolving and overdraft credit facilities (December 31, 2013 – US$26.8 million and US$nil).

(5) The subordinated loan payable is comprised of pro-rata contributions provided by the Ambatovy Joint Venture partners. The debt bears interest at LIBOR plus 6%. Repayments of principal or interest will not be made prior to certain conditions of the finance agreements being satisfied. Unpaid interest is accrued monthly and capitalized to the principal balance semi-annually. The Corporation has recorded its share of the related subordinated loan receivable in advances, loans receivable, other financial assets and finance lease receivables (note 13).

(6) Net assets include the elimination of certain items, the most significant of which is the capitalization of interest and subsequent depreciation relating to the subordinated loans payable to the Ambatovy Joint Venture partners of $716.9 million (December 31, 2013 – $698.7 million).

Results of operations

Canadian $ millions, 100% basis	For the three months ended 2014 June 30	2013 June 30	For the six months ended 2014 June 30	2013 June 30
Revenue	**$ 194.5**	$ –	**$ 321.6**	$ –
Cost of sales[1]	**274.5**	–	**469.1**	–
Gross loss	**(80.0)**	–	**(147.5)**	–
Administrative expenses	**15.0**	0.9	**27.6**	2.2
Operating loss	**(95.0)**	(0.9)	**(175.1)**	(2.2)
Net financing expense	**47.3**	2.0	**76.9**	1.3
Loss before tax	**(142.3)**	(2.9)	**(252.0)**	(3.5)
Income tax recovery	**(15.0)**	(1.2)	**(24.5)**	(1.7)
Net loss and comprehensive loss for the period[2]	**$ (127.3)**	$ (1.7)	**$ (227.5)**	$ (1.8)
Share of loss of an associate, net of tax (40% basis)	**$ (50.9)**	$ (0.7)	**$ (91.0)**	$ (0.7)

(1) Included in cost of sales for the three and six months ended June 30, 2014 is depreciation and amortization of $100.8 million and $169.5 million, respectively.

(2) Net loss and comprehensive loss includes the elimination of interest and depreciation expense for capitalized interest relating to the subordinated loan payable due to the Ambatovy Joint Venture partners. For the three and six months ended June 30, 2014, $23.6 million and $38.9 million, respectively of interest and depreciation expense was eliminated ($nil for the three and six months ended June 30, 2013).

The Ambatovy Joint Venture generated pre-commercial production revenue of $42.5 million ($17.0 million – 40% basis) for the month ended January 2014. For the three and six months ended June 30, 2013, $132.8 million and $235.0 million ($53.1 million and $94.0 million – 40% basis), respectively, of pre-commercial production revenue was generated.

7. JOINT ARRANGEMENTS

Investment in a joint venture

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

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

Statement of financial position

Canadian $ millions, 100% basis, as at		2014 June 30		2013 December 31
Assets				
Cash and cash equivalents	$	**41.0**	$	62.9
Other current assets		**9.8**		2.4
Trade accounts receivable, net		**68.4**		61.7
Inventories		**189.2**		175.9
Other non-current assets		**4.8**		11.2
Property, plant and equipment		**965.1**		975.3
Deferred income taxes		**2.1**		12.5
Total assets		**1,280.4**		1,301.9
Liabilities				
Trade accounts payable and accrued liabilities		**72.1**		74.6
Other current financial liabilities		**55.3**		70.9
Loans and borrowings		**4.5**		1.4
Environmental rehabilitation provision		**57.3**		51.0
Other long-term financial liabilities		**385.0**		380.6
Deferred income taxes		**18.7**		19.4
Total liabilities		**592.9**		597.9
Net assets(1)	$	**687.5**	$	704.0
Investment in joint venture carrying value (50%)	$	**343.8**	$	352.0

(1) Net assets include the elimination of certain items, the most significant of which is the capitalization of interest relating to advances and loans payable due to the Moa Joint Venture partners. As at June 30, 2014, $79.6 million of capitalized interest was eliminated (December 31, 2013 – $79.9 million).

Results of operations

Canadian $ millions, 100% basis		For the three months ended 2014 June 30		2013 June 30		For the six months ended 2014 June 30		2013 June 30
Revenue	$	**193.0**	$	170.7	$	**351.0**	$	340.6
Cost of sales(1)		**173.9**		170.1		**334.1**		328.1
Gross profit		**19.1**		0.6		**16.9**		12.5
Administrative expenses		**2.2**		2.0		**4.7**		4.0
Operating profit (loss)		**16.9**		(1.4)		**12.2**		8.5
Financing income		**(0.2)**		(0.1)		**(0.3)**		(0.3)
Financing expense		**4.0**		6.2		**9.7**		14.6
Net finance expense		**3.8**		6.1		**9.4**		14.3
Earnings (loss) before tax		**13.1**		(7.5)		**2.8**		(5.8)
Income tax expense (recovery)		**11.0**		(9.5)		**14.6**		(7.4)
Net earnings (loss) and comprehensive income (loss) for the period(2)	$	**2.1**	$	2.0	$	**(11.8)**	$	1.6
Share of earnings (loss) of a joint venture, net of tax (50% basis)	$	**1.0**	$	1.0	$	**(5.9)**	$	0.8

(1) Included in cost of sales for the three and six months ended June 30, 2014 is depreciation and amortization of $13.4 million and $27.3 million, respectively (for the three and six months ended June 30, 2013 – $14.3 million and $28.2 million, respectively).

(2) Net earnings (loss) and comprehensive income (loss) includes the elimination of certain items the most significant of which is interest expense relating to advances and loans payable due to the Moa Joint Venture partners. For the three and six months ended June 30, 2014, $3.7 million and $7.3 million, respectively of interest expense was eliminated ($3.2 million and $6.8 million for the three and six months ended June 30, 2013, respectively).

Joint operations

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

As at		2014 June 30	2013 December 31
Entity	**Principal activities**	**Economic Interest**	
Energas	Power generation	**33⅓%**	33⅓%
Bienfait Activated Carbon (1)	Operator of activated carbon plant facilities	**–**	50%
Carbon Development Partnership (1)	Coal recovery and coal gasification project	**–**	50%

(1) As of April 28, 2014 the Corporation no longer had an interest in the Carbon Development Partnership and Bienfait Activated Carbon as a result of the completion of the sale of the Coal operations (note 10).

The Corporation recognizes all applicable assets, liabilities, revenues and expenses relating to its interest in the above noted joint operations in accordance with IFRS. As a result of the Coal operations being classified as a discontinued operation, the results of operations of Bienfait Activated Carbon and Carbon Development Partnership up to April 28, 2014, the date of the completion of the Coal operations sale, are included in earnings from discontinued operations and the assets/liabilities related to Bienfait Activated Carbon and Carbon Development Partnership are included in assets/liabilities of discontinued operations (note 10).

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

Canadian $ millions, as at June 30	**2014**
	Energas
	33⅓%
Current assets	**$ 27.2**
Non-current assets	**160.9**
Current liabilities	**11.1**
Non-current liabilities	**121.1**
Net assets	**$ 55.9**

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

Canadian $ millions, for the three months months ended June 30			**2014**
	Energas	**Bienfait Activated Carbon**	**Carbon Development Partnership**
	33⅓%	**50%**	**50%**
Revenue	**$ 12.6**	**$ 1.0**	**$ 0.1**
Expense (income)	**15.5**	**1.0**	**(0.7)**
Net earnings	**$ (2.9)**	**$ –**	**$ 0.8**

Canadian $ millions, for the six months months ended June 30			**2014**
	Energas	**Bienfait Activated Carbon**	**Carbon Development Partnership**
	33⅓%	**50%**	**50%**
Revenue	**$ 24.4**	**$ 4.9**	**$ 0.5**
Expense (income)	**21.5**	**3.5**	**(0.7)**
Net earnings	**$ 2.9**	**$ 1.4**	**$ 1.2**

Canadian $ millions, for the three months months ended June 30				2013
		Energas	Bienfait Activated Carbon	Carbon Development Partnership
		33⅓%	50%	50%
Revenue		$ 12.1	$ 2.6	$ 0.2
Expense		8.0	2.3	0.2
Net earnings		$ 4.1	$ 0.3	$ –

Canadian $ millions, for the six months months ended June 30				2013
		Energas	Bienfait Activated Carbon	Carbon Development Partnership
		33⅓%	50%	50%
Revenue		$ 26.8	$ 6.2	$ 0.4
Expense		18.7	4.4	0.5
Net earnings (loss)		$ 8.1	$ 1.8	$ (0.1)

8. NET FINANCE EXPENSE

		For the three months ended		For the six months ended	
Canadian $ millions	Note	**2014 June 30**	2013 June 30	**2014 June 30**	2013 June 30
Net unrealized gain (loss) on financial instruments	12	**$ –**	$ 2.7	**$ (2.2)**	$ 1.2
Interest income on cash, cash equivalents and short-term investments		**1.8**	0.8	**2.6**	2.0
Interest income on investments		**0.9**	0.8	**0.9**	2.0
Interest income on advances and loans receivable		**13.6**	2.0	**23.1**	3.7
Total financing income		**16.3**	6.3	**24.4**	8.9
Interest expense and accretion on loans and borrowings		**36.3**	32.4	**71.9**	64.5
Unrealized foreign exchange loss (gain)		**(6.5)**	(7.6)	**3.4**	(13.3)
Realized foreign exchange loss (gain)		**0.2**	(0.2)	**0.2**	(0.1)
Other finance charges		**3.1**	2.8	**6.3**	5.5
Accretion expense on environmental rehabilitation provisions	20	**0.2**	0.3	**0.4**	0.6
Total financing expense		**33.3**	27.7	**82.2**	57.2
Net finance expense		**$ 17.0**	$ 21.4	**$ 57.8**	$ 48.3

9. INCOME TAXES

	For the three months ended		For the six months ended	
Canadian $ millions	**2014 June 30**	2013 June 30	**2014 June 30**	2013 June 30
Current income tax expense				
Current period	**$ 13.4**	$ 14.2	**$ 27.4**	$ 26.6
Deferred income tax (recovery) expense				
Origination and reversal of temporary differences	**(8.2)**	(13.4)	**(13.6)**	(25.4)
Non-recognition of tax assets	**7.6**	7.6	**12.4**	10.0
	(0.6)	(5.8)	**(1.2)**	(15.4)
Income tax expense	**$ 12.8**	$ 8.4	**$ 26.2**	$ 11.2

10. DISPOSAL OF COAL

On April 28, 2014, the Corporation completed the sale of its Coal operations, receiving $793 million in cash proceeds. In addition, a net post-closing adjustment of $21.4 million was received in June 2014. According to the terms of the indentures governing the Corporation's three outstanding debentures, the proceeds from the transaction that are not redeployed to acquire other assets or repay term debt within 360 days from the closing date, will be used to redeem debentures.

For the three and six months ended June 30, 2014 and 2013, earnings from Coal are reported in earnings from discontinued operations and cash provided (used) by Coal is reported in cash provided (used) by discontinued operations. As at December 31, 2013 the total assets and liabilities of Coal to be disposed of were reported as assets and liabilities of discontinued operations, respectively.

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

	For the three months ended		For the six months ended	
Canadian $ millions	**2014 June 30(2)**	2013 June 30	**2014 June 30(2)**	2013 June 30
Revenue	**$ 39.2**	$ 216.8	**$ 242.8**	$ 396.3
Cost of sales(1)	**32.6**	207.8	**198.5**	371.6
Gross profit	**6.6**	9.0	**44.3**	24.7
Administrative expenses	**1.5**	4.6	**7.2**	8.9
Operating profit	**5.1**	4.4	**37.1**	15.8
Gain on termination of contract	**-**	-	**-**	22.0
Earnings from operations	**5.1**	4.4	**37.1**	37.8
Financing income	**(1.1)**	(3.5)	**(4.8)**	(7.4)
Financing expense	**2.8**	4.8	**9.6**	9.9
Net finance expense	**1.7**	1.3	**4.8**	2.5
Earnings before tax	**3.4**	3.1	**32.3**	35.3
Income tax (recovery) expense	**(2.5)**	(1.4)	**4.1**	5.1
Net earnings for the period	**$ 5.9**	$ 4.5	**$ 28.2**	$ 30.2
Gain on disposal of Coal operations	**13.0**	-	**13.0**	-
Earnings from discontinued operations	**$ 18.9**	$ 4.5	**$ 41.2**	$ 30.2

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

(2) The results of Coal's operations reflect activity up to April 28, 2014, the date of the closing of the Coal sale.

Gain on termination of Coal contract

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

Gain on disposal of Coal operations

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

Canadian $ millions, as at	**2014 June 30**
Consideration received	
Consideration received in cash	**$ 793.0**
Post-closing adjustments	**21.4**
Total consideration received	**$ 814.4**
Net assets disposed of	**801.4**
Gain on disposal	**$ 13.0**

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

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

The following table provides details of the operating, investing and financing activities of the Coal operations for the three and six months ended June 30, 2014 and 2013.

Canadian $ millions	For the three months ended 2014 June 30[(1)]	2013 June 30	For the six months ended 2014 June 30[(1)]	2013 June 30
Operating activities				
Net earnings	**$ 5.9**	$ 4.5	**$ 28.2**	$ 30.2
Add (deduct):				
Depletion, depreciation and amortization	**–**	29.7	**–**	55.9
Gain on termination of contract	**–**	–	**–**	(22.0)
Finance costs (less accretion expenses)	**1.2**	0.8	**3.8**	1.3
Income tax (recovery) expense	**(2.5)**	(1.4)	**4.1**	5.1
Loss on settlement of environmental rehabilitation provisions	**0.2**	0.8	**1.2**	2.2
Net change in non-cash working capital	**(8.9)**	12.8	**(1.5)**	7.9
Interest received	**1.1**	3.8	**3.8**	7.7
Interest paid	**(3.0)**	(2.7)	**(6.3)**	(5.2)
Income tax received	**–**	0.7	**–**	0.7
Liabilities settled for environmental rehabilitation provisions	**(1.0)**	(5.0)	**(4.2)**	(11.2)
Other operating items	**0.6**	(5.7)	**13.7**	(8.5)
Cash (used) provided by operating activities	**(6.4)**	38.3	**42.8**	64.1
Investing activities				
Property, plant and equipment expenditures	**–**	(6.5)	**(14.2)**	(22.0)
Increase in advances, loans receivable and other financial assets	**(0.1)**	(0.5)	**(0.6)**	(1.2)
Repayment of advances, loans receivable and other financial assets	**0.3**	1.0	**1.2**	2.5
Net proceeds from sale of property, plant and equipment	**–**	(3.3)	**0.1**	0.7
Cash provided (used) by investing activities	**0.2**	(9.3)	**(13.5)**	(20.0)
Financing activities				
Repayment of other financial liabilities	**(3.8)**	(11.5)	**(14.2)**	(36.0)
Increase in finance lease receivables	**(0.1)**	(1.4)	**(1.0)**	(5.6)
Repayment of finance lease receivables	**1.2**	4.6	**5.7**	35.0
Cash used by financing activities	**(2.7)**	(8.3)	**(9.5)**	(6.6)
(Decrease) increase in cash and cash equivalents	**$ (8.9)**	$ 20.7	**$ 19.8**	$ 37.5

(1) The results of Coal's operations reflect activity up to April 28, 2014, the date of the closing of the Coal sale.

Non-cash transactions

For the three and six months ended June 30, 2014 $nil of property, plant and equipment was acquired under finance lease ($14.9 million and $34.0 million for the three and six months ended June 30, 2013, respectively).

11. (LOSS) EARNINGS PER SHARE

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

Canadian $ millions, except share amounts in millions and per share amounts in dollars	For the three months ended 2014 June 30	2013 June 30	For the six months ended 2014 June 30	2013 June 30
Net loss from continuing operations	**$ (49.0)**	$ (15.2)	**$ (119.5)**	$ (17.8)
Earnings from discontinued operations, net of tax	**18.9**	4.5	**41.2**	30.2
Net (loss) earnings – basic and diluted	**$ (30.1)**	$ (10.7)	**$ (78.3)**	$ 12.4
Weighted-average number of common shares – basic and diluted[(1)]	**297.0**	296.6	**297.0**	296.5
Net loss from continuing operations per common share, basic and diluted	**$ (0.16)**	$ (0.05)	**$ (0.40)**	$ (0.06)
Earnings from discontinued operations per common share, basic and diluted	**$ 0.06**	$ 0.01	**$ 0.14**	$ 0.10
Net (loss) earnings per common share, basic and diluted	**$ (0.10)**	$ (0.04)	**$ (0.26)**	$ 0.04

(1) The determination of the weighted-average number of common shares – diluted excludes 5.5 million shares related to stock options that were anti-dilutive for the three and six months ended June 30, 2014 (5.0 million for the three and six months ended June 30, 2013). There were 0.5 million shares related to the employee share purchase plan that were anti-dilutive for the three and six months ended June 30, 2014 (0.6 million shares for the three and six months ended June 30, 2013). There were 0.3 million shares related to the restricted stock plan that were anti-dilutive for the three and six months ended June 30, 2014 (0.4 million shares for the three and six months ended June 30, 2013).

12. FINANCIAL INSTRUMENTS

Financial instrument hierarchy

Canadian $ millions, as at	Note	Hierarchy level	2014 June 30	2013 December 31
Recurring financial assets held for trading, measured at fair value:				
Cash equivalents		1	$ **427.3**	$ 272.5
Short-term investments		1	**499.9**	327.6
Ambatovy call option	13	3	**20.1**	22.1

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

Canadian $ millions	Note	For the six months ended 2014 June 30	For the year ended 2013 December 31
Balance, beginning of the period		$ **22.1**	$ 21.5
Total loss included in net finance expense	8	**(2.2)**	(1.2)
Effect of movements in exchange rates		**0.2**	1.8
Balance, end of the period		$ **20.1**	$ 22.1

During the three and six months ended June 30, 2014, the Corporation recognized downward fair value adjustments of $nil and $2.2 million, respectively (upward fair value adjustment of $2.7 million and $1.2 million for the three and six months ended June 30, 2013, respectively) in financing income on the Ambatovy call option primarily as a result of changes in various inputs in the Black-Scholes model, including volatility, which is based on a blend of historical commodity prices and publicly traded stock prices of companies with comparable projects, the estimated fair value of the Ambatovy project based on forecasted cash flows, and the time until expiration of the option.

Fair values

Financial instruments with carrying amounts different from their fair values include the following(1):

Canadian $ millions, as at	Note	Hierarchy level	2014 June 30 Carrying value	2014 June 30 Fair value	2013 December 31 Carrying value	2013 December 31 Fair Value
7.75% senior unsecured debentures due 2015	16	1	$ **274.2**	$ **290.4**	$ 273.9	$ 283.3
8.00% senior unsecured debentures due 2018	16	1	**393.9**	**411.0**	393.3	393.0
7.50% senior unsecured debentures due 2020	16	1	**491.4**	**506.3**	490.8	463.8
Ambatovy Joint Venture Additional Partner loans(2)	16	2	**899.2**	**1,021.4**	863.5	780.0
Ambatovy Joint Venture Partner loans(2)	16	2	**101.3**	**87.7**	100.1	76.9

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

(2) The fair value for the Ambatovy Partner loans and Ambatovy Additional Partner loans is calculated by discounting future cash flows by 7.06% and 7.26%, respectively. These rates are based on market rates adjusted for the Corporation's credit quality for instruments with similar maturity horizons.

As at June 30, 2014, the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, trade accounts receivable, current portion of advances and loans receivable, current portion of other financial assets, current portion of loans and borrowings, current portion of other financial liabilities, trade accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

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

As at June 30, 2014, the carrying amount of the lenders' conversion option under the Ambatovy Joint Venture additional partner loan agreements is approximately equal to its fair value.

Cash, cash equivalents and short-term investments

Cash and cash equivalents consist of:

Canadian $ millions, as at		2014 June 30		2013 December 31
Cash equivalents	$	427.3	$	272.5
Cash on hand and balances with banks		38.7		51.7
	$	466.0	$	324.2

The Corporation's cash balances are deposited with major financial institutions rated A or higher by Standard and Poor's and with banks in Cuba that are not rated. The total cash held in Cuban bank deposit accounts was $14.8 million at June 30, 2014 (December 31, 2013 - $8.0 million).

As at June 30, 2014, $8.8 million of cash on the Corporation's interim condensed consolidated statements of financial position was held by Energas (December 31, 2013 - $3.5 million). These funds are for the use of the joint operation.

The Corporation's cash equivalents consist of Government of Canada treasury bills with maturities of 90 days or less. As at June 30, 2014, the Corporation had $427.3 million in Government of Canada treasury bills (December 31, 2013 - $272.5 million) included in cash and cash equivalents and $499.9 million in short-term investments (December 31, 2013 - $327.6 million).

Trade accounts receivable

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

Canadian $ millions, as at	Note		2014 June 30		2013 December 31
Trade accounts receivable		$	192.1	$	189.0
Allowance for doubtful accounts			(12.3)		(12.9)
Accounts receivable from joint operations	22		0.3		0.2
Accounts receivable from joint venture	22		23.5		23.2
Accounts receivable from associate	22		32.5		36.2
Other			14.6		18.2
		$	250.7	$	253.9

Aging of receivables not impaired:

Canadian $ millions, as at		2014 June 30		2013 December 31
Not past due	$	238.1	$	245.6
Past due no more than 30 days		4.6		1.8
Past due for more than 30 days but no more than 60 days		1.6		0.2
Past due for more than 60 days		6.4		6.3
	$	250.7	$	253.9

Current payment terms for oil sales to an agency of the Cuban government are based on West Texas Intermediate (WTI) reference prices. As the WTI price exceeds US$29.50, payment terms are 180 days from the date of invoice. The decrease in receivables mainly relates to the timing of receipts at the Corporation's Oil and Gas operations in Cuba.

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

13. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Advances, loans receivable and other financial assets

Canadian $ millions, as at	Note	2014 June 30	2013 December 31
Advances, loans receivable			
Ambatovy subordinated loans receivable	22	$ **1,261.5**	$ 1,106.9
Energas conditional sales agreement	22	**257.9**	251.7
Moa Joint Venture loans receivable	22	**235.0**	241.7
Other		**3.4**	3.5
Other financial assets			
Ambatovy call option	12	**20.1**	22.1
		1,777.9	1,625.9
Current portion of advances, loans receivable and other financial assets		**(67.6)**	(76.7)
		$ **1,710.3**	$ 1,549.2

Other non-financial assets

Canadian $ millions, as at	2014 June 30	2013 December 31
Pension asset	$ **1.3**	$ 0.7
Other	**1.3**	1.5
	$ **2.6**	$ 2.2

14. INVENTORIES

Canadian $ millions, as at	2014 June 30	2013 December 31
Materials in process	$ **0.2**	$ 0.1
Finished products	**5.8**	16.8
	6.0	16.9
Spare parts and operating materials	**21.3**	18.6
	$ **27.3**	$ 35.5

For the three and six months ended June 30, 2014, the cost of inventories included in cost of sales was $22.4 million and $34.2 million, respectively ($23.1 million and $34.5 million for the three and six months ended June 30, 2013, respectively).

15. PROPERTY, PLANT AND EQUIPMENT

Canadian $ millions, for the six months months ended June 30			2014
	Oil and Gas properties	Plant, equipment and land	Total
Cost			
Balance, beginning of the period	$ 1,176.0	$ 581.9	$ 1,757.9
Additions	20.4	16.0	36.4
Capitalized closure costs	2.1	4.8	6.9
Disposals and derecognition	(0.1)	(0.9)	(1.0)
Effect of movements in exchange rates	2.4	(1.0)	1.4
Balance, end of the period	$ 1,200.8	$ 600.8	$ 1,801.6
Depletion, depreciation and impairment losses			
Balance, beginning of the period	$ 1,091.6	$ 273.5	$ 1,365.1
Depletion and depreciation	30.5	11.4	41.9
Impairments	–	(1.0)	(1.0)
Disposals and derecognition	(0.1)	(0.3)	(0.4)
Effect of movements in exchange rates	2.1	0.8	2.9
Balance, end of the period	1,124.1	284.4	1,408.5
Net book value	$ 76.7	$ 316.4	$ 393.1

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

Canadian $ millions	Plant, equipment and land
Assets under construction, included in above	
As at June 30, 2014	$ 14.7
As at December 31, 2013(1)	15.6

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

16. LOANS, BORROWINGS AND OTHER LIABILITIES

Loans and borrowings

Canadian $ millions, as at	Note	2014 June 30	2013 December 31
7.75% senior unsecured debentures due 2015	12	$ 274.2	$ 273.9
8.00% senior unsecured debentures due 2018	12	393.9	393.3
7.50% senior unsecured debentures due 2020	12	491.4	490.8
Ambatovy Joint Venture Additional Partner loans	12	899.2	863.5
Ambatovy Joint Venture Partner loans	12	101.3	100.1
Coal revolving credit facility(1)		–	299.7
Syndicated 364-day revolving-term credit facility		–	45.0
Line of credit		–	20.0
Vendor financing		3.3	3.5
		2,163.3	2,489.8
Current portion of loans and borrowings		(0.9)	(365.2)
		$ 2,162.4	$ 2,124.6

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

Covenants

At June 30, 2014, the Corporation and its divisions were in compliance with all of their financial covenants. The Corporation expects to remain in compliance with all of its financial covenants over the next 12 months, based on current market conditions.

Other financial liabilities

Canadian $ millions, as at	Note	2014 June 30	2013 December 31
Other long-term financial liabilities		$ 0.8	$ 0.7
Stock compensation liability	19	8.3	6.5
		9.1	7.2
Current portion of other financial liabilities		(5.3)	(4.4)
		$ 3.8	$ 2.8

Other long-term financial liabilities

Canadian $ millions, as at	2014 June 30	2013 December 31
Less than one year	$ 0.1	$ 0.1
Between one and five years	0.1	0.1
More than five years	0.6	0.5
	$ 0.8	$ 0.7

Other non-financial liabilities

Canadian $ millions, as at	Note	2014 June 30	2013 December 31
Deferred revenue		$ 7.3	$ 31.8
Current portion of other non-financial liabilities		(3.2)	(27.6)
		$ 4.1	$ 4.2

17. PROVISIONS

Canadian $ millions, as at		2014 June 30		2013 December 31
Environmental rehabilitation provisions	$	**90.6**	$	83.6
Provisions		**22.8**		41.3
	$	**113.4**	$	124.9
Current portion of provisions		**(20.5)**		(36.7)
	$	**92.9**	$	88.2

Environmental rehabilitation provisions

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions	Note		For the six months ended June 30 2014		For the year ended December 31 2013
Balance, beginning of the period		$	**83.6**	$	263.2
Additions			**0.2**		15.0
Change in estimates			**6.6**		(19.9)
Utilized during the period			**–**		(17.6)
Accretion	8		**0.4**		4.5
Foreign exchange translation			**(0.2)**		4.3
Reclassified to liabilities of discontinued operations	10		**–**		(165.9)
Balance, end of the period		$	**90.6**	$	83.6

Provisions

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

The release consisted of 670,000 cubic meters of process water, containing water mixed with clay, mud, slate and coal particles. There were no injuries resulting from this incident and remedial work on the containment pond and the affected downstream area is ongoing. Management recognized a provision of $52.2 million related to this incident. The Corporation continues to be subject to financial obligations relating to the Obed breach subsequent to the sale of the Coal operations.

The following is a reconciliation of provisions:

Canadian $ millions		For the six months ended June 30 2014		For the year ended December 31 2013
Balance, beginning of the period	$	**41.3**	$	–
Additions		**–**		52.2
Utilized during the period		**(18.5)**		(10.9)
Balance, end of the period	$	**22.8**	$	41.3

18. SHAREHOLDERS' EQUITY

Capital Stock

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

Canadian $ millions, except share amounts	Note	For the six months ended June 30 2014 Number		For the six months ended June 30 2014 Capital stock	For the year ended December 31 2013 Number		For the year ended December 31 2013 Capital stock
Balance, beginning of the period		**296,939,426**	**$**	**2,808.5**	296,490,635	$	2,806.1
Restricted stock plan (vested)	19	**73,500**		**0.7**	90,026		0.8
Employee share purchase plan	19	**–**		**–**	358,765		1.6
Balance, end of the period		**297,012,926**	**$**	**2,809.2**	296,939,426	$	2,808.5

The following dividends were paid or were declared but unpaid:

Canadian $ millions, except per share amounts		For the six months ended June 30 2014 Per share		For the six months ended June 30 2014 Total		For the year ended December 31 2013 Per share		For the year ended December 31 2013 Total
Dividends paid during the period	**$**	**0.054**	**$**	**15.9**	$	0.167	$	49.5
Dividends declared but unpaid		**0.010**		**3.0**		0.043		12.9

On June 18, 2014 the Corporation's Board of Directors approved a quarterly dividend of $0.01 per common share, paid July 14, 2014 to shareholders of record as of the close of business on June 30, 2014.

Reserves

Canadian $ millions	Note		For the six months ended June 30 2014		For the year ended December 31 2013
Stated capital reserve					
Balance, beginning and end of the period		**$**	**190.3**	$	190.3
Stock-based compensation reserve[1]					
Balance, beginning of the period		**$**	**6.2**	$	4.6
Restricted stock plan (vested)	19		**(0.7)**		(0.8)
Restricted stock plan amortization	19		**0.3**		0.6
Employee share purchase plan (vested)	19		**–**		(0.2)
Employee share purchase plan expense	19		**0.2**		0.4
Stock option plan expense	19		**0.6**		1.6
Balance, end of the period			**6.6**		6.2
Total reserves, end of the period		**$**	**196.9**	$	196.5

(1) Stock-based compensation reserve relates to equity-settled compensation plans issued by the Corporation to its directors, officers and employees.

Accumulated other comprehensive income

Canadian $ millions	Note	For the six months ended June 30 2014	For the year ended December 31 2013
Foreign currency translation reserve			
Balance, beginning of the period		**$ 63.0**	$ (101.2)
Foreign currency translation differences on foreign operations		**12.7**	164.2
Balance, end of the period		**$ 75.7**	$ 63.0
Actuarial gains (losses) on defined benefit obligation			
Balance, beginning of the period		**$ (1.0)**	$ (28.4)
Actuarial gains on defined benefit obligation, net of tax			
Continuing operations		**0.6**	0.9
Discontinued operations		**0.6**	3.6
Reclassification due to settlement of pension obligation	10	**(1.8)**	22.9
Balance, end of the period		**$ (1.6)**	$ (1.0)
Total accumulated other comprehensive income		**$ 74.1**	$ 62.0

19. STOCK-BASED COMPENSATION PLANS

Stock options and options with tandem stock appreciation rights

The following is a summary of stock option activity:

Canadian $, except number of options, for the three months ended June 30	2014 Number of options	2014 Weighted-average exercise price	2013 Number of options	2013 Weighted-average exercise price
Outstanding, beginning of the period	**5,558,752**	**$ 7.57**	4,979,917	$ 8.82
Forfeited	**(15,000)**	**15.02**	(15,000)	15.02
Outstanding, end of the period	**5,543,752**	**$ 7.55**	4,964,917	$ 8.80
Options exercisable, end of the period	**3,629,288**	**$ 9.50**	3,521,948	$ 10.03

Canadian $, except number of options, for the six months ended June 30	2014 Number of options	2014 Weighted-average exercise price	2013 Number of options	2013 Weighted-average exercise price
Outstanding, beginning of the period	**4,868,249**	**$ 8.70**	4,244,317	$ 9.49
Granted	**1,233,200**	**3.02**	888,300	5.14
Forfeited	**(557,697)**	**7.53**	(167,700)	6.92
Outstanding, end of the period	**5,543,752**	**$ 7.55**	4,964,917	$ 8.80
Options exercisable, end of the period	**3,629,288**	**$ 9.50**	3,521,948	$ 10.03

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

As at June 30					2014
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number Exercisable	Exercisable weighted-average exercise price
\$3.00 - \$5.05	1,273,200	9.5	\$ 3.04	40,000	\$ 3.69
\$5.06 - \$9.77	2,788,885	6.7	6.54	2,107,621	6.92
\$9.78 - \$11.64	521,667	1.5	10.27	521,667	10.27
\$11.65 - \$15.23	960,000	3.1	14.99	960,000	14.99
Total	5,543,752	6.2	\$ 7.55	3,629,288	\$ 9.50

As at June 30, 2014, 2,600,552 options with tandem SARs (June 30, 2013 - 2,969,017) and 2,943,200 options without tandem SARS (June 30, 2013 - 1,995,900) remained outstanding for which the Corporation has recognized a compensation expense of \$0.7 million and \$0.7 million, respectively, for the three and six months ended June 30, 2014 of which a compensation recovery of \$0.1 million and \$0.1 million is included in earnings from discontinued operations (compensation recovery of \$0.9 million and \$1.7 million for the three and six months ended June 30, 2013, respectively, of which a recovery of \$0.1 million and \$0.1 million for the three and six months ended June 30, 2013, respectively, are included in earnings from discontinued operations). The carrying amount of liabilities associated with cash-settled compensation arrangements is \$1.5 million as at June 30, 2014 (December 31, 2013 - \$1.3 million, of which \$nil is included in liabilities of discontinued operations).

Inputs for measurement of grant date fair values

The fair value at the grant date of the stock options and options with tandem SARs was measured using Black-Scholes. The following summarizes the fair value measurement factors for options granted during the period:

Canadian \$, except as noted, for the six months ended June 30	2014	2013
Share price at grant date	\$ 3.04	\$ 5.22
Exercise price	\$ 3.02	\$ 5.14
Risk-free interest rates (based on 10-year Government of Canada bonds)	2.39%	1.94%
Expected volatility	49.10%	48.81%
Expected dividend yield	1.41%	2.91%
Expected life of options	10 years	10 years
Weighted-average fair value of options granted during the period	\$ 1.55	\$ 2.11

Other stock-based compensation

A summary of the Share Purchase Plan units, RSUs, DSUs and RSP units outstanding as at June 30, 2014 and 2013 and changes during the three and six months is as follows:

For the three months ended June 30				2014
	Share Purchase Plan	RSU	DSU	RSP
Outstanding, beginning of the period	738,610	4,818,944	456,841	304,200
Issued	-	-	45,630	-
Dividends credited	-	13,406	1,274	-
Forfeited	(214,135)	-	-	-
Vested	-	(206,667)	(45,666)	(16,800)
Outstanding, end of the period	524,475	4,625,683	458,079	287,400
Units exercisable, end of the period	n/a	n/a	458,079	n/a

For the six months ended June 30				2014
	Share Purchase Plan	**RSU**	**DSU**	**RSP**
Outstanding, beginning of the period	**774,560**	**2,838,197**	**422,961**	**360,900**
Issued	**58,595**	**2,453,100**	**74,030**	**–**
Dividends credited	**–**	**50,174**	**6,754**	**–**
Forfeited	**(308,680)**	**(15,362)**	**–**	**–**
Vested	**–**	**(700,426)**	**(45,666)**	**(73,500)**
Outstanding, end of the period	**524,475**	**4,625,683**	**458,079**	**287,400**
Units exercisable, end of the period	**n/a**	**n/a**	**458,079**	**n/a**

For the three months ended June 30				2013
	Share Purchase Plan	**RSU**	**DSU**	**RSP**
Outstanding, beginning of the period	765,626	2,842,003	554,456	360,900
Dividends credited	–	24,192	4,714	–
Forfeited	(117,370)	(14,566)	–	–
Outstanding, end of the period	648,256	2,851,629	559,170	360,900
Units exercisable, end of the period	n/a	n/a	559,170	n/a

For the six months ended June 30				2013
	Share Purchase Plan	**RSU**	**DSU**	**RSP**
Outstanding, beginning of the period	822,491	1,934,701	430,649	450,926
Issued	–	1,522,310	120,900	–
Dividends credited	–	37,208	7,621	–
Forfeited	(174,235)	(37,514)	–	–
Vested	–	(605,076)	–	(90,026)
Outstanding, end of the period	648,256	2,851,629	559,170	360,900
Units exercisable, end of the period	n/a	n/a	559,170	n/a

For other stock-based compensation plans the Corporation recorded a compensation expense of $3.1 million and $4.1 million, respectively for the three and six months ended June 30, 2014 of which $0.5 million and $0.6 million are included in earnings from discontinued operations, (compensation expense of $0.1 million and $1.2 million for the three and six months ended June 30, 2013, respectively, of which $nil and $0.1 million, respectively, are included in earnings from discontinued operations). The carrying amount of liabilities associated with cash-settled compensation arrangements is $7.0 million as at June 30, 2014, of which $nil is included in liabilities of discontinued operations (December 31, 2013 – $5.8 million of which $0.6 million is included in liabilities of discontinued operations).

As a result of the sale of the Coal operations 206,667 RSUs vested on an accelerated basis, resulting in an expense of $0.6 million for the three and six months ended June 30, 2014 being recognized in earnings from discontinued operations. Additionally, there were 144,705 units of the Share Purchase Plan that were cancelled resulting in a recovery of $0.2 million for the three and six months ended June 30, 2014.

Measurement of fair values at grant date

The fair value of the Share Purchase Plan, RSUs, DSUs and RSPs are determined by reference to the market value and performance conditions, as applicable, of the shares at the time of grant.

The number of units subject to the RSU performance condition outstanding at June 30, 2014 was 3,927,914 (June 30, 2013 – 1,529,361).

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

Canadian $, for the six months ended June 30		**2014**		2013
Employee Share Purchase Plan	$	**3.31**	$	–
RSU		**3.04**		5.22
DSU		**4.28**		5.91

The intrinsic value of cash-settled stock-based compensation awards vested and outstanding as at June 30, 2014 was $7.6 million (December 31, 2013 – $6.2 million).

20. CASH FLOWS

Other operating items

		For the three months ended				For the six months ended			
			2014		2013		**2014**		2013
Canadian $ millions	Note		**June 30**		June 30		**June 30**		June 30
Add (deduct) non-cash items:									
Accretion expense on environmental rehabilitation provisions	8,17	$	**0.2**		0.3	$	**0.4**	$	0.6
Stock-based compensation expense (recovery), net	19		**3.4**		(0.7)		**4.3**		(0.5)
Other items			**2.8**		(0.5)		**5.9**		3.7
Cash flow arising from changes in:									
Other finance charges	8		**(3.1)**		(2.8)		**(6.3)**		(5.5)
Realized foreign exchange (loss) gain	8		**(0.2)**		0.2		**(0.2)**		0.1
		$	**3.1**	$	(3.5)	$	**4.1**	$	(1.6)

Net change in non-cash working capital

	For the three months ended				For the six months ended			
		2014		2013		**2014**		2013
Canadian $ millions		**June 30**		June 30		**June 30**		June 30
Trade accounts receivable	$	**55.9**	$	33.0	$	**(3.9)**	$	24.8
Inventories		**6.9**		–		**8.2**		(3.8)
Prepaid expenses		**(3.9)**		(3.3)		**(7.1)**		(5.8)
Trade accounts payable and accrued liabilities		**6.6**		(0.4)		**6.7**		(25.5)
Deferred revenue		**(34.7)**		(45.3)		**(24.6)**		(12.2)
	$	**30.8**	$	(16.0)	$	**(20.7)**	$	(22.5)

21. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Credit risk

Cuba

The Corporation has credit risk exposure related to its share (50% basis) of cash, accounts receivable, advances and loans receivable and certificates of deposit associated with its businesses located in Cuba or businesses which have Cuban joint venture partners as follows:

		2014		2013
Canadian $ millions, as at		**June 30**		December 31
Cash	$	**15.1**	$	12.5
Trade accounts receivable, net		**156.5**		159.4
Advances and loans receivable		**621.8**		619.5
Cuban certificates of deposit		**–**		6.0
Total	$	**793.4**	$	797.4

The table above reflects the Corporation's maximum credit exposure to Cuban counterparties which may differ from balances in the consolidated results due to eliminations in accordance with accounting principles for subsidiaries and joint ventures.

Madagascar

The Corporation has credit risk exposure in Madagascar related to its share (40% basis) of cash and cash equivalents of $16.7 million and net accounts receivable of $33.9 million associated with the Ambatovy Joint Venture including value added tax (VAT) receivables of $8.8 million from the government of Madagascar. Of a total VAT receivable provision of $71.3 million (40% basis), $0.5 million and $30.9 million, respectively (40% basis), was recorded during the three and six months ended June 30, 2014 ($40.4 million for the year ended December 31, 2013 (40% basis)) to reflect the diminished likelihood of receipt of these amounts. Total overdue accounts receivable including VAT (net of provision) for the Ambatovy Joint Venture amount to $2.8 million (40% basis).

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. Liquidity risk arises from the Corporation's financial obligations and in the management of its assets, liabilities and capital structure. The Corporation manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner.

Financial obligation maturity analysis

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

Canadian $ millions, as at June 30, 2014	Total	Falling due within 1 year	Falling due beween 1-2 years	Faliing due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ 90.7	$ 90.7	$ -	$ -	$ -	$ -	$ -
Income taxes payable	14.9	14.9	-	-	-	-	-
Loans and borrowings(1)	3,294.4	91.8	365.5	186.7	213.0	649.2	1,788.2
Provisions	152.4	0.2	0.3	0.4	0.1	0.3	151.1
Operating leases(2)	13.0	2.0	2.0	2.0	2.0	2.0	3.0
Total	$ 3,565.4	$ 199.6	$ 367.8	$ 189.1	$ 215.1	$ 651.5	$ 1,942.3

(1) Loans and borrowings is composed primarily of $1,159.5 million in three public issues of senior unsecured debentures having interest rates of between 7.5% and 8.0% and maturities in 2015, 2018 and 2020, and $899.2 million and $101.3 million in loans provided by the Ambatovy Joint Venture partners to finance Sherritt's portion of the funding requirements of the Joint Venture, bearing interest of LIBOR plus a margin of 7.0% and 1.125%, respectively. These partner loans are to be repaid from the Corporation's share of cash distributions from the Ambatovy Joint Venture (note 16). The amounts above are based on management's best estimate of future cash flows including estimating assumptions such as commodity prices, production levels, cash costs of production, capital and reclamation costs. These loans are non-recourse to Sherritt unless there is a direct breach of certain restrictions stipulated in the loan documents. The maturity analysis table includes an estimate of interest repayments.

(2) Operating lease payments recognized as an expense in the interim condensed consolidated statements of comprehensive income were $0.5 million and $1.0 million, respectively, for the three and six months ended June 30, 2014 ($0.5 million and $1.1 million for the three and six months ended June 30, 2013, respectively).

As a result of the Corporation's 40% interest in the Ambatovy Joint Venture, its proportionate share of significant undiscounted commitments of the Joint Venture include environmental rehabilitation commitments of $178.4 million, other contractual commitments of $31.0 million and senior debt financing of $908.3 million.

As a result of the Corporation's 50% interest in the Moa Joint Venture, its proportionate share of significant undiscounted commitments of the Joint Venture include advances and loans payable of $147.5 million, environmental rehabilitation commitments of $66.0 million and other commitments of $2.2 million.

Market risk

Foreign exchange risk

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

Based on financial instrument balances as at June 30, 2014, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have an unfavourable or favourable impact of approximately $14.6 million, respectively, on net earnings, and $33.9 million on other comprehensive income.

Interest rate risk

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

Based on the balance of short-term and long-term loans and borrowings, cash equivalents, short-term and long-term investments, and advances and loans receivable at June 30, 2014, excluding interest capitalized to project costs, a 1.0% increase or decrease in the market interest rate could increase or decrease the Corporation's net earnings by approximately $7.2 million, respectively. The Corporation does not engage in hedging activities to mitigate its interest rate risk.

Capital risk management

In the definition of capital, the Corporation includes, as disclosed on its interim condensed consolidated statements of financial position and notes to the financial statements: capital stock, retained (deficit) earnings and un-drawn credit facilities.

Canadian $ millions, as at	2014 June 30	2013 December 31
Capital stock	$ 2,809.2	$ 2,808.5
Retained (deficit) earnings	(42.5)	40.2
Un-drawn credit facilities	208.4	210.4

22. RELATED PARTY TRANSACTIONS

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

	For the three months ended		For the six months ended	
Canadian $ millions	2014 June 30	2013 June 30	2014 June 30	2013 June 30
Total value of goods and services:				
Provided to joint operations	$ 2.8	$ 9.1	$ 8.5	$ 14.3
Provided to joint venture	47.2	43.7	85.3	78.3
Provided to associate	1.3	-	1.9	5.7
Purchased from joint operations	0.3	-	1.0	0.9
Purchased from joint venture	49.8	36.8	90.0	57.5
Purchased from associate	13.4	5.1	30.6	10.1
Net financing income from joint operations	4.4	6.2	9.5	11.9
Net financing income from associate	11.8	-	19.4	-
Net financing income from joint venture	1.9	1.9	3.6	3.5

Canadian $ millions, as at	Note	2014 June 30	2013 December 31
Accounts receivable from joint operations	12	$ 0.3	$ 0.2
Accounts receivable from joint venture	12	23.5	23.2
Accounts receivable from associate	12	32.5	36.2
Accounts payable to joint operations		0.3	-
Accounts payable to joint venture		5.9	1.9
Accounts payable to associate		4.0	4.5
Advances and loans receivable from associate	13	1,261.5	1,106.9
Advances and loans receivable from joint operations	13	257.9	251.7
Advances and loans receivable from joint venture	13	235.0	241.7

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

23. OPERATING LEASE ARRANGEMENTS

Corporation acts as a lessor

The Corporation acts as a lessor in operating leases related to the Power facilities in Madagascar and in Varadero, Cuba. During 2013, the Corporation recorded an impairment related to its electricity generating facility located in Madagascar. Accordingly, the future minimum lease payments have been determined to be $nil as at June 30, 2014 and as at December 31, 2013.

All operating lease payments related to the Varadero facility are contingent on power generation. The terms of the leases are for 20 years, ending in February 2017 and March 2018. At the end of the lease terms, the leased assets will be sold at fair market value with the Corporation retaining its share of the net proceeds. For the three and six months ended June 30, 2014, contingent revenue was $3.3 million and $6.9 million, respectively ($3.2 million and $6.7 million for the three and six months ended June 30, 2013, respectively).

Corporation acts as a lessee

Operating lease payments recognized as an expense in the condensed consolidated statement of comprehensive (loss) income for the three and six months ended June 30, 2014 were $0.5 million and $1.0 million, respectively ($0.5 million and $1.0 million for the three and six months ended June 30, 2013, respectively).

24. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at June 30		2014
Property, plant and equipment commitments	$	44.4
Joint venture		
Property, plant and equipment commitments		12.6
Other commitments		0.5

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

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

www.sherritt.com