Sherritt International Corporation

Third Quarter 2008

For Quarter Ending September 30, 2008

sherritt

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Sherritt Announces Strong Third-Quarter Results and Reduction in Capital and Operating Costs

TORONTO, October 29, 2008 — Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S) announced today net earnings of $133.1 million or $0.45 per share for the third quarter ended September 30, 2008 compared with $65.4 million or $0.28 per share in the comparable period of 2007. In light of rapidly declining commodity markets, Sherritt also announced that it is taking immediate steps to reduce its cost structures and capital spending including suspending significant expansion initiatives.

Financial Highlights (unaudited)

(millions of dollars, except per share amounts)	Q3 2008	Q2 2008	Q3 2007	Nine months ended September 30 2008	Nine months ended September 30 2007
Revenue	$ 477.2	$ 441.2	$ 301.3	$ 1,232.6	$1,016.8
EBITDA (1)	216.3	190.4	158.6	582.4	577.4
Net earnings	133.1	80.3	65.4	302.4	286.9
Basic earnings per share	0.45	0.28	0.28	1.12	1.46
Diluted earnings per share	0.45	0.28	0.28	1.11	1.45
Net working capital (2)	$ 842.6	$ 904.7	$ 522.3	$ 842.6	$ 522.3
Total assets	8,821.2	8,255.0	3,780.9	8,821.2	3,780.9
Shareholders' equity	3,995.0	3,794.8	2,678.6	3,995.0	2,678.6
Long-term debt to capitalization	27%	25%	12%	27%	12%
Weighted average number of shares (millions)					
Basic	291.9	282.1	233.6	268.8	196.6
Diluted	295.8	286.6	234.5	273.2	197.5

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

(2) Net working capital is calculated as total current assets less total current liabilities.

Sherritt reported strong results for the third quarter of 2008, with revenue of $477.2 million, EBITDA of $216.3 million and net earnings of $133.1 million, compared with revenue of $301.3 million, EBITDA of $158.6 million and net earnings of $65.4 million for the third quarter of 2007. Record operating results in Sherritt's Coal and Oil and Gas operations more than offset the impact of lower average realized nickel prices (35%

lower than in third quarter of 2007). Net earnings were also positively impacted by a recovery in the stock-based compensation of $10.6 million ($0.04 per share), foreign exchange gains of $13.5 million ($0.05 per share) and a recovery in future tax expense of $ 8.3 million ($0.03 per share). Adjusted for these items, net earnings for the quarter were $100.7 million or $0.33 per share on a fully diluted basis.

At September 30, 2008, on a consolidated basis, cash and cash equivalents totalled $578 million and undrawn credit facilities totaled $1.8 billion.

Metals achieved record nickel production and sales volumes during the third quarter. Revenue and EBITDA were $137.5 million and $39.1 million, respectively, during the quarter, compared to $150.7 million and $87.3 million, respectively, in the prior-year period. The lower revenue and EBITDA primarily reflected declining average realized nickel prices. Following the successful commissioning of Phase 1 of the Moa/Fort Saskatchewan expansion, production of finished nickel increased significantly to 8,830 tonnes (100% basis) during the quarter, representing growth of 16% over the prior-year period. Increased Metals production reflected the 4,000 tonne per year (100% basis) increase in nominal annual production capacity to 37,000 tonnes (100% basis) of nickel and cobalt contained in mixed sulphides.

The 60,000 tonne nickel (100% basis) Ambatovy Project in Madagascar continues to progress, with all major contracts and equipment orders now awarded. Construction activities continue and engineering is 79% complete.

In Coal, Prairie Operations continued to benefit from increasing coal and potash royalties, as well as higher average realized prices during the third quarter. In the third quarter, revenue of $150.6 million was $27.2 million higher than in the same quarter last year, due to higher royalties, and higher cost and capital recoveries at the contract and Genesee mines. EBITDA was also higher than in the prior-year period, primarily on account of increased royalties. At Mountain Operations, the robust pricing environment for export thermal coal continued to result in average realized prices that were significantly higher than in the prior periods. The average realized price of $87.19/tonne during the third quarter was 73% higher than in the same period in 2007. As a result, Mountain Operations reported another quarter of record revenue of $39.3 million and EBITDA of $9.4 million, as the growth in revenue outweighed the impact of cost pressures in fuel, steel, and tires.

In Oil and Gas, the third quarter marked the sixth consecutive quarter of record revenue and EBITDA, with $112.9 million and $96.2 million, respectively, on account of continued strength in global oil prices. Average realized oil prices in Cuba and Spain during the quarter were 64% and 50% higher, respectively, than in the comparable quarter in 2007. The higher average realized prices more than offset the impact of lower net working-interest production levels in Cuba, which averaged 15,960 barrels per day (“bpd”) during the quarter.

In Power, electricity production of 577 Gigawatt hours (“GWh”) was below last year’s levels due to increased maintenance activities during the quarter. Revenue was essentially unchanged from the third quarter of 2007 at $30.9 million, as higher by-product prices offset decreased production. EBITDA of $23.7 million during the quarter represented a 9% growth relative to the prior-year period as a result of lower repair costs in 2008.

REVIEW OF OPERATIONS

Metals

	Q3 2008	Q3 2007	Nine months ended September 30 2008	Nine months ended September 30 2007
Production (tonnes)				
Nickel	4,415	3,802	11,867	11,351
Cobalt	438	418	1,250	1,304
Sales (thousands of pounds)				
Nickel	9,762	8,367	26,324	25,030
Cobalt	936	923	2,758	2,787
Reference Prices				
Nickel (US$/lb)	$ 8.61	$ 13.71	$ 11.09	$ 18.03
Cobalt (US$/lb) [(1)]	32.54	25.84	41.49	$ 26.54
Realized Prices				
Nickel ($/lb)	$ 9.16	$ 14.14	$ 11.28	$ 19.81
Cobalt ($/lb)	33.64	26.61	41.74	$ 28.98
Unit Operating Costs (US$ per lb)				
Net direct cash costs of nickel [(2)]	$ 4.50	$ 3.30	$ 3.14	$ 3.11
Third-party feed costs	0.54	1.23	0.94	1.42
Revenue ($mm)	$ 137.5	$ 150.7	$ 477.5	$ 628.8
EBITDA ($mm)	$ 39.1	$ 87.3	$ 199.6	$ 388.7
Capital Expenditures ($mm)				
Moa Joint Venture ($mm) (50% basis)	$ 66.3	$ 48.4	$ 181.2	$ 128.5
Ambatovy Joint Venture ($mm) (100% basis)[(3)]	$ 366.5	$ 69.0	$ 1,251.1	$ 74.0

(1) Average Metal Bulletin: low grade cobalt published price
(2) Net direct cash cost of nickel after cobalt and by-product credits
(3) Ambatovy Joint Venture was accounted for using the equity method up to the fourth quarter of 2007.

At the Moa Joint Venture, mixed sulphides production in the third quarter was 8,700 tonnes (100% basis), or 310 tonnes above third quarter production in 2007. While Hurricane Ike reduced production volumes by approximately 530 tonnes (100% basis), overall production volumes increased primarily as a result of the achievement of Phase 1 production rates.

Finished nickel production during the quarter was a record 8,830 tonnes (100% basis), or 16% higher than the comparable period last year, primarily as a result of the achievement of Phase 1 production rates and the timing of the annual shutdown, which occurred in the second quarter in 2008 compared to the third quarter in 2007. Third quarter finished cobalt production of 876 tonnes (100% basis) was 5% above prior-year levels as higher Phase 1 production rates and the impact of earlier annual shutdown were partially offset by processing less cobalt-rich third-party feed.

During the third quarter, nickel reference prices continued to decline, with the average reference price of U.S.$8.61/lb being 26% lower than in the second quarter of 2008 and 37% lower than the same period last year. The declines in reference prices translated into an average realized nickel price of $9.16/lb during the quarter, versus $12.12/lb in the previous quarter. Third-quarter cobalt prices remained strong, however reference and average realized prices of U.S.$32.54/lb and $33.64/lb, respectively, were 29% and 26% lower than in the second quarter, but 26% higher than in the same period last year.

Revenue of $137.5 million for the third quarter was $13.2 million lower than in the same period last year, reflecting lower nickel average realized prices offset by higher nickel, cobalt and fertilizer sales volumes and higher cobalt prices. EBITDA of $39.1 million was $48.2 million lower than in the prior year quarter, largely reflecting lower revenue and higher mining, processing and refining costs that have been driven up by increased commodity input prices.

Higher mining, processing and refining costs, partly offset by higher cobalt prices and increased nickel sales, resulted in net direct cash costs of U.S.$3.96/lb (excluding third-party feeds) for the third quarter of 2008, up from U.S.$2.07/lb (excluding third-party feeds) for the same period last year.

Sustaining capital expenditures, including certain utilities upgrades at Fort Saskatchewan and capital improvements at Moa concurrent with the expansion, were $15.6 million in the third quarter. Expansion capital expenditures at Moa/Fort Saskatchewan were $50.7 million in the third quarter. At September 30, 2008, over 5.1 million exposure hours had been achieved without a lost time injury related to the Moa/Fort Saskatchewan expansion.

The Ambatovy Joint Venture is progressing with most of the major equipment and construction contracts now awarded. Construction activities at the process plant continue in all areas including the pressure acid leach plant, the refinery, as well as associated auxiliary and utility plants. Work at the mine site is also progressing with the construction of the ore preparation plant well under way. Construction has also commenced on the 220-kilometer ore slurry pipeline running from the mine site to the process plant in the port city of Toamasina.

Ambatovy capital expenditures during the third quarter were $366.5 million. The project has drawn down U.S. $938.8 million of the U.S. $2.1 billion project financing to date. The project's commitments to date total U.S. $2,939.0 million, with incurred costs of U.S. $1,766.0 million. At the end of September, engineering, procurement and construction were estimated to be 79%, 54% and 36% complete, respectively. Over 24 million exposure hours had been achieved as at the end of the third quarter of 2008 without a lost time injury.

Coal

	Q3 2008	Q3 2007	Nine months ended September 30 2008	2007
Prairie Operations (1)				
Production volumes (millions of tonnes)	8.8	8.6	26.4	26.6
Sales volumes (millions of tonnes)	8.6	8.6	26.1	26.4
Realized prices ($/tonne)	$ 15.54	$ 13.47	$ 14.59	$ 13.06
Unit cash operating costs ($/tonne)	$ 12.26	$ 10.29	$ 11.44	$ 9.97
Mountain Operations (2)				
Production volumes (millions of tonnes)	0.5	0.4	1.3	1.3
Sales volumes (millions of tonnes)	0.5	0.5	1.3	1.4
Realized prices ($/tonne)	$ 87.19	$ 50.39	$ 80.93	$ 50.93
Unit cash operating costs ($/tonne)	$ 64.51	$ 53.21	$ 63.82	$ 50.43
Revenue ($mm)				
Prairie Operations(1)	$ 150.6	$ 123.4	$ 425.5	$ 373.8
Mountain Operations and other coal development assets(2) (3)	$ 39.3	$ 28.1	$ 104.4	$ 72.5
	$ 189.9	$ 151.5	$ 529.9	$ 446.3
EBITDA ($mm)				
Prairie Operations(1)	$ 46.8	$ 31.8	$ 117.8	$ 102.2
Mountain Operations and other coal development assets(2) (3)	$ 9.4	$ (2.5)	$ 20.3	$ (3.4)
	$ 56.2	$ 29.3	$ 138.1	$ 98.8
Distributions paid by Royal Utilities ($mm) (4)	$ -	$ 23.5	$ 38.6	$ 70.4
Capital Expenditures ($mm)				
Prairie Operations(1)	$ 1.7	$ 2.6	$ 13.2	$ 6.4
Mountain Operations and other coal development assets(2) (3)	$ 1.3	$ 0.9	$ 2.4	$ 2.0
	$ 3.0	$ 3.5	$ 15.6	$ 8.4

(1) Prairie Operations have been presented on a 100% basis. Sherritt equity accounted for the Prairie Operations up to the date of acquisition of Royal Utilities. Sales and production volumes are presented on a 100% basis.

(2) Mountain Operations include the results, including sales and production volumes, of the Coal Valley mine, which is primarily involved in the export of thermal coal, and are presented on a 50% basis.

(3) Coal development assets include certain undeveloped reserves that produce coal-bed methane and technologies under development, including the Dodds-Roundhill coal gasification project and are presented on a 50% basis.

(4) Distributions paid by Royal Utilities on a 100% basis.

Average realized prices at Prairie Operations in the third quarter of 2008 were $15.54/tonne, approximately 15% higher than in the comparable period of 2007, primarily as a result of higher cost and capital recoveries at the contract and Genesee mines. Revenue from coal and potash royalties in the third quarter increased by 123% and 194%, respectively, from the prior-year period, to $12.5 million and $5.0 million, respectively. As a result, overall revenue from Prairie Operations in the third quarter of $150.6 million was 22% higher than in the same quarter last year. EBITDA of $46.8 million was 47% higher than in the third quarter of 2007, primarily on account of the higher royalty streams.

Average realized prices at the Mountain Operations were $87.19/tonne during the third quarter of 2008, 73% higher than the same period in 2007, reflecting significantly higher settlement prices on export thermal coal contracts. Consequently, revenue in the third quarter grew by 40% versus the third quarter of 2007, to a record $39.3 million. Operating costs per tonne in the third quarter of 2008 were also higher than in the prior-year period, at $64.51/tonne, as a result of higher input costs such as fuel, steel, power and tires, as well as increasing coal-haul distances. Despite the cost pressures, Mountain Operations and coal development assets generated a combined EBITDA of $9.4 million compared to a loss of $2.5 million in the third quarter of 2007, as the impact of higher average realized prices significantly outweighed the rising operating cost environment.

Combined capital expenditures at Prairie Operations and Mountain Operations of $3.0 million in the third quarter of 2008 were not materially different from prior-year levels. The expenditures were mostly related to sustaining capital at Mountain Operations and on infrastructure at Sheerness, Poplar River, and Boundary Dam mines at Prairie Operations.

Oil and Gas

	Q3 2008	Q3 2007	Nine months ended September 30 2008	Nine months ended September 30 2007
Daily Production Volumes [1] [2]				
Production (boepd)				
Gross working-interest production in Cuba [3] [5]	28,952	30,420	31,248	30,362
Net production [4]				
Cuba (heavy oil)				
Cost recovery [5]	6,878	10,689	6,748	10,653
Profit oil [5]	9,082	8,037	10,125	7,912
Total Cuba	15,960	18,726	16,873	18,565
Spain (light/medium oil) [4]	447	586	473	497
Pakistan (natural gas) [4]	390	395	391	403
Total	16,797	19,707	17,737	19,465
Reference Prices (US$ per barrel)				
US Gulf Coast Fuel Oil #6	$ 95.25	$ 55.32	$ 83.48	$ 47.91
Brent	114.41	75.92	112.98	67.56
Realized Prices				
Cuba (per barrel)	$ 72.51	$ 44.13	$ 61.68	$ 40.12
Spain (per barrel)	117.26	78.00	112.84	74.01
Pakistan (per boe)	7.61	7.88	7.35	8.42
Unit Operating Costs ($ per boe)				
Cuba	$ 5.97	$ 6.49	$ 5.86	$ 6.09
Spain	32.75	18.44	31.82	26.67
Pakistan	0.78	0.66	0.92	0.77
Revenue ($mm)	$ 112.9	$ 81.5	$ 304.9	$ 217.6
EBITDA ($mm)	$ 96.2	$ 61.9	$ 250.7	$ 162.3
Capital Expenditures ($mm)	$ 32.6	$ 35.5	$ 87.7	$ 118.6

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

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

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

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

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

Record revenue and EBITDA were achieved during the quarter ended September 30, 2008, due to higher average realized prices for the period compared to the same period in 2007. However, global oil prices did begin to weaken towards the end of the quarter. Revenue of $112.9 million was 39% higher than in the third quarter of 2007, while EBITDA of $96.2 million increased 55% from the prior-year period. Realized oil prices in Cuba and Spain were 64% and 50% higher, respectively, than in the comparable quarter in 2007.

Capital expenditures during the quarter were $32.6 million, and were mainly in support of development and exploration drilling along with facility construction. During the third quarter of 2008, one development well was initiated and two development wells were drilled. For the first nine months of 2008, ten development wells and one exploration well were drilled.

Power

		Q3 2008		Q3 2007		Nine months ended September 30 2008		2007
Electricity sold (000's of MWh) [1]		577		628		1,742		1,681
Realized price per MWh	$	42.32	$	42.38	$	41.25	$	44.18
Unit cash operating cost ($ per MWh)	$	11.89	$	12.96	$	10.71	$	13.09
Revenue ($mm)	$	30.9	$	31.6	$	91.0	$	87.8
EBITDA ($mm)	$	23.7	$	21.8	$	70.4	$	63.2
Capital Expenditures ($mm)	$	4.9	$	1.2	$	16.2	$	16.9

(1) Includes non-controlling interest.

Electricity production during the third quarter of 2008 was 8% lower than in the same period in 2007, as a result of maintenance activities. Net capacity factor for the quarter was 76%, which includes the impact of two hurricanes on operations.

Despite lower production, revenue was largely unchanged from the third quarter of 2007 at $30.9 million, as higher by-product prices and sales volumes offset most of the decline in revenue from electricity production. Operating costs during the third quarter of 2008 were lower compared with the same quarter in 2007 primarily as a result of high repair costs in the prior-year period. As a result, EBITDA of $23.7 million during the quarter grew by over 9% relative to the third quarter of 2007.

Third-quarter expansion capital expenditures in support of the Boca de Jaruco combined cycle expansion project were $4.2 million, while sustaining capital expenditures were $0.7 million.

OUTLOOK

Impact of Changing Economic Conditions

The Corporation's fourth-quarter results are expected to be impacted by significant pricing reductions in nickel, cobalt and oil offset in part by contractually escalating domestic coal prices and the continued strong international pricing environment for thermal coal and potash. Given the volatility of these commodity markets, it is difficult to forecast the impact of such pricing adjustments on the Corporation.

Given the Corporation's financial position, available credit facilities, and the fact that there are no scheduled maturities on its public debt until 2012, the Corporation is currently not expecting a need to access the debt and equity capital markets for financing over the next twelve months. However, because the duration of the general economic uncertainty and its detrimental effect on credit and capital markets is unknown, it is difficult to determine the long-term impact on the Corporation.

In light of current market conditions, Sherritt has initiated a series of measures to bring its spending in line with the projected cash flow generation of its operations and available project-specific facilities in order to preserve its balance sheet and maintain a strong liquidity position. The review has already resulted in:

- The suspension of approximately $270.0 million of capital contributions by the Corporation to the Moa/Fort Saskatchewan expansion
- A significant reduction in forecast sustaining capital expenditures in 2009
- A targeted reduction in forecast controllable operating expenses of at least 15%
- A decision to scale Oil and Gas expenditures to be in-line with Oil and Gas cash flow
- The initiation of a comprehensive review of the Ambatovy Project and Power's 150 MW combined cycle expansion to reduce projected costs and re-evaluate schedules

Metals

Consistent with previous guidance, full-year production (100% basis) for 2008 is expected to be approximately 32,500 tonnes of nickel and 3,400 tonnes of cobalt. The Moa/Fort Saskatchewan expansion suspension eliminates the need for an estimated one-month outage at Fort Saskatchewan planned for 2009. Accordingly, 2009 production is expected to be approximately 33,400 tonnes of nickel and 3,400 tonnes of cobalt.

Sherritt expects that mining, processing and refining costs for 2008 will be higher than in the prior year as a result of increased input commodity costs, which have increased substantially due to higher sulphur, sulphuric acid and energy costs realized in the third quarter. Subsequent to quarter end many such input costs have declined rapidly in international markets. These trends, if sustained, will reduce mining, processing and refining costs substantially; however, there may be a time-lag in realizing these reductions.

Sustaining capital expenditures are expected to be $17.5 million in the fourth quarter and $55.9 million for 2008, marginally lower than earlier guidance of $71.2 million reflecting the suspension of capital contributions with respect of improvements being made at Moa concurrently with the expansion. Sustaining capital expenditures for 2009 are under review but are not expected to exceed $40.0 million.

Given the suspension noted above, capital expenditures for the balance of 2008 are also under review, but are expected to be substantially less than the $83.0 million previously estimated for the fourth quarter. 2009 expansion related capital expenditures are anticipated to not exceed the net free cash flow of the business.

Capital expenditures for the Ambatovy Project in the fourth quarter of 2008 are expected to be U.S. $458.0 million. Sherritt's share of capital expenditures for the Ambatovy Project for the balance of 2008 is expected to be $183.2 million, of which approximately $90.0 million will be financed by project debt. The remainder of Sherritt's share will be financed by draw-downs on existing $236.0 million project partner provided facilities. Capital expenditures for 2009 and beyond are being reassessed as part of the comprehensive cost and schedule review currently underway.

Coal

Production for 2008 at Prairie Operations is expected to be 35.8 million tonnes, slightly lower than the 36.1 million tonnes previously estimated due to reduced consumption by the power plants serviced by the contract mines. Revenue and EBITDA from Prairie Operations are both expected to exceed 2007 levels, as higher realized prices, coupled with increased potash and coal royalties, should more than offset the operating cost pressures. Full-year 2008 coal and potash royalties are anticipated to be $40.0 million and $16.0 million respectively, representing material increases over 2007 levels due to the current robust pricing environment in coal and potash. As previously reported, unit operating costs continued to face upward pressures during the quarter. This is due to the higher diesel prices, as well as increased labour, equipment and maintenance costs. Some of these costs, particularly diesel, have declined substantially after quarter end. While Sherritt expects 2008 unit operating costs at Prairie Operations to be approximately 16% higher than 2007, reduced diesel costs, to the extent they are sustained may mitigate some of this increase during the fourth quarter. Full-year 2008 capital expenditures at Prairie Operations are expected to be $19.0 million, with $5.8 million anticipated in the fourth quarter. Sustaining capital expenditures for 2009 are anticipated to be $17.9 million.

Work is progressing well on Coal's previously announced construction of the first phase of the activated carbon plants. The overall capital cost for this phase is not expected to differ significantly from previous guidance, with fourth quarter 2008 capital expenditures anticipated to be $1.1 million and the remainder of the expenditure is expected to be incurred in 2009.

At Mountain Operations, realized prices continue to benefit from the robust pricing environment in the export thermal coal market. Sherritt expects sales and production volumes at the Coal Valley mine to be 3.9 million tonnes (100% basis), reflecting the impact of poor weather in the first half of 2008. As per previous guidance, Sherritt also continues to expect 2008 EBITDA from the Coal Valley mine to be approximately $100 million on a 100% basis. Sherritt's share of sustaining capital expenditures at Mountain Operations for the fourth quarter and full year of 2008 are expected to be approximately $4.4 million and $6.8 million. Sustaining capital expenditures for 2009 are anticipated to be $10.4 million on a 50% basis.

Progress continues on re-opening the Obed Mountain mine, in which Sherritt has a 50% interest. Production at the mine, which has an estimated annual capacity of 1.2 million tonnes (100% basis), is expected to commence in the second half of 2009. Sherritt's share of the capital expenditures associated with re-opening the mine is expected to be approximately $2.6 million in the fourth quarter of 2008 and $10.4 million in 2009. These costs will be directed toward plant re-start, load-out facilities and conveyor upgrades. As previously disclosed, an off-take contract for 100% of the mine's production has been secured, which guarantees a floor price for three years with a sharing of the price upside.

Sherritt also continues to develop the Dodds-Roundhill coal gasification project with a view to completing the pre-feasibility study by the end of 2008.

Oil and Gas

Despite the slowdowns in production in Cuba due to hurricanes Gustav and Ike, gross working-interest production for 2008 is expected to be maintained at or around the 29,000 bpd level which is slightly lower than the levels experienced in 2007. Assuming realized prices similar to those experienced in the third quarter, net production in Cuba for the fourth quarter will be approximately 17,000 bpd. Sherritt's net working-interest production in Cuba is determined by gross working-interest production, capital expenditures, operating costs, and crude oil prices. Net production in Spain and Pakistan is projected to remain constant at the current rate of 470 bpd and 400 boepd, respectively.

Sherritt has identified a new potential zone in the Puerto Escondido field in Cuba which is currently being tested with the drilling of an exploratory well.

As part of Sherritt's comprehensive cost review, all sustaining and exploration capital expenditures are being reassessed in the Oil and Gas business. This includes a reassessment of the enhanced oil recovery pilot project for the Varadero oil field and opportunities in Turkey, the Alboran Sea and East Irish Sea. Capital expenditures for the fourth quarter are estimated to be $20.0 million and will relate mainly to drilling activities in Cuba. Total capital expenditures for 2008 are expected to be approximately $115.0 million. Capital expenditures for 2009 are currently estimated to be $180.0

million and are subject to reassessment based upon changes in projected revenue and cash flow of Oil and Gas.

Oil and Gas has historically sold all of its Cuban oil production to an agency of the Government of Cuba. As at September 30, 2008, the Oil and Gas credit risk exposure related to its share of accounts receivable with its businesses in Cuba was approximately $392.8 million including receivables of $248.7 million related to 100% blocks and $144.1 million related to a jointly-owned block. Oil and Gas is also party to a series of arrangements with agencies of the Government of Cuba that provide for payments made to certain Cuban agencies for labour, taxes, royalties and other local services in Metals, Oil and Gas, and Power to be used for the payment of Oil and Gas receivables. These arrangements also allow Oil and Gas, subject to certain limitations, to manage its sustaining and growth capital appropriately in the event that Oil and Gas receivables remain overdue beyond stipulated time periods. Recent negative pricing adjustments in nickel and cobalt have negatively impacted the amount of funds available to offset projected Oil and Gas receivables at current price levels. These arrangements also provide for agencies of the Cuban Government to redirect additional or alternate streams of foreign exchange inflows that can be used to pay for Oil and Gas receivables in the event the currently allocated streams are insufficient to pay for projected Oil and Gas receivables. In addition, under Oil and Gas's contractual arrangements with the Cuban Government, the business has the right to receive its share of oil production in kind and to export the same for sale purposes if acceptable payment arrangements cannot be agreed to.

Although the past hurricane season and the current global economic conditions have negatively impacted Cuba, the Cuban Government has stated its intention to work with the Corporation and its businesses in order to provide for the appropriate agencies to meet their respective financial obligations to the Corporation. As part of these deliberations, the Corporation believes that an acceptable framework for the orderly collection of revenues and an appropriate capital spending program will be agreed to prior to the initiation of the 2009 drilling season.

Power

Total expected electricity production in 2008 is 2,300 GWh, down slightly from the previous estimate of 2,400 GWh due to increased maintenance activities. Fourth-quarter 2008 production is expected to be approximately 550 GWh.

Sustaining capital expenditures are estimated to be $2.0 million in the fourth quarter and $7.5 million for 2008. Capital expenditures on the 150 MW combined cycle project are estimated to be $22.0 million for the fourth quarter. 2009 expenditures on the project are currently under review. Progress also continues on the development of 25 MW of thermal generating capacity in Madagascar. Electricity production is expected to commence in 2009, while capital expenditure requirements are expected to be approximately $8.0 million in the fourth quarter and $15.0 million in 2009.

Power has historically sold all of its Cuban power and by-product production to several agencies of the Government of Cuba. The Power credit risk exposure related to its share of cash, accounts receivable and loans associated with its businesses in Cuba was approximately $20.4 million as at September 30, 2008. Power is party to a similar series of arrangements as Oil and Gas with agencies of the Government of Cuba that provide for an orderly payment of receivables. The Corporation is presently engaged in discussions with the appropriate agencies of the Government of Cuba in order to establish an acceptable framework for an orderly collection of revenues and an appropriate capital spending program for 2009.

Other

Effective January 1, 2009, Mr. Ian W. Delaney will assume the position of non-executive Chairman of the Board of Sherritt. “These arrangements reflect my intention previously announced in 2004 to transition to a non-executive role at age 65,” said Mr. Delaney. “We have spent many years developing an effective management team and it is time to let them exercise their talents. I am completely confident in their abilities.” As Chairman of Sherritt, Mr. Delaney will continue to be responsible for the overall leadership and effectiveness of the Board and will be the Board’s primary liaison with management. The executive functions previously carried out by the Executive Chairman will be assumed by the current President and Chief Executive Officer, Jowdat Waheed. The Honourable Marc Lalonde will continue to serve as Lead Director of Sherritt.

Summary Financial Results by Segment (unaudited)

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

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

Three months ended September 30, 2008

($ millions)	Metals	Coal	Oil and Gas	Power	Corporate and Other[2]	Consolidated
Revenue	$ 137.5	$ 189.9	$ 112.9	$ 30.9	$ 6.0	$ 477.2
Operating, selling, general and administrative [1]	(98.4)	(133.7)	(16.7)	(7.2)	(4.9)	(260.9)
EBITDA	39.1	56.2	96.2	23.7	1.1	216.3
Depletion, amortization and accretion	(6.8)	(30.6)	(24.2)	(7.3)	(1.4)	(70.3)
Operating earnings (loss)	32.3	25.6	72.0	16.4	(0.3)	146.0
Share of earnings of equity investments	-	-	-	-	0.1	0.1
Net financing expense						(2.1)
Income taxes						0.4
Non-controlling interests						(9.0)
Earnings from continuing operations						135.4
Loss from discontinued operations						(2.3)
Net earnings						133.1
Capital expenditures	$ 432.8	$ 3.0	$ 32.6	$ 4.9	$ 6.4	$ 479.7

(1) Excluding depreciation of $4.5 million in Metals and $12.6 million in Coal.
(2) The Corporate and Other segment includes result of the metallurgical technology business acquired from Dynatec.

Three months ended September 30, 2007

($ millions)	Metals	Coal [1]	Oil and Gas	Power	Corporate and Other[4]	Consolidated
Revenue	$ 150.7	$ 28.1	$ 81.5	$ 31.6	$ 9.4	$ 301.3
Operating, selling, general and administrative	(63.4)	(30.6)	(19.6)	(9.8)	(19.3)	(142.7)
EBITDA	87.3	(2.5)	61.9	21.8	(9.9)	158.6
Depletion, amortization and accretion	(5.8)	(1.2)	(20.0)	(7.3)	(1.1)	(35.4)
Operating earnings (loss)	81.5	(3.7)	41.9	14.5	(11.0)	123.2
Share of earnings of equity investments [2]	-	4.0	-	-	-	4.0
Net financing expense						(16.5)
Income taxes						(41.0)
Non-controlling interests						(5.0)
Gain on sale of Investments						1.4
Earnings from continuing operations						66.1
Loss from discontinued operations						(0.7)
Net earnings						65.4
Capital expenditures[3]	$ 48.4	$ 0.9	$ 35.5	$ 1.2	$ 3.0	$ 89.0

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

Nine months ended September 30, 2008

($ millions)	Metals	Coal [1]	Oil and Gas	Power	Corporate and Other[3]	Consolidated
Revenue	$ 477.5	$ 345.3	$ 304.9	$ 91.0	$ 13.9	$ 1,232.6
Operating, selling, general and administrative [2]	(277.9)	(261.8)	(54.2)	(20.6)	(35.7)	(650.2)
EBITDA	199.6	83.5	250.7	70.4	(21.8)	582.4
Depletion, amortization and accretion	(17.5)	(53.5)	(77.1)	(22.0)	(4.0)	(174.1)
Operating earnings (loss)	182.1	30.0	173.6	48.4	(25.8)	408.3
Share of earnings of equity investments	-	8.3	-	-	1.2	9.5
Net financing expense						(14.7)
Income taxes						(75.8)
Non-controlling interests						(21.9)
Earnings from continuing operations						305.4
Loss from discontinued operations						(3.0)
Net earnings						302.4
Capital expenditures	$ 1,432.3	$ 10.5	$ 87.7	$ 16.2	$ 14.5	$ 1,561.2

(1) Coal includes the Corporation's 50% proportionate interest in the Mountain Operations (previously known as Coal Valley). It also includes the equity earnings of Royal Utilities up to May 2, 2008 and 100% of Royal Utilities' results from May 2, 2008.
(2) Excluding depreciation of $11.0 million in Metals and $23.7 million in Coal.
(3) The Corporate and Other segment includes result of the metallurgical technology business acquired from Dynatec.

Nine months ended September 30, 2007

($ millions)	Metals [1]	Coal [2]	Oil and Gas	Power	Corporate and Other[4]	Consolidated
Revenue	$ 628.8	$ 72.5	$ 217.6	$ 87.8	$ 10.1	$ 1,016.8
Operating, selling, general and administrative	(240.1)	(75.9)	(55.3)	(24.6)	(43.5)	(439.4)
EBITDA	388.7	(3.4)	162.3	63.2	(33.4)	577.4
Depletion, amortization and accretion	(17.3)	(6.3)	(66.1)	(19.9)	(3.2)	(112.8)
Operating earnings (loss)	371.4	(9.7)	96.2	43.3	(36.6)	464.6
Share of earnings of equity investments	-	15.9	-	-	-	15.9
Net financing expense						(23.9)
Income taxes						(154.2)
Gain on sale of investment						1.4
Non-controlling interests						(16.2)
Earnings from continuing operations						287.6
Loss from discontinued operations						(0.7)
Net earnings						286.9
Capital expenditures [3]	$ 128.5	$ 2.0	$ 118.6	$ 16.9	$ 3.3	$ 269.3

(1) Comparable periods have been restated to reflect a change in the reclassification and adjustment of certain revenue, operating, selling, general and administrative costs in the Metals business.

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

(3) Total capital expenditures include $2.9 million from discontinued operations.

(4) The Corporate and Other segment includes results of metallurgical technology division acquired from Dynatec, for the period from June 14 to June 30, 2007.

Supplementary Information

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

Three months ended June 30, 2008

($ millions)	Metals	Coal [1]	Oil and Gas	Power	Corporate and Other[3]	Consolidated
Revenue	$ 177.7	$ 124.5	$ 104.5	$ 30.3	$ 4.2	$ 441.2
Operating, selling, general and administrative [2]	(106.4)	(102.5)	(18.0)	(7.4)	(16.5)	(250.8)
EBITDA	71.3	22.0	86.5	22.9	(12.3)	190.4
Depletion, amortization and accretion	(5.8)	(20.7)	(29.2)	(7.2)	(1.2)	(64.1)
Operating earnings (loss)	65.5	1.3	57.3	15.7	(13.5)	126.3
Share of earnings of equity investments[1]	-	1.9	-	-	1.1	3.0
Net financing expense						(13.5)
Income taxes						(28.3)
Non-controlling interests						(6.7)
Earnings from continuing operations						80.8
Loss from discontinued operations						(0.5)
Net earnings						80.3
Capital expenditures	$ 566.3	$ 6.9	$ 30.8	$ 7.5	$ 7.8	$ 619.3

(1) Coal includes the Corporation's 50% proportionate interest in the Mountain Operations (previously known as Coal Valley). It also includes the equity earnings of Royal Utilities up to May 2, 2008 and 100% of Royal Utilities' results from May 2, 2008 to June 30, 2008.

(2) Excluding depreciation of $3.4 million in Metals and $9.2 million in Coal.

(3) The Corporate and Other segment includes result of the metallurgical technology business acquired from Dynatec.

Three months ended March 31, 2008

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

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

(2) Excluding depreciation of $3.1 million in Metals and $1.9 million in Coal.

(3) Share of earnings of equity investments includes Royal Utilities.

(4) The Corporate and Other segment includes results of the metallurgical technology business acquired from Dynatec.

Three months ended December 31, 2007

($ millions)	Metals	Coal [(1)]	Oil and Gas	Power	Corporate and Other[(4)]	Consolidated
Revenue	$ 176.9	$ 23.2	$ 85.9	$ 29.9	$ 7.7	$ 323.6
Operating, selling, general and administrative [(1)]	(83.8)	(28.3)	(20.3)	(9.5)	(6.2)	(148.1)
EBITDA	93.1	(5.1)	65.6	20.4	1.5	175.5
Depletion, amortization and accretion	(6.0)	(2.6)	(21.8)	(7.5)	(1.7)	(39.6)
Operating earnings (loss) from continuing operations	87.1	(7.7)	43.8	12.9	(0.2)	135.9
Share of earnings of equity investments [(2)]		18.7			-	18.7
Fair value adjustment						(8.9)
Net financing expense						(3.8)
Income taxes						(53.9)
Non-controlling interests						(4.9)
Earnings from continuing operations						83.1
Earnings from discontinued operations						0.4
Net earnings						83.5
Capital expenditures[(3)]	$ 698.8	$ 1.2	$ 29.2	$ 1.9	$ 2.4	$ 733.5

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

(2) Share of earnings of equity investments includes Royal Utilities.

(3) Total capital expenditures include $0.5 million from discontinued operation. The current period has been restated to reflect a change in the reclassification and adjustment in the Metals business.

(4) The Corporate and Other segment includes results of the metallurgical technology business acquired from Dynatec.

About Sherritt

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

Forward-looking Statements

This press release contains certain forward-looking statements. Forward-looking statements generally can be identified by the use of statements that include words such as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "projected", "continue" or other similar words or phrases. Similarly, statements with respect to expectations concerning assets, prices, costs, dividends, foreign-exchange rates, earnings, production, market conditions, capital expenditures, commodity demand, risks, availability of regulatory approvals, the impact of investments in asset-backed commercial paper, corporate objectives and plans or goals, are or may be forward-looking statements. These forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. Sherritt cautions readers of this press release not to place undue reliance on any forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. By their nature, forward-looking statements require Sherritt to make assumptions and are subject to inherent risks and uncertainties. Key factors that may result in material differences between actual results and developments and those contemplated by this press release include business and economic conditions in Canada, Cuba, Madagascar, and the principal markets for Sherritt's products. Other such factors include, but are not limited to, uncertainties in the development and construction of large mining projects; risks related to the availability of capital to develop the Ambatovy Project; risks associated with Sherritt's joint venture partners; potential interruptions in transportation; Sherritt's reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainties in oil and gas exploration; risks related to collecting accounts receivable and repatriating profits and dividends from Cuba; risks related to foreign-exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; development programs; uncertainties in reserve estimates; uncertainties in asset retirement and reclamation cost estimates; Sherritt's reliance on significant customers; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; Sherritt's ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainties in pension liabilities; the ability of Sherritt to enforce legal rights in foreign jurisdictions; the ability of Sherritt to obtain *government permits; risks associated with government regulations and environmental health and safety matters; and other factors listed from time to time in Sherritt's continuous disclosure documents.*

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

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Sherritt International Corporation

Management's Discussion and Analysis

For the Third Quarter Ended
September 30, 2008

Sherritt International Corporation
Third Quarter 2008

Management's Discussion and Analysis

Management’s Discussion and Analysis

The following Management’s Discussion and Analysis of the consolidated financial results of Sherritt International Corporation for the three and nine months ended September 30, 2008 should be read in conjunction with the unaudited consolidated financial statements and related notes contained in this interim report, as well as Management’s Discussion and Analysis, audited consolidated financial statements and related notes contained in the Corporation’s 2007 annual report. Additional information relating to the Corporation, including the Corporation’s 2007 Annual Information Form, is on SEDAR at www.sedar.com or on the Corporation’s web site at www.sherritt.com. This Management’s Discussion and Analysis is as of October 24, 2008.

References to “Sherritt”, “Sherritt International” or “the Corporation” refer to Sherritt International Corporation and its share of consolidated subsidiaries and joint ventures unless the context indicates otherwise. References to “U.S.$” are to United States dollars.

Forward-looking statements

This discussion and analysis contains certain forward-looking statements. Forward-looking statements generally can be identified by the use of statements that include words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will, ”could”, “should”, “suspect”, “outlook”, “projected”, “continue” or other similar words or phrases. Similarly, statements with respect to expectations concerning assets, prices, costs, dividends, foreign-exchange rates, earnings, production, market conditions, capital expenditures, commodity demand, risks, availability of regulatory approvals, the impact of investments in asset-backed commercial paper, corporate objectives and plans or goals, are or may be forward-looking statements. These forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. Sherritt cautions readers of this discussion and analysis not to place undue reliance on any forward looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward looking statements. By their nature, forward-looking statements require Sherritt to make assumptions and are subject to inherent risks and uncertainties. Key factors that may result in material differences between actual results and developments and those contemplated by this discussion and analysis include business and economic conditions in Canada, Cuba, Madagascar, and the principal markets for Sherritt’s products. Other such factors include, but are not limited to, uncertainties in the development and construction of large mining projects; risks related to the availability of capital to develop the Ambatovy Project; risks associated with Sherritt’s joint venture partners; potential interruptions in transportation; Sherritt’s reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainties in oil and gas exploration; risks related to collecting accounts receivable and repatriating profits and dividends from Cuba; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms Burton legislation; development programs; uncertainties in reserve estimates; uncertainties in asset retirement and reclamation cost estimates; Sherritt’s reliance on significant customers; foreign exchange and pricing risks;

uncertainties in commodity pricing; credit risks; competition in product markets; Sherritt’s ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainties in pension liabilities; the ability of Sherritt to enforce legal rights in foreign jurisdictions; the ability of Sherritt to obtain government permits; risks associated with government regulations and environmental health and safety matters; and other factors listed from time to time in Sherritt’s continuous disclosure documents. Further, any forward-looking statement speaks only as of the date on which such statement is made, and except as required by law, Sherritt undertakes no obligation to update any forward-looking statements.

Third Quarter Highlights

- Record results in Oil and Coal
- Record production in Metals following Phase 1 commissioning

Sherritt achieved revenue of $477.2 million, EBITDA of $216.3 million and net earnings of $133.1 million in the third quarter ended September 30, 2008 compared with revenue of $301.3 million, EBITDA of $158.6 million and net earnings of $65.4 million in the third quarter of 2007. For the nine months ended September 30, 2008, the Corporation had net earnings of $302.4 million on revenue of $1.2 billion and EBITDA of $582.4 million. The Corporation continues to realize record revenue and earnings from Oil and Gas and Coal. The revenue benefit of record nickel production following the commissioning of the Phase 1 expansion was more than offset by lower average-realized nickel prices in Metals. Net earnings, in the third quarter of 2008, were also positively impacted by a recovery in the stock-based compensation expense of $10.6 million (net of tax), foreign exchange gains of $13.5 million (net of tax) and a recovery in future tax expense of $8.3 million. Adjusted for these items, net earnings for the quarter were $100.7 million.

Oil and Gas continued to benefit from historically strong global oil prices leading to its sixth consecutive quarter of record EBITDA. EBITDA of $96.2 million represented a 55% increase compared to the third quarter of 2007. Average realized oil prices in Cuba and Spain of $72.51 and $117.26 per barrel, during the third quarter, were 64% and 50% higher, respectively, than in the same period in the prior year. The benefit of higher average realized prices was partially offset by the strength of the Canadian dollar relative to the U.S. dollar. Gross working-interest production in Cuba decreased to 28,952 barrels per day (“bpd”) during the quarter, from 30,420 bpd in the third quarter of 2007 mostly as a result of hurricanes Gustav and Ike in September of this year.

In Coal, Mountain Operations and the coal development assets realized record EBITDA of $9.4 million, mainly as a result of improved pricing on their export thermal coal contracts. Average realized prices increased $36.80 per tonne to $87.19 per tonne in the third quarter of 2008 compared to the same period in the prior year. The impact of the increase in average realized prices was partially offset by higher costs for fuel, steel, power, and tires. Also in the Coal Prairie Operations, the Corporation included its first full quarter of results from Royal Utilities Income Fund (“Royal Utilities”) following the acquisition of the remaining units of Royal Utilities in the second quarter of 2008. Royal Utilities contributed $46.8 million of EBITDA in the quarter. Prairie Operations realized the benefit of higher commodity prices and significantly increased coal and potash royalty revenue during the quarter.

In Metals, following commissioning of the Phase 1 expansion, production of mixed sulphides and finished metals increased as compared to the third quarter of last year despite a disruption in mixed sulphides production resulting from Hurricane Ike. Revenue and EBITDA were lower this quarter compared to the same period in the prior year, despite a 17% increase in nickel sales volume, as a result of a 35% lower average-realized nickel price. Metal’s fertilizer operation benefited from a 99% increase in sales volume during the quarter and higher average-realized prices as compared to the same period in the prior year.

Metal’s 60,000 tonne nickel (100% basis) Ambatovy Project in Madagascar has progressed with engineering 79% complete, commencement of mechanical construction activities, and almost all key equipment, fabrication and construction contracts in place. Third-quarter capital expenditures for the Ambatovy Project totaled $366.5 million.

In Power, electricity revenue for the third quarter of 2008 was lower compared to the same period in the prior year primarily as a result of scheduled and unscheduled maintenance. EBITDA, however, of $23.7 million was 9% higher than the same period last year as a result of higher by-product revenue due to higher by-product prices as well as lower repair costs.

Financial results highlights

$ millions, except per share amounts		For the three months ended 2008 September 30		2007 September 30		For the nine months ended 2008 September 30		2007 September 30
Revenue by segment								
Metals	**$**	**137.5**	$	150.7	**$**	**477.5**	$	628.8
Coal [1]		**189.9**		28.1		**345.3**		72.5
Oil and Gas		**112.9**		81.5		**304.9**		217.6
Power		**30.9**		31.6		**91.0**		87.8
Corporate and other [2]		**6.0**		9.4		**13.9**		10.1
Revenue	**$**	**477.2**	$	301.3	**$**	**1,232.6**	$	1,016.8
EDITDA by segment								
Metals	**$**	**39.1**	$	87.3	**$**	**199.6**	$	388.7
Coal [1]		**56.2**		(2.5)		**83.5**		(3.4)
Oil and Gas		**96.2**		61.9		**250.7**		162.3
Power		**23.7**		21.8		**70.4**		63.2
Corporate and other [2]		**1.1**		(9.9)		**(21.8)**		(33.4)
EBITDA [3]	**$**	**216.3**	$	158.6	**$**	**582.4**	$	577.4
Operating earnings by segment								
Metals	**$**	**32.3**	$	81.5	**$**	**182.1**	$	371.4
Coal [1]		**25.6**		(3.7)		**30.0**		(9.7)
Oil and Gas		**72.0**		41.9		**173.6**		96.2
Power		**16.4**		14.5		**48.4**		43.3
Corporate and other [2]		**(0.3)**		(11.0)		**(25.8)**		(36.6)
Operating earnings	**$**	**146.0**	$	123.2	**$**	**408.3**	$	464.6
Earnings from continuing operations	**$**	**135.4**	$	66.1	**$**	**305.4**	$	287.6
Loss from discontinued operation		**(2.3)**		(0.7)		**(3.0)**		(0.7)
Net Earnings	**$**	**133.1**	$	65.4	**$**	**302.4**	$	286.9
Net earnings per share								
Basic	**$**	**0.45**	$	0.28	**$**	**1.12**	$	1.46
Diluted	**$**	**0.45**	$	0.28	**$**	**1.11**	$	1.45
Royal Utilities								
Distributions declared by Royal Utilities [4]	**$**	**-**	$	9.7	**$**	**15.9**	$	29.0
Capital expenditures								
Metals	**$**	**432.8**	$	48.4	**$**	**1,432.3**	$	128.5
Coal [1]		**3.0**		0.9		**10.5**		2.0
Oil and Gas		**32.6**		35.5		**87.7**		118.6
Power		**4.9**		1.2		**16.2**		16.9
Corporate and other [2]		**6.4**		3.0		**14.5**		3.3
Total	**$**	**479.7**	$	89.0	**$**	**1,561.2**	$	269.3
Balance sheet								
Cash, restricted cash and short-term investments	**$**	**596.0**	$	346.8	**$**	**596.0**	$	346.8
Total assets		**8,821.2**		3,780.9		**8,821.2**		3,780.9
Long term debt and other long-term liabilities		**1,981.3**		380.2		**1,981.3**		380.2
Non-controlling interests		**1,402.7**		190.7		**1,402.7**		190.7

(1) Coal results include the Corporation's 100% interest in Royal Utilities from May 2, 2008, the date of acquisition, to September 30, 2008 and the Corporation's 50% proportionate interest in the Coal Valley export thermal coal mine and in coal development assets.
(2) Corporate and other results include Sherritt's Technology division which includes the former Dynatec Metallurgical Technologies division's results from the date of acquisition of Dynatec Corporation ("Dynatec") on June 14, 2007.
(3) For additional information, see the "Non-GAAP Measures" section.
(4) Distributions declared by Royal Utilities represent the Corporation's 41.2% share to May 2, 2008.

Significant events

In light of current market conditions, Sherritt has initiated a series of measures to bring its spending in line with the projected cash flow from its operations and available project-specific facilities in order to preserve its balance sheet and maintain a strong liquidity position. The review has already resulted in:

- The suspension of approximately $270.0 million of capital contributions by the Corporation to the Moa/Fort Saskatchewan expansion
- A significant reduction in forecast sustaining capital expenditures in 2009
- A targeted reduction in forecast controllable operating expenses of at least 15%.
- A decision to scale Oil and Gas expenditures to be in line with Oil and Gas cash flow
- The initiation of a comprehensive review of the Ambatovy Project and Power's 150 MW combined cycle expansion to reduce projected costs and re-evaluate schedules

The Corporation's fourth-quarter results are expected to be impacted by significant pricing reductions in nickel, cobalt and oil offset in part by contractually escalating domestic coal prices and the continued strong international pricing environment for thermal coal and potash. Given the volatility of these commodity markets, it is difficult to forecast the impact of such pricing adjustments on the Corporation.

Given the Corporation's financial position, available credit facilities, and the fact that there are no scheduled maturities on its public debt until 2012, the Corporation currently does not expect a need to access debt and equity capital markets for financing over the next twelve months. However, because the duration of the general economic uncertainty and its detrimental effect on credit and capital markets is unknown, it is difficult to determine the long-term impact on the Corporation.

Consolidated earnings

Overview

For the quarter ended September 30, 2008, Sherritt reported revenue of $477.2 million, EBITDA of $216.3 million and net earnings of $133.1 million ($0.45 basic net earnings per share). For the nine months ended September 30, 2008, Sherritt reported revenue of $1.2 billion, EBITDA of $582.4 million and net earnings of $302.4 million ($1.12 basic net earnings per share).

Revenue

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions, except per share amounts	**September 30**	September 30	**September 30**	September 30
Revenue	**$ 477.2**	$ 301.3	**$ 1,232.6**	$ 1,016.8

For the three and nine months ended September 30, 2008, consolidated revenue increased by $175.9 million and $215.8 million, respectively, over the same periods in the prior year. This increase in revenue was primarily attributable to the inclusion of $150.6 million in the third quarter and $240.9 million of revenue from the date of acquisition of Royal Utilities in the second quarter. Revenue also benefited from the continued high price of oil, cobalt and coal during the third quarter of 2008. The increased revenue in Oil and Gas and Coal in both the third quarter and first nine months of the year were offset by lower revenue in Metals as a result of significantly lower average realized nickel prices primarily due to weaker global demand for stainless steel.

Operating, selling, general and administrative expenses

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Operating expenses	**$ 262.7**	$ 115.0	**$ 610.7**	$ 358.0
Selling expenses	**3.8**	2.2	**11.3**	12.4
General and administrative expenses	**11.5**	25.5	**62.9**	69.0
Operating, selling, general and administrative expenses	**$ 278.0**	$ 142.7	**$ 684.9**	$ 439.4

Operating expenses were $147.7 million and $252.7 million higher for the third quarter and first nine months of 2008, respectively, than the same periods in the prior year mainly a result of higher sales volumes and costs for commodity inputs, fuel, steel and power. In addition, amortization expenses of $17.1 million in the third quarter and $34.7 million in the first nine months of 2008 have been allocated to operating expenses as a result of adopting the Canadian Institute of Chartered Accountants (“CICA”) Section 3031 “Inventories” beginning January 1, 2008. Operating expenses also includes $105.1 million and $173.5 million (before amortization included in operating expenses) for the third quarter and first nine months of 2008, respectively, from Royal Utilities not included in the same periods in the prior year.

General and administrative expenses were $14.0 million lower for the third quarter than the same period in the prior year mainly due to a recovery in stock-based compensation expense of $15.1 million in the quarter. In addition, the third quarter of 2008 also included higher overhead cost recoveries in Power and lower expenses in Oil and Gas as a result of implementing cost cutting measures. For the first nine months of 2008, general and administrative expenses were $6.1 million lower than in the same period in the prior year due primarily to the reduction in the stock-based compensation. The first nine months in 2008 includes a compensation recovery of $3.8 million as compared to a compensation expense of $5.8 million in the same period in the prior year. This expense reduction is partially offset by the inclusion of ongoing expenses from Royal Utilities and the inclusion one-time transition and restructuring expenses on the acquisition of Royal Utilities.

Depletion, amortization and accretion

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Depletion, amortization and accretion	**$ 53.2**	$ 35.4	**$ 139.4**	$ 112.8

Depletion, amortization and accretion were $17.8 million and $26.6 million higher for the third quarter and first nine months of 2008, respectively, as compared to the same periods in the prior year. A significant portion of this increase was due to the inclusion of Royal Utilities from the date of acquisition to September 30, 2008. This increase was net of the reallocation of $17.1 million and $34.7 million of amortization to operating costs in the third quarter and first nine months of 2008, respectively, as a result of adopting the revised guidance in CICA Section 3031 “Inventories”.

Net financing expense

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Net financing expense	**$ 2.1**	$ 16.5	**$ 14.7**	$ 23.9

The Corporation had lower net financing expenses in the third quarter and the first nine months of the year primarily as a result of foreign-exchange gains in the periods that partially offset increased interest and accretion expenses related primarily to the debentures issued in October 2007 and June 2008. In the third quarter of 2008, due to delays in receipt of Oil and Gas receivables associated with the joint operating block, the Corporation discounted expected cash flows resulting in a downward fair-value adjustment of $7.3 million. The amount was charged to Net financing expense. As cash receipts are received, a portion of the receipts will be recorded as interest income up to a total of $7.3 million. This interest income will be included in Net financing (income) expense.

Share of earnings of equity-accounted investments

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Share of earnings of equity-accounted investments	**$ 0.1**	$ 4.0	**$ 9.5**	$ 15.9

The Corporation recognized minimal share of earnings from equity-accounted investments in the third quarter as, historically, this had represented the Corporation's share of equity earnings in Royal Utilities, the results of which are consolidated into the financial statements effective May 2, 2008.

Income taxes

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Income taxes	**(0.4)**	$ 41.0	**75.8**	$ 154.2
Effective tax rate	**-**	37%	**19%**	34%

The reduction in income tax expense for the third quarter of 2008 compared to the same period in 2007 is primarily attributable to the recognition of previously unrecognized non-capital losses and future tax assets (resulting in a recovery of future taxes), and a higher proportion of the Corporation's taxable income arising from Oil & Gas which is taxed at a lower tax rate. Lower income tax expense for the nine-month period ended September 30, 2008 compared to the same period in the prior year was lower due to lower earnings and due to the same factors for the three-month period described above.

Non-controlling interests

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Non-controlling interests	**$ 9.0**	$ 5.0	**$ 21.9**	$ 16.2

Non-controlling interests reflect the two-thirds outside interest in Energas S.A. ("Energas"), a variable interest entity in Power. The increase in non-controlling interests was primarily the result of an increase in Energas earnings due to increased production from the commissioning of the 65 MW Phase 7 expansion in the second quarter of 2007 and higher by-product pricing. Non-controlling interests at Ambatovy are minimal as the project is in development and most costs are capitalized.

Loss from discontinued operation

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Loss from discontinued operation	**$ 2.3**	$ 0.7	**$ 3.0**	$ 0.7

The loss from the discontinued operations related to the Mineral Products division acquired from Dynatec on June 14, 2007. Based on management's review of the business in the third quarter, it was determined that $1.4 million of property, plant and equipment were impaired and were written down accordingly.

Net Earnings

$ millions, except per share amounts	For the three months ended 2008 September 30	2007 September 30	For the nine months ended 2008 September 30	2007 September 30
Net Earnings	**$ 133.1**	$ 65.4	**$ 302.4**	$ 286.9
Weighted average number of common shares - basic	**291.9**	233.6	**268.8**	196.6
Weighted average effect of dilutive securities:				
Stock options	**0.1**	0.9	**0.6**	0.9
Cross guarantee	**3.8**	-	**3.8**	-
Weighted average number of common shares - diluted	**295.8**	234.5	**273.2**	197.5
Net earnings per common share				
Basic	**$ 0.45**	$ 0.28	**$ 1.12**	$ 1.46
Diluted	**$ 0.45**	$ 0.28	**$ 1.11**	$ 1.45

Basic earnings per share ("EPS") for the three and nine months ended September 30, 2008 were $0.45 and $1.12, respectively as compared with $0.28 and $1.46 for the same periods in the prior year. The increase in EPS in the third quarter as compared to the same period in the prior year was due to higher net earnings in the period inclusive of recoveries of stock-based compensation expense, foreign exchange gains and a significant reduction in income tax expense. For the first nine months of 2008 the EPS was lower despite higher net earnings primarily as a result of the issuance of 61.4 million shares for the acquisition of Dynatec in June 2007, the issuance of 28.5 million shares related to a share offering in the first quarter of 2008 which included 2.3 million shares issued pursuant to an over-allotment option under the offering and the issuance of 31.4 million shares for the acquisition of Royal Utilities in May 2008.

Consolidated cash flow, liquidity and capital resources

Cash provided by operating activities was $42.5 million during the third quarter and $215.3 million in the nine-month period ended September 30, 2008 compared with $77.8 million and $365.3 million during the same periods in the prior year. At September 30, 2008, cash and cash equivalents of $578.4 million compared to $355.2 million at December 31, 2007.

Cash provided by operating activities before working capital changes increased by $25.5 million for the third quarter compared to the same period in the prior year primarily due to higher earnings from continuing operations.

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Cash from operating activities before working capital changes	**$ 155.8**	$ 130.3	**$ 439.3**	$ 440.2
Increase in non-cash working capital	**(109.0)**	(49.0)	**(222.8)**	(77.1)
Cash used for discontinued operation	**(4.3)**	(3.5)	**(1.2)**	2.2
Cash provided by operating activities	**$ 42.5**	$ 77.8	**$ 215.3**	$ 365.3

The increase in non-cash working capital for the third quarter and first nine months of 2008 of $109.0 million and $222.8 million, respectively, was a result of higher accounts receivable balances and inventory levels and lower accounts payable and accrued liabilities balances after giving effect to capital asset financing accruals. Accounts receivable in Oil and Gas and Power increased for the third quarter and for the first nine months of 2008. In the nine-month period, this increase was partially offset by payments received in Metals from the other partners of the Ambatovy Joint Venture. The increase in non-cash working capital for the first nine months of 2008 included the impact of the payment for taxes payable related to the disposition of FNX Mining Company Inc. ("FNX") shares upon the acquisition of Dynatec in 2007.

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Capital expenditures	**$ (479.7)**	$ (86.2)	**$ (1,561.2)**	$ (266.4)
Change in non-cash capital expenditures	**(28.0)**	2.6	**153.2**	0.7
Cash capital expenditures	**$ (507.7)**	$ (83.6)	**$ (1,408.0)**	$ (265.7)
Cash used for other investing activities	**(24.4)**	(267.6)	**(218.9)**	(303.3)
Cash provided by (used for) financing activities	**307.1**	0.7	**1,624.8**	(7.8)

Capital expenditures during the third quarter of 2008 of $479.7 million and for the first nine months of 2008 of $1.6 billion were mostly related to expansion projects in the Ambatovy and Moa Joint Ventures. The remaining capital expenditures were mostly for development and exploration drilling in Oil and Gas and sustaining capital expenditures across all business units. Capital expenditures for the first nine months of 2007 of $266.4 million were driven by expansion projects in Metals and equipment purchases in Oil and Gas. The increase in non-cash capital expenditures for the first nine months of 2008 is primarily a result of the increase in accrual for purchase of capital assets during the period.

Cash used for other investing activities for the third quarter and first nine months of 2008 of $24.4 million and $218.9 million, respectively, was primarily related to advances for the Metals expansion and the acquisition of Royal Utilities in the second quarter of 2008. In the third quarter and first nine months of 2007, cash used for other investing activities was for advances for the Metals expansion and partially offset by distributions received from Royal Utilities and cash received upon the acquisition of Dynatec. In the first nine months of 2007, cash was also used to purchase short-term investments.

Cash provided by financing activities for the third quarter of 2008 of $307.1 million primarily related to financing of disbursements for the Ambatovy Project of $307.0 million (net of deferred financing costs) net of repayment during the quarter of $140.0 million on the Royal Utilities senior credit facility. Cash used for financing activities for the third quarter of 2007 did not change significantly.

Cash provided by financing activities for the first nine months of 2008 of $1.6 billion primarily related to an increase in long-term debt, primarily related to disbursements for the Ambatovy Project, and the issuance of 7.75% senior unsecured debentures series C for $271.4 million (net of transaction costs) and $33.3 million (net of transaction costs) received from the exercise of an over-allotment option from the equity offering in April 2008 by the underwriters in the second-quarter financing activities and the issuance of 26.3 million common shares for net proceeds of $383.0 million (net of transaction costs) in the first quarter. In addition, as discussed, during the third quarter the company made repayment on the Royal Utilities senior credit facility.

The effect of foreign-exchange rate changes on cash and cash equivalents was an increase of $9.9 million for the third quarter of 2008 compared to a decrease of $4.6 million in the third quarter of 2007. For the first nine months of 2008, cash and cash equivalents increased by $8.8 million as a result of foreign-exchange rate changes compared to a decrease of $8.8 million in the first nine months of 2007.

Liquidity Management and Profile

Liquidity risk arises from the Corporation’s financial obligations and in the management of its assets, liabilities and optimal capital structure. We manage this risk by regularly evaluating our liquid financial resources to fund our current and long-term obligations and to meet our capital commitments in a cost-effective manner.

The main factors that affect liquidity include realized sales prices, production levels, cash production costs, working capital requirements, future capital expenditure requirements, scheduled repayments of long-term debt obligations, our credit capacity and expected future debt and equity capital market conditions.

The Corporation’s liquidity requirements are met through a variety of sources, including: cash and cash equivalents on hand, cash generated from operations, existing credit facilities, leases, and debt and equity capital markets.

Weakening global economic conditions have led to a significant weakness in exchange traded commodity prices in recent weeks, including nickel prices. In general, credit market conditions have increased the cost of obtaining capital and limited the availability of funds. As economic conditions stabilize, management expects to be in a similar position as it has been previously in terms of its ability to access its traditional sources of liquidity.

Given the Corporation's financial position, available credit facilities, and the fact that there are no scheduled maturities on its public debt until 2012, the Corporation currently does not expect a need to access debt and equity capital markets for financing over the next twelve months. However, because the duration of the general economic uncertainty and its detrimental effect on credit and capital markets is unknown, it is difficult to determine the long-term impact on the Corporation.

In light of current market conditions, Sherritt has initiated a series of measures to bring its spending in line with the projected cash flows from its operations and available project specific facilities in order to preserve its balance sheet and maintain a strong liquidity position.

Management currently believes that based on its financial position and liquidity profile at September 30, 2008, the Corporation will be able to satisfy its current and long-term obligations.

The primary factors affecting our liquidity profile are discussed below:

Cash and cash provided by operating activities

Cash and cash equivalents were $578.4 million at September 30, 2008. During the first nine months of 2008, cash provided by operating activities amounted to $215.3 million. Cash provided by operating cash flows fluctuate mainly in relation to earnings. The Corporation does not expect that cash flows from operations achieved in the first nine months of 2008 will be reflective of the trend going forward. The Corporation's fourth quarter results are expected to be impacted by significant pricing reductions in nickel, cobalt and oil offset in part by contractually escalating domestic coal prices and the continued strong international pricing environment for thermal coal and potash. Input costs such as sulphur, sulphuric acid and energy costs have declined rapidly in international markets; however, there may be a time-lag in realizing these reductions. Given the current volatility in various markets, it is difficult to forecast the impact of these changes to the Corporation.

Cash provided by operating activities will also depend on the timely collection of our accounts receivable balances. For further information, see the description of credit risk in the Risk Management section.

Credit facilities

The Corporation, at September 30, 2008, had approximately $1.8 billion available under its various credit facilities inclusive of approximately U.S. $1.2 billion (including the Corporation's share of non-controlling interest) available under the Ambatovy Joint Venture limited recourse project financing.

The following table outlines the maximum amount and amount available to the Corporation under its Corporation's credit facilities as at September 30, 2008 and December 31, 2007:

	As at September 30, 2008				As at December 31, 2007			
$ millions		**Maximum**		Available		Maximum		Available
Senior unsecured debentures due 2012[(1)]	**$**	**274**	**$**	**-**	$	274	$	-
Senior unsecured debentures due 2014[(2)]		**225**		**-**		225		-
Senior unsecured debentures due 2015[(3)]		**275**		**-**		-		-
Loan from financial institution[(5)]		**31**		**-**		39		-
Syndicated 364-day revolving term credit facility[(4)]		**115**		**106**		115		48
364-day liquidity line of credit[(6)(12)]		**44**		**44**		50		50
6-month liquidity line of credit[(7)]		**16**		**16**		-		-
Ambatovy Project financing[(8)] (U.S.$)		**2,100**		**1,162**		2,100		2,100
Ambatovy Partners loans[(9)] (U.S.$)		**236**		**224**		-		-
Senior credit facitlity[(10)(11)]		**235**		**206**		-		-
Total Canadian Equivalent	**$**	**3,691**	**$**	**1,830**	$	2,777	$	2,173

(1) In 2005, the Corporation issued two tranches of the 7.875% senior unsecured debentures series A due November 26, 2012. On November 25, 2005, the first tranche of $175.0 million principal amount was issued for net cash proceeds of $172.5 million, which proceeds were used to repurchase substantially all of the Corporation's 50% share of the US$275.0 million of 9.75% senior unsecured notes of its coal business. On December 30, 2005, the second tranche of $98.6 million principal amount was issued in exchange for $90.6 million principal amount of the $105.0 million of 9.875% senior unsecured debentures, with the remaining balance of $14.4 million being redeemed for cash on January 16, 2006. Deferred financing costs of $11.1 million were netted against the 7.875% senior unsecured debentures in the beginning of 2007.

(2) On October 24, 2007, the Corporation issued $225.0 million principal amount of 8.25% senior unsecured debentures series B due October 2014 with net cash proceeds of $221.1 million.

(3) On June 17, 2008, the Corporation issued $275.0 million principal amount of 7.75% senior unsecured debentures series c due June 2015 with net cash proceeds of $271.4 million.

(4) The Syndicated 364-day revolving term credit facility has a term of 364 days with the next renewal in May 2009. Advances bear interest at the bankers' acceptance rate plus an applicable margin of 2%.

(5) The Corporation entered into loan agreements for $26.5 million and $25.0 million in 2007 and 2005, respectively. Both facilities were used to fund the expansion in Power. The loans bear interest at the bankers' acceptance rate plus an applicable margin of 2.9% payable semi-annually in ten equal instalments over a five-year term.

(6) The Corporation entered into a 364-day, $44.0 million loan agreement to provide liquidity in place of current ABCP holdings. In the event that the ABCP held by the Corporation are sold, the Corporation will be required to repay the facility. Advances bear interest at the bankers' acceptance rate plus an applicable margin of 1%. This facility is renewable in September 2009. The Corporation has signed a term sheet that provides for a $34.6 million loan to replace the existing facility. The new facility will be documented after the successful completion of the ABCP restructuring plan.

(7) The Corporation entered into a 6-month, $16.0 million loan agreement to provide liquidity in the place of current ABCP holdings. In the event that the ABCP held by the Corporation are sold, the Corporation will be required to repay the facility. Advances bear interest at the bankers' acceptance rate plus an applicable margin of 0.75%. This facility is renewable in February 2009.

(8) On August 22, 2007 the Ambatovy Joint Venture executed a U.S.$2.1 billion limited recourse project financing with a group of international lenders with a maturity date of June 15, 2024. The debt amortizes during the post-completion period and matures 17 years after signing. The blended interest rates on the loans are LIBOR plus an applicable margin.

(9) Facility available from the other shareholders of the Ambatovy Joint Venture to fund the Corporation's equity contribution to the Ambatovy Project. Interest is payable at LIBOR plus an applicable margin. Repayment of principal and interest will be made from 70% of the Corporation's share of distributions from the Ambatovy Joint Venture.

(10) The Corporation acquired a senior credit facility arrangement through the acquisition of Royal Utilities. The senior credit facility agreement is with a syndicate of financial institutions in which the interest rates payable on advances under the facility are based on prime lending rates, bankers acceptance rates, U.S. based rates and/or LIBOR rates plus applicable margins ranging from 0% to 1.457% depending on Royal Utilities' ratio of debt to operating earnings before interest, taxes, depreciation and amortization

(11) Subsequent to September 30, 2008, the Corporation received a further advance of $96.0 million under the Royal Utilities senior credit facility.

(12) Subsequent to September 30, 2008, the Corporation received a further advance of $25.0 million under the 364-day liquidity line of credit

The Corporation's debt includes long-term debentures, the Ambatovy financing loans, leases, and short-term bank facilities.

The Corporation's long-term debentures consist of three unsecured instruments having maturities ranging from November 2012 to October 2015. The Corporation's senior credit facility in the amount of $235.0 million matures in 2013 and has flexible principal borrowing and repayment terms until maturity.

The Ambatovy Project financing loan is a U.S. $2.1 billion project specific loan from a syndicate of lenders. In addition to this loan, the Corporation has loans of U.S. $236.0 million from its partners in the Ambatovy Project to be used solely to fund the Corporation's equity investment in the Project. Both these facilities have been partially drawn down and management expects to be able to access the full amount of these funds, if required.

The Corporation's short-term credit facilities have varying renewal and maturity dates. The Corporation has short-term bank facilities totalling approximately $175.0 million maturing in 2009. Management anticipates that these facilities can be renewed in 2009.

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. The Corporation and its affiliates were in compliance with their financial covenants as at September 30, 2008 and expect to remain in compliance during the next twelve months based on current market conditions.

Capital spending

The Corporation has initiated a series of measures to bring its spending in line with the projected cash flows from its operations and available project specific facilities in order to preserve its balance sheet and maintain a strong liquidity position. The review has resulted in a deferral of capital spending which is described further in the Review of Operations *Outlook* sections.

Contractual commitments and obligations

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

$ millions, as at	Total	2008	2009	2010	2011	2012	2013 and thereafter
Capital commitments	$ 1,695.9	$ 671.0	$ 817.0	$ 207.9	$ -	$ -	$ -
Long-term debt	1,828.3	2.7	10.2	10.2	5.2	312.3	1,487.7
Capital leases	91.2	26.9	25.1	17.1	14.8	7.3	-
Operating leases	46.4	9.0	7.7	5.8	4.6	2.7	16.6
Asset retirement obligations	313.0	82.3	4.7	4.5	103.9	37.6	80.0
Total	$ 3,974.8	$ 791.9	$ 864.7	$ 245.5	$ 128.5	$ 359.9	$ 1,584.3

Commitments for the Ambatovy Project amounted to $1.3 billion (December 31, 2007 - $941.4 million), including the share of non-controlling interest. In addition, at September 30, 2008, the Corporation was committed to purchases of equipment, office space, vehicles, and services in the amount of $393.5 million (December 31, 2007 - $343.2 million), including its proportionate share of joint venture commitments. Sherritt has a provided a completion guarantee up to U.S.$840 million on the Ambatovy Project financing, of which the first U.S.$598 million is cross-guaranteed by its partners

The Corporation has diversified its sources of lease financing to reduce the financing risk associated with future acquisitions of equipment with leases.

Consolidated financial position

Overview

Consolidated total assets of the Corporation were $8.8 billion at September 30, 2008. The Corporation has positive working capital of $842.6 million as at September 30 as compared to $592.0 million at December 31, 2007. The increase in working capital is a function of increased cash and cash equivalents, net accounts receivable and inventories, partially offset by higher accounts payable and accrued liabilities and the current portions of long-term debt and asset retirement obligations.

Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash totaled $596.0 million at September 30, 2008. During the first nine months of 2008, cash and cash equivalents and restricted cash increased by $209.4 million. During the third quarter of 2008 cash and cash equivalents and restricted cash decreased by $188.5 million. Inflows during the quarter included U.S.$307.0 million in long-term loans related to the Ambatovy Joint Venture, offset by $507.7 million of cash capital expenditures and the $140.0 million payment on the Royal Utilities secured credit facility.

Advances and loans receivable

Current advances and loans receivable were $60.4 million at September 30, 2008, an increase of $8.9 million since year end. The most significant advances and loans receivable relate to a working capital advance to the Moa Joint Venture.

Accounts receivable

Accounts receivable were $637.3 million at September 30, 2008, an increase of $142.2 million since year end. Part of this increase was due to the inclusion of the Royal Utilities accounts receivable balance of $44.2 million. Metal's accounts receivable decreased $65.2 million primarily due to the receipt of Ambatovy Joint Venture partner contributions. Accounts receivable in Oil and Gas are $140.8 million higher as a result of higher oil prices and higher balances on a jointly operated block. Oil and Gas and Power's accounts receivables included amounts due from Cuban Government agencies. The Corporation has assessed the collectability and timing of collection of these receivables. Although current global economic conditions have negatively impacted Cuba, the Corporation currently believes the receivables are collectible. Receivables associated with the jointly-operated block, however, are expected to be collected over a longer period of time. Due to the expected delays in receipt of payments, the Corporation has discounted the expected cash receipts of the jointly-operated block resulting in a downward fair-value adjustment of $7.3 million. For further information on Oil and Gas receivables, see credit risk in the Risk Management section.

Inventories

Inventories were $209.5 million at September 30, 2008, an increase of $115.5 million since year end. The addition of Royal Utilities to the consolidated balance resulted in an increase of $49.6 million. In addition, inventories in Metals increased by $52.6 million due to increased raw materials, finished goods and work-in-progress. In general, inventory cost increased as a result of the impact of CICA Section 3031 "Inventories" which required certain costs to be capitalized to inventories beginning January 1, 2008. The overall impact to the Corporation was $3.2 million (or $2.7 million after-tax).

Property, plant and equipment

Property, plant and equipment were $5.6 billion at September 30, 2008, an increase of $2.3 billion since year end. The consolidation of operations as a result of the acquisition of Royal Utilities resulted in an increase of $285.5 million in property, plant and equipment. Capital expenditures for the first nine months of 2008 primarily consisted of $1.4 billion in support of expansion projects in both the Moa and Ambatovy Joint Ventures, and $87.7 million for development and exploration drilling in Oil and Gas. These amounts were partially offset by amortization on property, plant and equipment. The Ambatovy Joint Venture awarded various construction contracts, purchased a significant amount of equipment and capitalized a substantial amount of labour costs associated with the construction.

Investments

Investments were $66.1 million at September 30, 2008, a decrease of $338.7 million from year end. The balance at September 30, 2008 primarily consists of $44.8 million of asset-backed commercial paper (“ABCP”) and a $15.6 million equity investment in tourism based entities, which were comparable to the year-end balance. The year-end balance also consisted of the Corporation’s $337.1 million equity investment in Royal Utilities, which is no longer accounted for on an equity basis.

The balance of the ABCP with a carrying value of $44.8 million is net of an $18.7 million fair-value adjustment. The Corporation estimated the fair value of its ABCP in third quarter of 2008 and determined that an additional $2.8 million fair-value reduction was required based on existing market conditions and an increasing credit spread over Government of Canada T-bills.

At the dates the Corporation and Royal Utilities acquired these investments they were rated R-1 by Dominion Bond Rating Service, the highest credit rating issued for commercial paper. The ABCP portfolio matured between mid-August 2007 and mid-September 2007, but was not repaid as a result of liquidity issues in the ABCP market. In December 2007, a group of participants in the ABCP market, including banks, liquidity providers and major investors, known as the Pan-Canadian Investors Committee, proposed a restructuring for $32.0 billion of ABCP to be converted into long-term floating-rate notes. On March 17, 2008, a court order was obtained through which the restructuring of the ABCP was expected to occur under the protection of the Companies’ Creditors Arrangement Act. The investors voted on April 25, 2008 and approved the restructuring plan which received court approval on June 18, 2008. During the third quarter of 2008, the Supreme Court of Canada denied an appeal made by certain investors and the Restructuring Committee is proceeding with the plan as proposed. It is expected the plan will be complete in the fourth quarter of 2008. The Corporation has classified the ABCP as long-term investments, after initially classifying them as cash and cash equivalents, as it is anticipated that this investment may be realized beyond a 365-day period.

The Corporation will continue to monitor developments in the Canadian ABCP market to determine if future events would require a change to the fair-value adjustment. Additional information with respect to the fair-value determination is described further in note 9 of the interim consolidated financial statements.

Future income taxes

The future tax asset (including current portion) of $156.2 million as at September 30, 2008 increased by $96.0 million from the 2007 year-end amount of $60.2 million. The increase during the first nine months of 2008 in the future tax asset was partially due to the recognition of tax benefits of approximately $27.0 million associated with previously unrecognized non-capital losses, cumulative development expenditures and other positive timing differences. Also, the consolidation of Royal Utilities (previously accounted for as an equity investment) resulted in the acquisition of future tax assets of approximately $24.6 million in non-capital losses, $15.6 million related to asset-retirement obligations and $14.2 million related to capital-lease obligations.

The tax benefit of the losses was recognized on the expectation that sufficient taxable income will either be realized in the future to utilize these losses, or carried back to recover prior years' taxes paid.

Other assets

Other assets were $336.9 million at September 30, 2008, an increase of $170.1 million from year end. The increase from year end is due mainly due to an increase of $103.3 million (excluding current portion) in advances with respect to the Metals expansion and the addition of a $49.5 million asset (net of amortization) relating to the cross-guarantee fee to be paid to Sumitomo and SNC-Lavalin in the form of shares as described in note 4 of the interim consolidated financial statements.

Goodwill and other intangibles

Goodwill and other intangibles balance of $1.2 billion consisted of goodwill of $401.0 million related to Ambatovy Joint Venture on the acquisition of Dynatec and $303.5 million related to the acquisition of Royal Utilities. The Ambatovy balance is denominated in U.S. dollars and as such the increase from year end relates to the weakening of the Canadian dollar relative to the U.S. dollar since December 31, 2007. Intangibles of $447.7 million relate primarily to the fair values assigned to identifiable intangibles acquired on the purchase of Royal Utilities.

Short-term debt

The Corporation had no short-term debt as at September 30, 2008 as it was fully repaid in the second quarter of 2008.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were $629.4 million as at September 30, 2008, an increase of $161.8 million since year end. Accounts payable increased in Metals primarily due to higher spending in the Ambatovy Project. The addition of Royal Utilities to the consolidated balance resulted in an increase of $39.9 million as compared to the previous year. Corporate accounts payable decreased from year end primarily due to the payment in 2008 of taxes payable related to the disposition of FNX shares upon acquisition of Dynatec in 2007 and a decrease in accruals for stock and other stock based compensation.

Long-term debt and other long-term liabilities

Long-term debt and other long-term liabilities (including current portion) were $2.0 billion at September 30, 2008, an increase of $1.4 billion since year end, primarily due to advances on the Ambatovy Project financing of $930.5 million (net of deferred financing costs), the issuance of 7.75% senior unsecured debentures series C for $271.5 million (net of transaction costs), and $224.3 million from the addition of Royal Utilities long-term debt in the second quarter of 2008. During the third quarter the Corporation repaid $140.0 million under the Royal Utilities secured credit facility.

Future income taxes

The future income tax liability (including current portion) increased by $276.5 million to $655.4 million as at September 30, 2008 compared to a balance of $378.9 million as at December 31, 2007. The increase is primarily due to the future tax costs in the amount of $251.0 million associated with property, plant and equipment acquired on the Royal Utility acquisition and a decrease in $14.6 million in unrealized profit in inventory. The overall future income tax liability does not represent a current cash liability, but is primarily a result of the temporary differences between the values of property, plant and equipment for tax purposes compared to their values for accounting purposes.

Non-controlling interest

Non-controlling interests included third-party interests in the Ambatovy Joint Venture in Metals and in Energas, a company in which Power has a one-third interest. Non-controlling interests were $1.4 billion at September 30, 2008, an increase of $200.4 million since year end. The increase in non-controlling interests in the Ambatovy Joint Venture from $1.0 billion to $1.2 billion was primarily due to the increase in net assets in the first nine months of 2008. The increase in the non-controlling interest in Energas from $185.8 million as at December 31, 2007 to $199.7 million is due to $20.9 million of net earnings attributed to non-controlling interests and $3.3 million due to the adoption of CICA Section 3031 “Inventories”, partially offset by the payment of $10.3 million of dividends to the non-controlling interests.

Capital stock

The Corporation’s share capital of $2.7 billion at September 30, 2008 increased from $1.9 billion at December 31, 2007 due to the issuance of 28.5 million common shares, for net proceeds of $416.3 million (net of transaction costs) related to a share offering on March 31, 2008 which included 2.3 million shares issued pursuant to an over-allotment option under the offering and the issuance of 31.4 million common shares for attributed value of $465.0 million for the Royal Utilities acquisition. During the third quarter the Corporation issued 0.1 million shares in respect of employee share purchase plans, and 0.2 million shares on the exercise of stock options.

During the third quarter, the Board of Directors of the Corporation approved a quarterly dividend of $0.036 per share payable October 14, 2008 to shareholders of record at the close of business on September 30, 2008.

Accumulated other comprehensive loss

Accumulated other comprehensive loss was $99.3 million at September 30, 2008, a decrease of $131.7 million from year end primarily due to the weakening of the Canadian dollar relative to the U.S. dollar on the translation of the Corporation's self-sustaining operations, which are comprised of the foreign operations of Metals and Oil and Gas. The majority of the translation gains related to property, plant and equipment, inventories, and accounts receivable which were partially offset by translation losses in accounts payable.

Review of operations

Metals

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

Moa Joint Venture

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

As a result of current market conditions, Sherritt has decided to suspend capital contributions to the Moa/Fort Saskatchewan expansion and has proposed that the remaining 9,000 tonne expansion will be completed over a longer time frame, as operating cash flows allow. It is anticipated that this will lower expansion–related expenditures in the fourth quarter of 2008 and in 2009 as existing commitments are met. As a result, demobilization of the construction workforce is expected to begin shortly and equipment and material currently on the site will be preserved, where possible, to allow for completion of the expansion project once market conditions improve.

Ambatovy Joint Venture

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

The Ambatovy Project in Madagascar has progressed with almost all key equipment, fabrication and construction contracts in place and the commencement of mechanical construction activities. As a result of current market conditions, and with engineering 79% complete, Sherritt and its partners of the Ambatovy Project in Madagascar are undertaking a comprehensive review of the capital cost and schedule. This review will include evaluation of initiatives to optimize the amount and timing of capital spending consistent with Sherritt's objective to maintain its strong liquidity position. It is expected that this review will be completed within the next two months.

Outlook (refer to "Forward-looking statements")

Consistent with previous guidance, full-year production (100% basis) for 2008 is expected to be approximately 32,500 tonnes of nickel and 3,400 tonnes of cobalt. The suspension of the Moa/Fort Saskatchewan expansion eliminates the need for an estimated one-month outage at Fort Saskatchewan planned for 2009. Accordingly, 2009 production is expected to be approximately 33,400 tonnes of nickel and 3,400 tonnes of cobalt.

Sherritt expects that mining, processing and refining costs for 2008 will be higher than in the prior year as a result of increased input commodity costs, which have increased substantially due to higher sulphur, sulphuric acid and energy costs realized in the third quarter. Subsequent to quarter end many such input costs have declined rapidly in international markets. These trends, if sustained, will reduce mining, processing and refining costs substantially; however, there may be a time-lag in realizing these reductions.

Sustaining capital expenditures are expected to be $17.5 million in the fourth quarter and $55.9 million for 2008, marginally lower than earlier guidance of $71.2 million reflecting the suspension of capital contributions in respect of improvements being made at Moa concurrently with the expansion. Sustaining capital expenditures for 2009 are under review but are not expected to exceed $40.0 million.

Given the suspension noted above, capital expenditures for the balance of 2008 are also under review, but are expected to be substantially less than the $83.0 million previously estimated for the fourth quarter. 2009 expansion related capital expenditures are anticipated to not exceed the net free cash flow of the business.

Capital expenditures for the Ambatovy Project in the fourth quarter of 2008 are expected to be U.S. $458.0 million. Sherritt's share of capital expenditures for the Ambatovy Project for the balance of 2008 is expected to be $183.2 million, of which approximately $90.0 million will be financed by project debt. The remainder of Sherritt's share will be financed by draw-downs on existing $236.0 million project partner provided facilities. Capital expenditures for 2009 and beyond are being reassessed as part of the comprehensive cost and schedule review currently underway.

Highlights

- Achieved Phase 1 production rates during the quarter at the Moa facility
- Record nickel production and sales
- Construction activities on the Ambatovy Project progressed

Financial analysis

$ millions	For the three months ended **2008 September 30**	2007 September 30	For the nine months ended **2008 September 30**	2007 September 30
Revenue				
Nickel	**$ 89.4**	$ 118.3	**$ 296.9**	$ 495.8
Cobalt	**31.5**	24.6	**115.1**	80.8
Fertilizers	**13.4**	4.9	**55.4**	44.7
Other	**3.2**	2.9	**10.1**	7.5
	137.5	150.7	**477.5**	628.8
Operating costs (1)				
Mining, processing and refining	**(72.4)**	(41.6)	**(176.8)**	(123.6)
Third party feed costs	**(5.5)**	(11.2)	**(25.1)**	(39.2)
Fertilizers	**(11.9)**	(5.2)	**(52.3)**	(44.1)
Other	**(4.3)**	(2.3)	**(9.9)**	(17.9)
	(94.1)	(60.3)	**(264.1)**	(224.8)
Selling costs	**(3.3)**	(2.1)	**(10.6)**	(12.2)
General and administrative costs	**(1.0)**	(1.0)	**(3.2)**	(3.1)
EBITDA (2)	**39.1**	87.3	**199.6**	388.7
Depletion, amortization and accretion	**(6.8)**	(5.8)	**(17.5)**	(17.3)
Operating earnings (2)	**$ 32.3**	$ 81.5	**$ 182.1**	$ 371.4

(1) Excluding depreciation and amortization of $4.5 million in the third quarter of 2008 and $11.0 million in the nine months ended September 30, 2008. For additional information see “Inventories” in the “Changes in Significant Accounting Policies” section.
(2) For additional information, see the “Non-GAAP Measures” section.

Revenue for the third quarter and for the first nine months of 2008 decreased by $13.2 million and $151.3 million, respectively, compared to the same periods in the prior year primarily due to a continued and significant decline in average-realized nickel prices, partially offset by higher nickel sales volumes, higher average-realized cobalt prices and stronger fertilizer prices. Third quarter nickel and cobalt sales volumes increased compared to the same period in the prior year due to higher finished metals production reflecting the timing of the annual maintenance turnaround relative to the prior year and achievement of Phase 1 production rates. Stronger fertilizer prices reflected tight supply and a buoyant agricultural market that has allowed producers to pass on the impact of higher input costs to their end customers.

Operating costs for mining, processing and refining were higher in the third quarter and for the first nine months of 2008 compared to the same periods last year due to increased nickel sales volumes and higher commodity input costs. These increased commodity costs were partially offset by lower third-party feed costs. Third-party feed costs were lower as increased internal mixed sulphide production displaced third-party feed volumes. For fertilizer sales, operating costs were higher in both the third quarter and the first nine months of 2008 due to increased volumes and commodity costs. Selling costs were higher for the third quarter and lower for the first nine months of 2008, as compared to the same periods in the prior year largely reflecting the trends in fertilizer sales volumes. General and administrative costs remained relatively unchanged as compared to amounts in the same periods in the prior year.

Depletion, amortization and accretion were higher this quarter due to the impact of adopting CICA Section 3031 "Inventories" and placement of Phase 1 assets into service. For the first nine months of 2008, the marginal increase was due to the allocation of depreciation, amortization and accretion to inventory upon implementation of CICA Section 3031 "Inventories".

Prices	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Nickel - average realized ($/lb)	**$ 9.16**	$ 14.14	**$ 11.28**	$ 19.81
Cobalt - average realized ($/lb)	**33.64**	26.61	**41.74**	28.98
Nickel - reference (U.S.$/lb)	**8.61**	13.71	**11.09**	18.03
Cobalt - reference (U.S.$/lb) (1)	**32.54**	25.84	**41.49**	26.54

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

The nickel reference price averaged U.S.$8.61/lb in the third quarter, down U.S.$5.10/lb from the third quarter of 2007 reflecting weaker global demand for stainless steel. During the quarter, LME nickel prices fluctuated between U.S.$7.00/lb and U.S.$10.00/lb as LME stocks rose to a nine-year high of 56,000 tonnes. For the nine month period ended September 30, 2008, the nickel reference price averaged U.S.$11.09/lb, down U.S.$6.94/lb, compared to the same period in the prior year.

The cobalt reference price averaged U.S.$32.54/lb for the third quarter of 2008, up U.S.$6.70/lb from the third quarter of 2007. Prices continued to decline from record prices established in the first quarter of 2008, reflecting lower demand, particularly from China. For the first nine-month period ended September 30, 2008, the cobalt reference price averaged U.S.$41.49/lb, up U.S.$14.95/lb as compared to same period in the prior year.

Production (tonnes)	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Mixed sulphides	**4,350**	4,195	**12,997**	12,399
Finished nickel	**4,415**	3,802	**11,867**	11,351
Finished cobalt	**438**	418	**1,250**	1,304

Mixed sulphide production increased in the third quarter and first nine months of 2008, compared to the same periods in the prior year due to the achievement of Phase 1 production rates. Mixed sulphide production was interrupted by Hurricane Ike, resulting in a total production impact of approximately 600 tonnes (100% basis) of nickel and cobalt contained in mixed sulphides, 530 tonnes of which affected third-quarter results. During the second quarter, agreement in principle had been reached between the joint venture companies on the terms of a renewed mixed sulphides supply agreement. Subject to agreement on certain commitments related to the expansion project, it is expected that the contract will be renewed on the same terms as the expired agreement.

Finished metals production increased in the third quarter of 2008 compared to the same period in the prior year primarily due to achievement of Phase 1 production rates and the timing of the annual maintenance shutdown, which occurred in the second quarter of 2008 compared to in the third quarter of 2007. For the first nine months of 2008, finished cobalt production was 54 tonnes lower than in the same period in the prior year reflecting lower cobalt rich third-party feed to the refinery.

Sales	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Finished nickel (thousands of pounds)	**9,762**	8,367	**26,324**	25,030
Finished cobalt (thousands of pounds)	**936**	923	**2,758**	2,787
Fertilizer (tonnes)	**25,795**	12,949	**131,500**	140,421

Nickel sales volumes for the third quarter and the first nine months of 2008 were higher than in the same periods in the prior year reflecting higher production levels. For the third quarter, cobalt sales volumes were higher than the same period in the prior year but lower for the nine months ended September 30, 2008 reflecting production trends. Fertilizer sales increased in the third quarter of 2008 compared to the same period in the prior year reflecting strong demand and availability of inventory.

Capital expenditures (1)	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Moa Joint Venture				
Sustaining	**$ 15.6**	$ 6.9	**$ 38.4**	$ 37.1
Expansion	**50.7**	41.5	**142.8**	91.4
	$ 66.3	$ 48.4	**$ 181.2**	$ 128.5
Ambatovy Joint Venture	**366.5**	69.0	**1,251.1**	74.0
Total	**$ 432.8**	$ 117.4	**$ 1,432.3**	$ 202.5

(1) Capital expenditures include the Corporation's 50% interest in the Moa Joint Venture, 100% of utility and fertilizer operations in Fort Saskatchewan and 100% of the Ambatovy Joint Venture. The Ambatovy Joint Venture was equity accounted for prior to October 1, 2007.

Capital expenditures increased in the third quarter and the first nine months of 2008 compared to the same periods in the prior year, primarily due to higher capital spending associated with the Moa/Fort Saskatchewan expansion project and the Ambatovy Project. The Ambatovy Joint Venture has progressed well with all major construction contracts awarded and a significant amount of equipment purchased**.** Sustaining capital expenditures in the Moa Joint Venture were $15.6 million and $38.4 million for the third quarter and first nine months of 2008, respectively, compared to $6.9 million and $37.1 million for the same periods in the prior year.

Unit operating costs	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Mining, processing and refining costs	**$ 7.12**	$ 4.76	**$ 6.59**	$ 4.47
Third-party feed costs	**0.54**	1.23	**0.94**	1.42
Cobalt byproduct credits	**(3.10)**	(2.79)	**(4.30)**	(2.91)
Other (1)	**(0.06)**	0.10	**(0.09)**	0.13
Net direct cash cost (U.S.$/lb of nickel)	**$ 4.50**	$ 3.30	**$ 3.14**	$ 3.11
Natural gas costs ($ per gigajoule)	**9.61**	4.98	**8.47**	6.41
Sulphur costs (U.S.$ per tonne)	**576.22**	117.61	**412.74**	105.64
Sulphuric acid costs (U.S.$ per tonne)	**222.52**	107.02	**219.24**	105.79

(1) Other costs include marketing costs, premiums, and other by-product credits.

The increase in net direct cash cost of nickel in the third quarter and first nine months of 2008 compared to the same periods in the prior year reflects the impact of higher input commodity costs partially offset by higher cobalt prices, lower third-party feed costs and higher nickel sales.

Mining, processing and refining costs are strongly influenced by input commodity costs, which have increased substantially this year largely due to higher sulphur, sulphuric acid and energy prices.

Components of mining, processing and refining costs (1)	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Fixed Costs	15%	21%	17%	22%
Sulphur	17%	6%	12%	5%
Sulphuric acid	17%	12%	19%	13%
Fuel oil	17%	15%	16%	14%
Maintenance	8%	18%	11%	16%
Other variable	26%	28%	25%	30%
	100%	100%	**100%**	100%

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

Coal

Coal has abundant, high-quality, and strategically located reserves in Canada that are suited to providing customers with a stable long-term fuel supply. It also has the opportunity to capitalize on coal's economic pricing as a commodity relative to other energy sources such as oil and natural gas and is engaged in a series of long-term initiatives to develop its substantial coal reserves in Canada with a view to supplying energy in the form of power, steam or gases such as hydrogen, through gasification, and related hydrocarbon fuels. Coal is currently in negotiations with a variety of potential customers on new initiatives; other projects are in the formative research and design stages. Coal consists of three operations: Prairie Operations which includes all of the assets of Royal Utilities, Mountain Operations, which includes Coal Valley Resources Inc. ("CVRI"), and the coal development assets where Sherritt is working to monetize significant coal reserves.

In the Prairie Operations, Sherritt acquired 100% of Royal Utilities on May 2, 2008. Royal Utilities owns and operates the Paintearth, Sheerness, Genesee (50% joint venture interest), Poplar River, Boundary Dam and Bienfait mines and operates the Highvale and Whitewood mines under contract. A total of 36.1 million tonnes of coal was produced by Royal Utilities in 2007. Royal Utilities also holds a portfolio of mineral rights located in Alberta and Saskatchewan on which it earns royalties from the production of coal and potash.

The consolidated results of the Corporation include equity earnings of Royal Utilities up to May 2, 2008, the date of acquisition. Royal Utilities' results are consolidated with the Corporation as of the date of acquisition.

During the third quarter, the Corporation completed, through its wholly-owned subsidiary, Prairie Mines and Royalty Ltd. ("PMRL"), a joint venture and related agreements with a wholly-owned subsidiary of Norit N.V. ("Norit") to construct the first of four 15,000 short-ton activated-carbon units at PMRL's thermal coal producing facility near Bienfait Saskatchewan. Total cost of the four phase project is expected to be approximately $200 million. Each party will have a 50% ownership position in the project. Norit will provide all sales activities, its proprietary technology and design, and Norit and PMRL will work jointly on design and construction. Following commission of the plant, PMRL will become the exclusive supplier of coal and will operate the plant. Production is currently expected to begin in 2009. Development of additional phases will be subject to meeting certain conditions precedent.

Mountain Operation's principal asset, CVRI, is indirectly owned 50% by Sherritt. CVRI mines and sells thermal coal and owns the Coal Valley mine, Obed Mountain mine, Gregg River mine and Coleman properties. Presently, the Coal Valley mine is the only active mine and sold 3.8 million tonnes (100% basis) of thermal coal in 2007**,** the majority of which was sold on the export market.

The coal development assets include Carbon Development Partnership ("CDP"), a general partnership 50% owned by Sherritt that holds more than 10 billion tonnes of coal reserves and resources. CDP is currently assessing the potential for monetizing its coal reserves through the development of various projects. CDP's foremost project is the Dodds-Roundhill coal gasification project where Sherritt is working to develop Canada's first commercial application of coal gasification technology. The project will include a surface coal mine and a coal gasification facility.

Sherritt currently proportionately consolidates its 50% interest in Mountain Operations and in CDP.

Outlook (refer to "Forward-looking statements")

Production for 2008 at Prairie Operations is expected to be 35.8 million tonnes, slightly lower than the 36.1 million tonnes previously estimated due to reduced consumption by the power plants serviced by the contract mines. Revenue and EBITDA from Prairie Operations are both expected to exceed 2007 levels, as higher realized prices, coupled with increased potash and coal royalties, should more than offset the operating cost pressures. Full-year 2008 coal and potash royalties are anticipated to be $40.0 million and $16.0 million respectively, representing material increases over 2007 levels due to the current robust pricing environment in coal and potash. As previously reported, unit operating costs continued to face upward pressures during the quarter. This is due to the higher diesel prices, as well as increased labour, equipment and maintenance costs. Some of these costs, particularly diesel, have declined substantially after quarter end. While Sherritt expects 2008 unit operating costs at Prairie Operations to be approximately 16% higher than 2007, reduced diesel costs, to the extent they are sustained may mitigate some of this increase during the fourth quarter. Full-year 2008 capital expenditures at Prairie Operations are expected to be $19.0 million, with $5.8 million anticipated in the fourth quarter. Sustaining capital expenditures for 2009 are anticipated to be $17.9 million.

Work is progressing well on Coal's previously announced construction of the first phase of the activated carbon plants. The overall capital cost for this phase is not expected to differ significantly from previous guidance, with fourth quarter 2008 capital expenditures anticipated to be $1.1 million and the remainder of the expenditure is expected to be incurred in 2009.

At Mountain Operations, realized prices continue to benefit from the robust pricing environment in the export thermal coal market. Sherritt expects sales and production volumes at the Coal Valley mine to be 3.9 million tonnes (100% basis), reflecting the impact of poor weather in the first half of 2008. As per previous guidance, Sherritt also continues to expect 2008 EBITDA from the Coal Valley mine to be approximately $100 million on a 100% basis. Sherritt's share of sustaining capital expenditures at Mountain Operations for the fourth quarter and full year of 2008 are expected to be approximately $4.4 million and $6.8 million. Sustaining capital expenditures for 2009 are anticipated to be $10.4 million on a 50% basis.

Progress continues on re-opening the Obed Mountain mine, in which Sherritt has a 50% interest. Production at the mine, which has an estimated annual capacity of 1.2 million tonnes (100% basis), is expected to commence in the second half of 2009. Sherritt's share of the capital expenditures associated with re-opening the mine is expected to be approximately $2.6 million in the fourth quarter of 2008 and $10.4 million in 2009. These costs will be directed toward plant re-start, load-out facilities and conveyor upgrades. As previously disclosed, an off-take contract for 100% of the mine's production has been secured, which guarantees a floor price for three years with a sharing of the price upside.

Sherritt also continues to develop the Dodds-Roundhill coal gasification project with a view to completing the pre-feasibility study by the end of 2008.

Highlights

- Record quarterly revenue, EBITDA and operating earnings for Mountain Operations
- Significant increases in coal and potash royalties for Prairie Operations
- Continued progress on reopening the Obed Mountain mine

Financial analysis

Prairie Operations (100% basis) (1)	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Mining revenue	**$ 133.1**	$ 116.1	**$ 380.4**	$ 345.0
Coal royalties	**12.5**	5.6	**32.0**	23.0
Potash royalties	**5.0**	1.7	**13.1**	5.8
	150.6	123.4	**425.5**	373.8
Operating costs (2)	**(105.1)**	(89.4)	**(298.3)**	(263.5)
General and administrative recovery (costs) (3)	**1.3**	(2.2)	**(9.4)**	(8.1)
EBITDA (4)	**46.8**	31.8	**117.8**	102.2
Depletion, amortization and accretion	**(28.1)**	(28.5)	**(79.9)**	(83.2)
Operating earnings	**$ 18.7**	$ 3.3	**$ 37.9**	$ 19.0
Distributions declared by Royal Utilities (100% basis)	**$ -**	$ 23.5	**$ 38.6**	$ 70.4
Equity-accounted earnings of Royal Utilities	**$ -**	$ 4.0	**$ 9.4**	$ 15.9

Mountain Operations and coal development assets (50% basis)	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Revenue	**$ 39.3**	$ 28.1	**$ 104.4**	$ 72.5
Operating costs (5)	**(29.2)**	(29.6)	**(82.3)**	(71.6)
General and administrative costs	**(0.7)**	(1.0)	**(1.8)**	(4.3)
EBITDA (4)	**9.4**	(2.5)	**20.3**	(3.4)
Depletion, amortization and accretion	**(2.5)**	(1.2)	**(7.3)**	(6.3)
Operating earnings (loss)	**$ 6.9**	$ (3.7)	**$ 13.0**	$ (9.7)

(1) Prairie Operations have been presented on a 100% basis. Sherritt equity accounted for the Prairie Operations up to the date of acquisition of Royal Utilities. The revenue and EBITDA for the period from the date of acquisition to September 30, 2008 was $240.9 million and $63.2 million.
(2) Excluding depreciation and amortization of $10.5 million for third quarter and $28.7 million for the nine months ended September 30, 2008. For additional information see “Inventories” in the “Changes in Significant Accounting Policies” section.
(3) Includes restructuring and other costs related to being acquired by Sherritt of $6.8 million for the nine months ended September 30, 2008.
(4) For additional information, see the “Non-GAAP Measures” section.
(5) Excluding depreciation and amortization of $2.1 million for third quarter and $6.1 million for the nine months ended September 30, 2008. For additional information see “Inventories” in the “Changes in Significant Accounting Policies” section.

Mining and royalty revenue for the Prairie Operations increased for the third quarter and the first nine months of 2008 by $27.2 million and $51.7 million, respectively, due to increases in product demand at the Boundary Dam mine and higher pass-through costs at the contract mines. Increased royalty revenue was a result of continued strong potash pricing and demand and increases in royalty-assessable coal mined. Mountain Operations and coal development assets’ revenue increased for the third quarter and the first nine months of 2008 by $11.2 million and $31.9 million, respectively, due to a significant increase in the average realized coal prices.

Increased Prairie Operations EBITDA for the third quarter and first nine months of 2008 as compared to the same periods in the prior year was primarily a result of increased royalties. Operating costs increased as compared to the same periods in the prior year as a result of higher fuel costs at the owned mines and higher costs to be passed through at the contract mines. In addition, general and administrative costs for the first nine months of 2008 included transition and restructuring costs on the acquisition of Royal Utilities by the Corporation. Mountain Operations and coal development assets' EBITDA for the third quarter and the first nine months of 2008 increased to $9.4 million and $20.3 million, respectively, mainly due to record realized prices on sales that exceeded the increased operating costs at Mountain Operations.

Depletion, amortization and accretion for Prairie Operations decreased in the third quarter and the first nine months by $0.4 million and $3.3 million, respectively, due to certain property, plant and equipment becoming fully amortized. Mountain Operations' depletion, amortization and accretion for the third quarter and the first nine months of 2008 were higher than the same periods in the prior year due to an increased asset base.

Spending of $0.2 million on coal development assets in the third quarter of 2008 and $2.6 million in the first nine months of 2008 primarily related to engineering and associated work for the Dodds-Roundhill Coal Gasification Project. These costs were capitalized as deferred project development costs.

Prices ($/tonne)	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Prairie Operations - average realized price (1)	**$ 15.54**	$ 13.47	**$ 14.59**	$ 13.06
Mountain Operations - average realized price	**$ 87.19**	$ 50.39	**$ 80.93**	$ 50.93

(1) Excludes royalty revenue.

In Prairie Operations, average realized prices increased by $2.07 to $15.54 per tonne for the third quarter of 2008 compared to the third quarter of 2007 and by $1.53 to $14.59 for the first nine months of 2008 compared to the same periods in the prior year. These increases were primarily due to higher cost and capital recoveries at the contract and Genesee mines.

In Mountain Operations, record average realized prices in the third quarter and first nine months of 2008 were 73% and 59% higher, respectively, than the same periods in the prior year as a result of improved pricing on export thermal coal contracts. These increased prices are anticipated to continue through the remainder of 2008.

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Production (millions of tonnes)				
Prairie Operations (100% basis)	**8.8**	8.6	**26.4**	26.6
Mountain Operations (50% basis)	**0.5**	0.4	**1.3**	1.3
Sales (millions of tonnes)				
Prairie Operations (100% basis)	**8.6**	8.6	**26.1**	26.4
Mountain Operations (50% basis)	**0.5**	0.5	**1.3**	1.4

In Prairie Operations, total production volumes for the third quarter of 2008 increased from the same period in the prior year primarily due to higher demand from one of the power plants serviced by the contract mines. Volumes for the first nine months of 2008 were negatively impacted by the timing of a planned power plant shutdown at Poplar River which occurred earlier than last year and by lower demand for Bienfait coal in Ontario.

In Mountain Operations, production volumes for the third quarter of 2008 were higher than the same period in the prior year as capital investment in additional mining equipment has increased raw coal haul capacity. For the third quarter and first nine months of 2008, production and sales volumes were comparable to the same period in the prior year. Sales volumes in the nine months ended September 30, 2008 were down slightly due mostly to vessel timing as two significant sales were shipped early in the fourth quarter.

Capital Expenditures	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Prairie Operations (100% basis)	**$ 1.7**	$ 2.6	**$ 13.2**	$ 6.4
Mountain Operations (50% basis)	**$ 1.3**	$ 0.9	**$ 2.4**	$ 2.0

In Prairie Operations, capital expenditures in the third quarter and first nine months of 2008 were made in respect of productive capacity maintenance, mainly for infrastructure development and capital repairs on mobile equipment at Sheerness, Poplar River, Boundary Dam and Genesee mines.

In Mountain Operations, capital expenditures, primarily for sustaining capital, were slightly higher than in the same period in the prior year.

Unit Cash Operating Costs ($ per tonne)	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Prairie Operations	**$ 12.26**	$ 10.29	**$ 11.44**	$ 9.97
Mountain Operations	**$ 64.51**	$ 53.21	**$ 63.82**	$ 50.43

Components of Operating Costs (%)	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Prairie Operations				
Labour	**35%**	39%	**37%**	39%
Repairs and Maintenance	**27%**	25%	**26%**	27%
Fuel	**18%**	14%	**17%**	14%
Other (1)	**20%**	22%	**20%**	20%
Total	**100%**	100%	**100%**	100%
Mountain Operations				
Labour	**19%**	14%	**19%**	17%
Repairs and Maintenance	**14%**	7%	**13%**	9%
Fuel	**15%**	7%	**14%**	9%
Rentals and Contractors	**13%**	9%	**12%**	10%
Ex-Mine (2)	**33%**	37%	**33%**	39%
Other (3)	**6%**	26%	**9%**	16%
Total	**100%**	100%	**100%**	100%

(1) Comprised of rentals, subcontracts, explosives, power, taxes, tires, licenses and other miscellaneous expenses.
(2) Comprised largely of commissions, royalties, freight and port fees.
(3) Comprised of tires, explosives, power, taxes, licences, other miscellaneous expenses and the impact of changes in coal inventory levels during the period.

In Prairie Operations, unit cash operating costs increased by $1.97 to $12.26 per tonne for the third quarter of 2008 compared to the third quarter of 2007 and increased $1.47 to $11.44 per tonne for the first nine months of 2008 compared to the same periods in the prior year largely due to higher diesel prices and higher cost and capital recoveries at the contract and Genesee mines.

In Mountain Operations, operating costs per tonne in the third quarter of 2008 and first nine months of 2008 increased by $11.30 to $64.51 and $13.39 to $63.82, respectively, compared to the same periods in the prior year as a result of increased commodity costs such as fuel, steel, power and tires as well as increased coal haul distances that directly impacted fuel, tire and equipment maintenance costs.

Oil and Gas

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

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

Outlook (refer to "Forward-looking statements")

Despite the slowdowns in production in Cuba due to hurricanes Gustav and Ike, gross working-interest production for 2008 is expected to be maintained at or around the 29,000 bpd level which is slightly lower than the levels experienced in 2007. Assuming realized prices similar to those experienced in the third quarter, net production in Cuba for the fourth quarter will be approximately 17,000 bpd. Sherritt's net working-interest production in Cuba is determined by gross working interest production, capital expenditures, operating costs, and crude oil prices. Net production in Spain and Pakistan is projected to remain constant at the current rate of 470 bpd and 400 boepd, respectively.

Sherritt has identified a new potential zone in the Puerto Escondido field in Cuba which is currently being tested with the drilling of an exploratory well.

As part of Sherritt's comprehensive cost review, all sustaining and exploration capital expenditures are being reassessed in Oil and Gas. This includes a reassessment of the enhanced oil recovery pilot project for the Varadero oil field and opportunities in Turkey, the Alboran Sea and East Irish Sea. Capital expenditures for the fourth quarter are estimated to be $20.0 million and will relate mainly to drilling activities in Cuba. Total capital expenditures for the 2008 are expected to be approximately $115.0 million. Capital expenditures for 2009 are currently estimated to be $180.0 million and are subject to reassessment based upon changes in projected revenue and cash flow of the Oil and Gas.

Oil and Gas has historically sold all of its Cuban oil production to an agency of the Government of Cuba. As at September 30, 2008, the Oil and Gas credit risk exposure related to its share of accounts receivable with its businesses in Cuba was $392.8 million including receivables of $248.7 million related to 100% blocks and $144.1 million related to a jointly-owned block Oil and Gas is also party to a series of arrangements with agencies of the Government of Cuba that provide for payments made to certain Cuban agencies for labour, taxes, royalties and other local services in Metals, Oil and Gas, and Power to be used for the payment of Oil and Gas receivables. These arrangements also allow Oil and Gas, subject to certain limitations, to manage its sustaining and growth capital appropriately in the event that Oil and Gas receivables remain overdue beyond stipulated time periods. Recent negative pricing adjustments in nickel and cobalt have negatively impacted the amount of funds available to offset projected Oil and Gas receivables at current price levels. These arrangements also provide for agencies of the Cuban Government to redirect additional or alternate streams of foreign exchange inflows that can be used to pay for Oil and Gas receivables in the event the currently allocated streams are insufficient to pay for projected Oil and Gas receivables.

In addition, under Oil and Gas's contractual arrangements with the Cuban Government, the business has the right to receive its share of oil production in kind and to export the same for sale purposes if acceptable payment arrangements cannot be agreed to.

Although the past hurricane season and the current global economic conditions have negatively impacted Cuba, the Cuban Government has stated its intention to work with the Corporation and its businesses in order to provide for the appropriate agencies to meet their respective financial obligations to the Corporation. As part of these deliberations, the Corporation believes that an acceptable framework for the orderly collection of revenue and an appropriate capital spending program will be agreed to prior to the initiation of the 2009 drilling season.

Highlights

- Record quarterly revenue of $112.9 million
- EBITDA of $96.2 million was the sixth consecutive quarterly record

Financial analysis

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Revenue				
Cuba	**$ 106.5**	$ 76.0	**$ 285.1**	$ 203.4
Spain	**4.8**	4.2	**14.6**	10.0
Pakistan	**0.3**	0.1	**0.8**	0.7
Processing and other	**1.3**	1.2	**4.4**	3.5
	112.9	81.5	**304.9**	217.6
Operating costs	**(10.1)**	(12.2)	**(31.3)**	(34.6)
General and administrative costs	**(6.6)**	(7.4)	**(22.9)**	(20.7)
EBITDA (1)	**96.2**	61.9	**250.7**	162.3
Depletion, amortization and accretion	**(24.2)**	(20.0)	**(77.1)**	(66.1)
Operating earnings (1)	**$ 72.0**	$ 41.9	**$ 173.6**	$ 96.2

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

Despite a weakening towards the end of the quarter, global oil prices remained strong and the revenue for both the third quarter and first nine months of 2008 exceeded the levels achieved in the same periods in the prior year. These increases were partially offset by the strengthening of the Canadian dollar relative to the U.S. dollar and lower overall net production for both the third quarter and the first nine months of 2008 compared to the same periods in the prior year.

Under the terms of the Cuban production-sharing contracts, Sherritt is allocated between 40% and 70% of gross production for the recovery of capital and operating costs incurred through operations during the period. To the extent that recoverable costs exceed the maximum percentage assigned to that production-sharing contract, any excess is carried forward for future recovery. After the allowance for cost recovery is deducted from the gross production, the remaining production is shared between Sherritt and an agency of the Government of Cuba ("CUPET") as negotiated in the production-sharing contract.

In Spain and Pakistan, state oil companies have exercised rights under the concession agreements to acquire a specified percentage of the working interest as joint venture partners.

Under the terms of petroleum regulations in Spain, once these rights have been exercised, no royalty is payable to the Government of Spain. In Pakistan, the joint venture partners pay a royalty on gross production to the Government of Pakistan.

Total operating costs for the third quarter and first nine months of 2008 decreased from the same periods in the prior year mainly due to lower repair and maintenance costs on Sherritt operating assets, vehicles and equipment and lower net production partially offset by higher treatment and transportation rates.

General and administrative costs for the third quarter of 2008 were lower than the third quarter of 2007 due primarily to lower overall office costs incurred in the Cuban operations in 2008 as a direct result of the cost control procedures implemented in late 2007 and early 2008. General and administrative costs for the first nine months of 2008 were higher than the same periods in the prior year primarily as the result of lower overhead recoveries. These recoveries, based on a set percentage of operating and capital expenditures and netted against general and administrative expenditures, were lower due to reduced capital spending in the first nine months of 2008 as compared to the same period in the prior year.

EBITDA was $96.2 million for the third quarter of 2008, which was $34.3 million higher than EBITDA for the third quarter of the prior year, and $250.7 million for the first nine months of 2008, which was $88.4 million higher than the same period in the prior year. These increases were directly attributable to higher average-realized oil and gas prices in the current year period as compared to the same periods in 2007. This was the sixth consecutive quarter of record EBITDA in Oil and Gas.

Oil and Gas receivables include amounts which are due from Sherritt's joint operating partner on a block where Sherritt holds a participating interest. The Corporation has assessed the collectability and timing of collection of these receivables. Although current global economic conditions have negatively impacted Cuba, the Corporation currently believes the receivables are collectible. Receivables associated with the jointly-operated block, however, are expected to be collected over a longer period of time. Due to the expected delays in receipt of payments, the Corporation has discounted the expected cash receipts relating to the jointly-operated block resulting in a downward fair-value adjustment of $7.3 million. As cash receipts are received, a portion of the receipts will be recorded as interest income up to a total of $7.3 million. This interest income will be included in Net financing (income) expense on the income statement. For further information on Oil and Gas receivables, see credit risk in the Risk Management section.

The depletion rates in Cuba for the third quarter and first nine months of 2008, on a per barrel basis, have increased from the same periods in the prior year due to the inclusion of costs for wells drilled and exploration activity undertaken in prior periods that had been previously excluded from the depletable asset pools. While the depletion rate for Spain in the third quarter of 2008 increased slightly from the third quarter of 2007 due to adjustments in the retirement estimates for these assets in the third quarter of 2007, the depletion rate for the Pakistan operations in the third quarter and for both Spain and Pakistan for the first nine months of 2008 declined from the same periods in the prior year due to increases in the estimates for the cost to retire the assets supporting those operations that were made in the second quarter of 2007.

Prices		For the three months ended		For the nine months ended
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Average realized prices:				
Cuba ($/barrel)	**$ 72.51**	$ 44.13	**$ 61.68**	$ 40.12
Spain ($/barrel)	**117.26**	78.00	**112.84**	74.01
Pakistan ($/boe) (1)	**7.61**	7.88	**7.35**	8.42
Reference price (U.S.$/barrel)				
Gulf Coast Fuel Oil No. 6	**95.25**	55.32	**83.48**	47.91
Brent	**114.41**	75.92	**112.98**	67.56

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

Despite softening somewhat towards the end of the quarter, the average-per-barrel realized prices for Cuban oil for the third quarter and first nine months of 2008 increased from the same periods in the prior year by $28.38 and $21.56 per barrel, respectively, due to the increase in the Gulf Coast Fuel Oil No. 6 reference price. This increase has been moderated somewhat by the strengthening of the Canadian dollar against the U.S. dollar. Average realized prices for Spanish production also increased in the third quarter and first nine months of 2008 compared to the same periods in the prior year due to the impact of higher Brent reference prices. The decrease in average realized prices for Pakistan for the first nine months of 2008 compared to the same period in the prior year is due to the inclusion of royalties netted against revenue in 2008 which were not recognized in the revenue stream until mid 2007. The average realized prices for Pakistan in the third quarter of 2008 remain comparable to the same period in 2007.

Daily Production Volumes (1) (2)		For the three months ended		For the nine months ended
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Gross working-interest oil production in Cuba (3) (5)	**28,952**	30,420	**31,248**	30,362
Net oil production (4)				
Cuba (heavy oil)				
Cost recovery (5)	**6,878**	10,689	**6,748**	10,653
Profit oil (5)	**9,082**	8,037	**10,125**	7,912
Total	**15,960**	18,726	**16,873**	18,565
Spain (light/ medium oil) (4)	**447**	586	**473**	497
Pakistan (natural gas) (4)	**390**	395	**391**	403
Total	**16,797**	19,707	**17,737**	19,465

(1) Production figures exclude production from wells for which commerciality has not been established.
(2) Oil production is stated in barrels per day ("bpd"). Natural gas production is stated in barrels of oil equivalent per day ("boepd"), which is converted at 6,000 cubic feet per boepd.
(3) In Cuba, Oil and Gas delivered all of its gross working-interest oil production during 2008 to CUPET at the time of production. Gross working-interest oil production excludes (i) production from wells for which commerciality has not been established in accordance with production-sharing contracts; and (ii) working interests of other participants in the production-sharing contracts.
(4) Net production (equivalent to net sales volume) represents the Corporation's share of gross working-interest production. In Spain and Pakistan, net oil production volumes equal 100% of gross working-interest production volumes.
(5) Gross working-interest oil production is allocated between Oil and Gas and CUPET in accordance with production-sharing contracts. The Corporation's share, referred to as 'net oil production', includes (i) cost recovery oil (based upon the recoverable capital and operating costs incurred by Oil and Gas under each production-sharing contract) and (ii) a percentage of profit oil (gross working-interest production remaining after cost recovery oil is allocated to Oil and Gas). Cost recovery pools for each production-sharing contract include cumulative recoverable costs, subject to certification by CUPET, less cumulative proceeds from cost recovery oil allocated to Oil and Gas. Cost recovery revenue equals capital and operating costs eligible for recovery under the production-sharing contracts. Therefore, cost recovery oil volumes increase as a result of higher capital expenditures and decrease when selling prices increase. When oil prices increase, the resulting reduction in cost recovery oil volumes is partially offset by an increase in profit oil barrels.

Gross working-interest oil production in Cuba was 886 bpd higher for the first nine months of 2008 than the same periods in the prior year as natural reservoir declines were offset by production from new oil wells and the reduction of maintenance frequency on producing wells in the fields for the year to date. Gross working-interest oil production in Cuba was 1,468 bpd lower for the third quarter of 2008 from the same period in the prior year as total production in Cuba was affected by disruption in operations caused by hurricanes Gustav and Ike. Total net production allocated under the Cuban production-sharing contracts in the third quarter and first nine months of 2008 was down by 2,766 bpd and 1,692 bpd, respectively, compared to the same periods in the prior year as a result of a reduced allocation of cost recovery barrels, which are determined by dividing the balance of capital and operating costs in the cost recovery pool by the average net selling price per barrel produced, being received due to the effect of higher average realized prices. Overall, production from both the Badar gas field in Pakistan and from Spain remained steady compared to the third quarter and first nine months of 2007.

Capital Expenditures	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Development and facilities	**$ 32.1**	$ 28.7	**$ 76.7**	$ 104.1
Exploration	**0.5**	6.8	**11.0**	14.5
	$ 32.6	$ 35.5	**$ 87.7**	$ 118.6

Capital expenditures are mainly in support of development and exploration drilling along with facility construction. During the third quarter of 2008, one development well was initiated and two development wells were drilled. For the first nine months of 2008, ten development wells and one exploration well were drilled.

During the third quarter of 2008, Sherritt identified a new potential zone in the Puerto Escondido field, in Cuba, which is being tested with the drilling of an exploratory well in the fourth quarter of 2008.

Unit Operating Costs ($ per boe)	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Cuba	**$ 5.97**	$ 6.49	**$ 5.86**	$ 6.09
Spain	**32.75**	18.44	**31.82**	26.67
Pakistan	**0.78**	0.66	**0.92**	0.77
Weighted Average	**$ 6.56**	$ 6.72	**$ 6.45**	$ 6.51

Components of Unit Operating Costs - Cuba (%)	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Cuba				
Labour	**7%**	8%	**9%**	8%
Maintenance	**32%**	23%	**41%**	22%
Treatment and transportation	**37%**	31%	**36%**	32%
Other (1)	**24%**	38%	**14%**	38%
	100%	100%	**100%**	100%

(1) Comprised mainly of chemicals, insurance, freight and hauling and fuel.

On a total basis, operating costs for the third quarter and the first nine months of 2008 decreased by $2.1 million and $3.3 million, respectively, from the comparable periods in the prior year due to the overall impact of improved cost control procedures implemented in the prior year. As a percentage of total costs, treatment and transportation have gone up by 6% and 4% for the third quarter and first nine months of the year as the per barrel rates charged have increased by 15% from 2007. In addition, due to the improved cost control procedures, maintenance costs, as a percentage of total operating costs, have increased as the other costs have decreased.

Power

Power continues to focus on the effective utilization of energy resources in the production of electricity and is currently involved in the construction and operation of electricity generating facilities in Cuba and Madagascar. The Cuban facilities derive both an economic and environmental benefit from processing high-sulphur natural gas that may otherwise be flared.

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

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

In Madagascar, Power is also developing a 25MW thermal power facility in Madagascar with production expected to commence in 2009.

Outlook (refer to "Forward-looking statements")

Total expected electricity production in 2008 is 2,300 GWh, down slightly from the previous estimate of 2,400 GWh due to increased maintenance activities. Fourth quarter 2008 production is expected to be approximately 550 GWh.

Sustaining capital expenditures are estimated to be $2.0 million in the fourth quarter and $7.5 million for 2008. Capital expenditures on the 150 MW combined cycle project are estimated to be $22.0 million for the fourth quarter. 2009 expenditures on the project are currently under review. Progress also continues on the development of 25 MW of thermal generating capacity in Madagascar. Electricity production is expected to commence in 2009, while capital expenditure requirements are expected to be approximately $8.0 million in the fourth quarter and $15.0 million in 2009.

Power has historically sold all of its Cuban power and by-product production to several agencies of the Government of Cuba. The Power credit risk exposure related to its share of cash, accounts receivable and loans associated with its businesses in Cuba was approximately $20.4 million as at September 30, 2008. Power is party to a similar series of arrangements as Oil and Gas with agencies of the Government of Cuba that provide for an orderly payment of receivables. The Corporation is presently engaged in discussions with the appropriate agencies of the Government of Cuba in order to establish an acceptable framework for an orderly collection of revenue and an appropriate capital spending program for 2009.

Highlights

- Expansion projects in Cuba and Madagascar progressed with major equipment purchases finalized and civil work commenced

Financial analysis

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

$ millions	For the three months ended **2008** **September 30**	2007 September 30	For the nine months ended **2008** **September 30**	2007 September 30
Revenue				
Electricity sales	**$ 24.4**	$ 26.6	**$ 71.8**	$ 74.2
By-products and other	**6.5**	5.0	**19.2**	13.6
	30.9	31.6	**91.0**	87.8
Operating costs	**(6.8)**	(8.1)	**(18.7)**	(22.0)
General and administrative costs	**(0.4)**	(1.7)	**(1.9)**	(2.6)
EBITDA (1)	**23.7**	21.8	**70.4**	63.2
Depletion, amortization and accretion	**(7.3)**	(7.3)	**(22.0)**	(19.9)
Operating earnings (1)	**$ 16.4**	$ 14.5	**$ 48.4**	$ 43.3

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

Revenue from electricity sales for the third quarter of 2008 decreased from the third quarter of 2007 by $2.2 million, mainly due to lower production as a result of maintenance activities. Revenue from electricity sales during the first nine months of 2008 decreased by $2.4 million from the same period in the prior year as increased sales volumes were more than offset by lower realized prices due to the strengthening of the Canadian dollar. By-products and other revenue increased in the third quarter and first nine months of 2008 as compared to the same periods in the prior year by $1.5 million and $5.6 million, respectively, as a result of higher sales volumes and prices.

Operating costs were lower during the third quarter of 2008 compared to the same period in the prior year as result of significant repair costs being incurred in 2007. Operating costs for the first nine months of 2008 decreased from the same period in the prior year due to less scheduled maintenance and the inclusion of expected insurance recoveries related to repair costs and lost production from the first half of the year in respect of damaged turbines. These cost savings were partially offset by the cost incurred in repairing the damaged turbines.

The decrease in general and administrative costs in the third quarter and first nine months of 2008 as compared with the same periods in the prior year were primarily a result of increased recoveries from capital projects in the current quarter.

Depletion, amortization and accretion were unchanged in the third quarter of 2008 compared with the same period of 2007. For the nine month period ended September 30, 2008, depletion, amortization and accretion increased by $2.1 million compared with the same period in the prior year as a result of amortization being recognized for the full period in regards to new facilities which began operation in the second quarter of 2007.

Prices	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Average realized prices ($/MWh) (1)	**$ 42.32**	$ 42.38	**$ 41.25**	$ 44.18

(1) Megawatt hours ("MWh")

The tariff for electricity sales is fixed by long-term U.S. dollar contracts. Following the repayment of financing and land rights in respect of the base facilities of 226 MW in 2005, the tariff for electricity produced from these facilities was reduced from U.S.$45 per MWh to U.S.$38 per MWh. Production from recent Phase 6 and 7 expansions totalling 150 MW receives a tariff of U.S.$45 per MWh until the associated financing and land rights are fully repaid. The addition of the Phase 8 150 MW combined cycle at Boca de Jaruco will extend the repayment of financing until approximately 2013.

The average realized price in the third quarter of the current year was slightly lower than in the same period in the prior year as a function of the relatively small change in the Canadian dollar to U.S. dollar exchange rate between the two periods. The lower average realized price for first nine months of 2008 was due to the relative overall strength of the Canadian dollar compared to the U.S. dollar in the current nine month period as compared to the same period in the prior year.

Production	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Electricity sold (1) (GWh) (2)	**577**	628	**1,742**	1,681

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

Electricity sales volumes decreased in the third quarter of 2008 compared with the same period in the prior year due to increased levels of maintenance activities. Year-to-date production increased compared with 2007 as 2008 included nine months of production from the 65 MW Phase 7 facilities that commenced operations during the second quarter of 2007.

Capital Expenditures	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Sustaining	**$ 0.7**	$ 0.4	**$ 5.3**	$ 2.1
Growth	**4.2**	0.8	**10.9**	14.8
	$ 4.9	$ 1.2	**$ 16.2**	$ 16.9

Growth capital expenditures during the third quarter of 2008 were for engineering and initial down payments for major components related to the 150 MW phase 8 expansion and the expansion in Madagascar. Good progress is being made on both expansion projects with contracts for major equipment in place and the commencement of civil on Phase 8. Capital expenditures in the third quarter of 2007 were related to the 65 MW phase 7 expansion project. Capital expenditures for the first nine months of 2008 were generally related to the same items as in the third quarter.

Unit Operating Costs	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ per MWh	**September 30**	September 30	**September 30**	September 30
Operating cost	**$ 11.89**	$ 12.96	**$ 10.71**	$ 13.09

Components of Unit Operating Costs (%)	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
	September 30	September 30	**September 30**	September 30
Labour	**41%**	41%	**44%**	48%
Maintenance	**42%**	40%	**38%**	30%
Other (1)	**17%**	19%	**18%**	22%
Total	**100%**	100%	**100%**	100%

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

Operating costs per MWh decreased in the third quarter of 2008 compared with the same period in the prior year mainly due to the higher repair costs in the same period in the prior year. For the first nine months of 2008, operating costs per MWh decreased compared with 2007 as a result of increased production in the current period and lower repair and maintenance costs. In addition, the current period includes insurance recoveries resulting from a turbine being shutdown for repairs during the final half of 2008.

Technologies

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

Revenue from the Technologies division was $2.9 million and $10.8 million for the third quarter and first nine months of 2008, respectively, as compared to $3.8 million for the same periods in the prior year and included the former Dynatec Metallurgical Technologies division's operations.

During the quarter the division received the second installment of $0.8 million from the Alberta Energy Research Institute ("AERI") Grant bringing the total to $2.0 million toward the capital requirements for the design, procurement, installation and commissioning of the laboratories of the Clean Coal Technology Centre in support of research into the commercialization of clean coal technology.

Non-GAAP measures

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

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

On adoption of CICA Section 3031 "Inventories" effective January 1, 2008, the Corporation has included depreciation from production related depreciable assets in inventories. For the third quarter and first nine months of 2008, an adjustment was made to EBITDA to remove depreciation expense included in operating costs on sale of such inventories.

Reconciliation of non-GAAP measures

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

	For the three months ended		For the nine months ended	
	2008	2007	**2008**	2007
$ millions	**September 30**	September 30	**September 30**	September 30
Revenue	**$ 477.2**	$ 301.3	**$ 1,232.6**	$ 1,016.8
Operating, selling and general and administrative expenses	**278.0**	142.7	**684.9**	439.4
	199.2	158.6	**547.7**	577.4
Add: Depreciation included in operating expenses	**17.1**	-	**34.7**	-
EBITDA	**216.3**	158.6	**582.4**	577.4
Less:				
Depreciation included in operating expenses	**17.1**	-	**34.7**	-
Depletion, amortization and accretion	**53.2**	35.4	**139.4**	112.8
Operating earnings	**146.0**	123.2	**408.3**	464.6
Net financing expense	**2.1**	16.5	**14.7**	23.9
Gain on sale of investments	**-**	(1.4)	**-**	(1.4)
Share of earnings from equity-accounted investment	**(0.1)**	(4.0)	**(9.5)**	(15.9)
Earnings from continuing operations before income taxes and non-controlling interests	**$ 144.0**	$ 112.1	**$ 403.1**	$ 458.0

Summary of quarterly results (unaudited)

The following table presents a summary of the consolidated operating results by segment for each of the eight quarters from December 31, 2006 to September 30, 2008.

	For the three months ended							
	2008	2008	2008	2007	2007	2007	2007	2006
$ millions, except per share amounts	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
Revenue								
Metals	**$ 137.5**	$ 177.7	$ 162.3	$ 176.9	$ 150.7	$ 274.1	$ 204.0	$ 192.3
Coal [(1)]	**189.9**	124.5	30.9	23.2	28.1	24.6	19.8	17.1
Oil and Gas	**112.9**	104.5	87.5	85.9	81.5	77.7	58.4	68.7
Power	**30.9**	30.3	29.8	29.9	31.6	28.3	27.9	26.1
Corporate and other	**6.0**	4.2	3.7	7.7	9.4	0.7	-	-
	$ 477.2	$ 441.2	$ 314.2	$ 323.6	$ 301.3	$ 405.4	$ 310.1	$ 304.2
Earnings from continuing operations	**135.4**	80.8	89.2	83.1	66.1	132.4	89.1	77.8
(Loss) earnings from discontinued operations	**(2.3)**	(0.5)	(0.2)	0.4	(0.7)	-	-	0.8
Net earnings	**$ 133.1**	$ 80.3	$ 89.0	$ 83.5	$ 65.4	$ 132.4	$ 89.1	$ 78.6
Earnings from continuing operations per share								
Basic	**$ 0.46**	$ 0.29	$ 0.38	$ 0.36	$ 0.28	$ 0.72	$ 0.52	$ 0.50
Diluted	**$ 0.46**	$ 0.28	$ 0.38	$ 0.36	$ 0.28	$ 0.72	$ 0.52	$ 0.47
Earnings from discontinued operation per share								
Basic	**$ (0.01)**	$ (0.01)	$ -	$ -	$ -	$ -	$ -	$ 0.01
Diluted	**$ (0.01)**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Earnings per share								
Basic	**$ 0.45**	$ 0.28	$ 0.38	$ 0.36	$ 0.28	$ 0.72	$ 0.52	$ 0.51
Diluted	**$ 0.45**	$ 0.28	$ 0.38	$ 0.36	$ 0.28	$ 0.72	$ 0.52	$ 0.47

(1) Coal results include the Corporation's 100% interest in Royal Utilities from May 2, 2008, the date of acquisition, to September 30, 2008 and the Corporation's 50% proportionate interest in the Coal Valley export thermal coal mine and other coal development assets.

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

Risk management

Sherritt manages a number of risks in each of its businesses in order to achieve an acceptable level of risk while maintaining the ability to maximize returns. Management has developed procedures to identify and manage significant operational and financial risks. The risk factors are set forth in the "Risk Management" section of the Corporation's 2007 Annual Report as well as in the Annual Information Form filed on www.sedar.com. The following is an update to the discussion, only where required, of the key risks associated with our business and the strategies the Corporation uses to manage them.

Commodity Risk

Sherritt's principal businesses include the sale of several commodities. Revenue, net earnings, and cash flows from the sale of nickel, cobalt, oil, gas, and coal are sensitive to changes in market prices over which the Corporation has little or no control. The Corporation's fourth quarter results are expected to be impacted by significant pricing reductions in nickel, cobalt and oil offset, in part, by contractually escalating domestic coal prices and the continued strong international pricing environment for thermal coal and potash.

Input costs such as sulphur, sulphuric acid and energy costs have declined rapidly in international markets; however, there may be a time-lag in realizing these reductions. Given the current volatility in various markets, it is difficult to forecast the impact of these changes on the Corporation.

Credit Risk

Management continues to evaluate the overall credit exposure to the Cuban Government. Although current global economic conditions have negatively impacted Cuba, the Corporation does not currently believe that the Cuban Government will be unable to meet its financial obligations to the Corporation. However, the timing of collection of loans and receivables could be impacted by the political environment and economic pressure resulting from the Cuban Government's limited access to foreign exchange which could result in receipt of payment over a longer period of time or result in uncertainty with respect to collectability of the loans and receivables.

Oil and Gas has historically sold all of its Cuban oil production to an agency of the Government of Cuba. The Oil and Gas credit risk exposure related to its share of accounts receivable was $392.8 million (includes $248.7 million related to 100% blocks and $144.1 million to a jointly owned block) as at September 30, 2008. Oil and Gas is party to a series of arrangements with agencies of the Government of Cuba that provide for payments made to certain Cuban Government agencies for labour, taxes, royalties and other local services in Metals, Oil and Gas, and Power to be used for the payment of Oil and Gas receivables. These arrangements also allow Oil and Gas, subject to certain limitations, to manage its sustaining and growth capital appropriately in the event that Oil and Gas receivables remain overdue beyond stipulated time periods. Recent negative pricing adjustments in nickel and cobalt have negatively impacted the amount of funds available to offset projected Oil and Gas receivables at current price levels. These arrangements also provide for agencies of the Cuban Government to redirect additional or alternate streams of foreign-exchange inflows that can be used to pay for Oil and Gas receivables in the event the currently allocated streams are insufficient to pay for projected Oil and Gas receivables. In addition, under Oil and Gas contractual arrangements with the Cuban Government, the business has the right to receive its share of oil production in kind and to export the same for sale purposes if acceptable payment arrangements cannot be agreed to.

Although the past hurricane season and the current global economic conditions have negatively impacted Cuba, the Cuban Government has stated its intention to work with the Corporation and its businesses in order to provide for the appropriate agencies to meet their respective financial obligations to the Corporation. As part of these deliberations, the Corporation believes that an acceptable framework for the orderly collection of revenue and an appropriate capital spending program will be agreed to prior to the initiation of the 2009 drilling season.

Moa Joint Venture Expansion Project

The Moa Joint Venture Expansion Project is a 50/50 joint venture funded equally by the Corporation and its Cuban joint venture partner. In December 2005, the Corporation and its joint venture partner entered into funding agreements with the companies within the Moa Joint Venture to finance the Moa Joint Venture expansion. Under these agreements, the projected capital cost is to be funded equally by the Corporation and its joint venture partner. The Moa Joint Venture Expansion project contains risks associated with dependency upon the financial health and liquidity of the Corporation and its joint venture partner, an agency of the Government of Cuba.

Prior to the suspension of capital contributions by the Corporation, the Corporation’s remaining share of anticipated funding requirements was approximately $213.0 million (excluding capital expenditures for Utilities at Fort Saskatchewan) and its joint venture partner’s share was approximately $318.0 million. The higher funding requirement of the joint venture partner reflects amounts that were anticipated to be funded by an external project finance facility for the benefit of the partner. The Corporation and its joint venture partner have not yet determined the basis on which the differential contributions will be equalized.

Changes in significant accounting policies

Capital disclosures

Effective January 1, 2008, the Corporation adopted CICA Handbook Section 1535, "Capital Disclosures" which specifies the disclosure of an entity's objectives, policies and processes for managing capital and how it is meeting those objectives. The new disclosures resulting from the adoption of these standards are included in note 25 of the interim consolidated financial statements.

Financial instruments – disclosure and presentation

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

The adoption of these standards did not have an impact on the classification and valuation of financial instruments in the Corporation's interim consolidated financial statements. The new disclosures resulting from the adoption of these standards are included in note 24 of interim consolidated financial statements.

Inventories

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

This section has been applied retroactively as at January 1, 2008 without restatement by the Corporation. On adoption, the Corporation recorded a $6.5 million increase to opening inventories, a $3.3 million increase to non-controlling interest, and a $3.2 million ($2.7 million after-tax) increase to opening retained earnings. In addition, the Corporation reclassified $10.2 million of long-term spare parts from other assets to capital. Depreciation and amortization of $17.1 million and $34.7 million have been reclassified to operating expenses within Operating, selling, and general and administrative expenses for the three and nine months ended September 30, 2008, respectively.

General standards of financial statement presentation

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

The adoption of this standard had no impact on the Corporation’s presentation of its financial position or consolidated results of operations as at September 30, 2008 and for the three and nine months then ended.

For a description of the other principal changes on adoption of these new standards and for further details on changes in significant accounting policies, refer to note 2 to the interim consolidated financial statements for the three and nine months ended September 30, 2008.

Recent accounting pronouncements

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”, replacing Section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”. The changes will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Corporation will adopt the new standards for its fiscal year beginning January 1, 2009. The new standard establishes the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The Corporation is currently evaluating the impact of the adoption of these changes on its consolidated financial statements.

Convergence with International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed the mandatory changeover date for International Financial Reporting Standards (“IFRS”) for publicly accountable entities as being January 1, 2011, with early adoption allowed. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosure. The AcSB has issued accounting standards, such as Section 3031, “Inventories” and Section 3064, “Goodwill and Intangible Assets”, that have already been converged with IFRS thus mitigating the impact of IFRS adoption on the changeover date.

The Corporation will be required to prepare IFRS interim and annual financial statements, with comparatives, for its fiscal year beginning on January 1, 2011. Changes in accounting policies are likely and may materially impact the Corporation’s consolidated financial statements.

The Corporation has established a dedicated IFRS team which has developed a plan for IFRS convergence and has started the implementation process. Training for key employees has begun and will continue throughout the implementation.

Detailed analysis of the differences between IFRS and the Corporation's accounting policies and assessments of the various alternatives for first time adoption of IFRS are in progress. The impact of the conversion on our business activities, information technology, data systems, internal controls over financial reporting and disclosure controls will be assessed as part of the overall plan.

Critical accounting estimates

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

Comparative amounts

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

Off balance sheet arrangements

Financial Instruments

As at September 30, 2008, the Corporation had no outstanding foreign exchange or commodity options, futures or forward contracts.

Transactions with related parties

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

The total value of all goods and services, including labour services, that the Corporation and its subsidiaries provided to joint ventures and its affiliates in the three and nine months ended September 30, 2008 amounted to $38.9 million and $102.8 million (September 30, 2007 - $21.8 million and $77.6 million), respectively. The total value of goods and services purchased from joint ventures in the three and nine months ended September 30, 2008 was $19.4 million and $82.1 million (September 30, 2007 - $2.2 million and $6.9 million), respectively.

Accounts receivable from joint ventures at September 30, 2008 was $21.8 million (December 31, 2007 - $74.9 million). Accounts payable to joint ventures at September 30, 2008 was $8.4 million (December 31, 2007 - $7.3 million).

Contingency

The Ontario Ministry of Environment ("MOE") is nearing the end of an investigation into improper environmental sampling that allegedly occurred over a number of years at the Canada Talc mine before Sherritt's acquisition of Dynatec in 2007. The responsible MOE investigators have advised that because Dynatec was amalgamated into Sherritt after the acquisition, Sherritt will likely be charged as the corporate successor to Dynatec. The investigators have also advised that one or more former Dynatec subsidiaries and personnel may also be charged, liability for which could ultimately rest with Sherritt. If charges are laid, an assessment of the amount of the potential fines for which Sherritt could be responsible (directly or indirectly) will be carried out. The potential fine is indeterminable as at September 30, 2008 and no liability has been recorded.

Additional information

Share Capital

As at October 24, 2008, the Corporation had 292,032,999 common shares outstanding. An additional 4,073,335 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan.

Controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management, with the participation of the certifying officers, has evaluated the effectiveness of the design and operation, as of September 30, 2008, of the Corporation's disclosure controls and procedures (as defined by the Canadian Securities Administrators). Based on that evaluation, the certifying officers have concluded that such disclosure controls and procedures are effective and designed to ensure that material information relating to the Corporation and its subsidiaries is known to them by others within those entities.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and compliance with Canadian generally accepted accounting principles in the financial statements. Management has evaluated the design of internal controls over financial reporting and has concluded that such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in Canada. In addition, there have been no changes in the Corporation's internal control over financial reporting during the period ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Sherritt International Corporation

Interim Consolidated Financial Statements
(unaudited)

For the Third Quarter Ended September 30, 2008

Sherritt International Corporation
Third Quarter 2008

Interim Consolidated Financial Statements

Consolidated Balance Sheets

Unaudited, $ millions, as at	**2008 September 30**	2007 December 31
ASSETS		
Current assets		
Cash and cash equivalents	**$ 578.4**	$ 355.2
Restricted cash	**17.6**	31.4
Short-term investments	**-**	103.5
Advances and loans receivable (note 10)	**60.4**	51.5
Accounts receivable, net (note 24)	**637.3**	495.1
Inventories (note 7)	**209.5**	94.0
Prepaid expenses	**23.5**	11.2
Future income taxes	**48.1**	24.9
Assets of discontinued operation (note 5)	**3.0**	2.2
	1,577.8	1,169.0
Property, plant and equipment (note 8)	**5,578.9**	3,282.2
Investments (note 9)	**66.1**	404.8
Future income taxes	**108.1**	35.3
Other assets (note 10)	**336.9**	166.8
Goodwill and intangibles (note 11)	**1,152.2**	404.0
Assets of discontinued operation (note 5)	**1.2**	2.4
	$ 8,821.2	$ 5,464.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt	**$ -**	$ 52.8
Accounts payable and accrued liabilities	**629.4**	467.6
Deferred revenue	**15.6**	29.9
Long-term debt and other long-term liabilities (note 13)	**56.8**	15.3
Asset-retirement obligations (note 14)	**21.9**	5.0
Future income taxes	**7.4**	3.2
Liabilities of discontinued operation (note 5)	**4.1**	3.2
	735.2	577.0
Long-term debt and other long-term liabilities (note 13)	**1,924.5**	589.8
Asset-retirement obligations (note 14)	**114.6**	68.4
Future income taxes	**648.0**	375.7
Liabilities of discontinued operation (note 5)	**1.2**	1.2
	3,423.5	1,612.1
Non-controlling interests (note 15)	**1,402.7**	1,202.3
Commitments and contingencies (note 16)		
Shareholders' equity		
Capital stock (note 17)	**2,740.0**	1,857.2
Contributed surplus (note 18)	**245.9**	190.3
Retained earnings	**1,108.4**	833.6
Accumulated other comprehensive loss (note 20)	**(99.3)**	(231.0)
	1,009.1	602.6
	3,995.0	2,650.1
	$ 8,821.2	$ 5,464.5

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

Consolidated Statements of Operations

Unaudited, $ millions, except per share amounts	For the three months ended 2008 September 30	2007 September 30	For the nine months ended 2008 September 30	2007 September 30
Revenue	**$ 477.2**	$ 301.3	**$ 1,232.6**	$ 1,016.8
Operating, selling, general and administrative expenses (note 2 (iii)) [1]	**278.0**	142.7	**684.9**	439.4
Earnings before undernoted items	**199.2**	158.6	**547.7**	577.4
Depletion, amortization and accretion	**53.2**	35.4	**139.4**	112.8
Net financing expense (note 21)	**2.1**	16.5	**14.7**	23.9
Gain on sale of investments	**-**	(1.4)	**-**	(1.4)
Share of earnings of equity-accounted investments	**(0.1)**	(4.0)	**(9.5)**	(15.9)
Earnings from continuing operations before income taxes and non-controlling interests	**144.0**	112.1	**403.1**	458.0
Income taxes (note 22)	**(0.4)**	41.0	**75.8**	154.2
Non-controlling interests	**9.0**	5.0	**21.9**	16.2
Earnings from continuing operations	**135.4**	66.1	**305.4**	287.6
Loss from discontinued operation (note 5)	**(2.3)**	(0.7)	**(3.0)**	(0.7)
Net earnings	**$ 133.1**	$ 65.4	**$ 302.4**	$ 286.9
Earnings from continuing operations per share (note 17)				
Basic	**$ 0.46**	$ 0.28	**$ 1.14**	$ 1.46
Diluted	**$ 0.46**	$ 0.28	**$ 1.12**	$ 1.45
Net earnings per share (note 17)				
Basic	**$ 0.45**	$ 0.28	**$ 1.12**	$ 1.46
Diluted	**$ 0.45**	$ 0.28	**$ 1.11**	$ 1.45

(1) Includes depreciation on production related depreciable assets of $17.1 million and $34.7 million for the three and nine months ended September 30, 2008, respectively.

Consolidated Statements of Retained Earnings

Unaudited, $ millions	For the three months ended 2008 September 30	2007 September 30	For the nine months ended 2008 September 30	2007 September 30
Beginning of period, as previously reported	**$ 985.9**	$ 709.1	**$ 833.6**	$ 500.1
Change in accounting policy (note 2 (iii), (vii))	**-**	-	**2.7**	(0.3)
Beginning of period, as restated	**985.9**	709.1	**836.3**	499.8
Net earnings	**133.1**	65.4	**302.4**	286.9
Dividends on common shares	**(10.6)**	(7.0)	**(30.3)**	(19.2)
End of period	**$ 1,108.4**	$ 767.5	**$ 1,108.4**	$ 767.5

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

Consolidated Statements of Comprehensive Income

Unaudited, $ millions	For the three months ended 2008 September 30	2007 September 30	For the nine months ended 2008 September 30	2007 September 30
Net earnings	**$ 133.1**	$ 65.4	**$ 302.4**	$ 286.9
Other comprehensive income (loss)				
Unrealized foreign currency gain (loss) on self-sustaining foreign operations (note 20)	**76.3**	(42.7)	**131.7**	(108.8)
Comprehensive income	**$ 209.4**	$ 22.7	**$ 434.1**	$ 178.1

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

Consolidated Statements of Cash Flow

Unaudited, $ millions	For the three months ended **2008** **September 30**	 2007 September 30	For the nine months ended **2008** **September 30**	 2007 September 30
Operating activities				
Earnings from continuing operations	**$ 135.4**	$ 66.1	**$ 305.4**	$ 287.6
Add (deduct)				
Non-controlling interests	**9.0**	5.0	**21.9**	16.2
Depletion, amortization and accretion	**70.3**	35.4	**174.1**	112.8
Stock-based compensation expense	**(17.8)**	6.1	**(10.8)**	15.5
Share of earnings of equity-accounted investments	**(0.1)**	(4.0)	**(9.5)**	(15.9)
Fair-value adjustment (note 9 and 24)	**10.1**	6.0	**10.1**	6.0
Future income taxes (note 22)	**(17.6)**	4.0	**(20.1)**	(4.9)
Foreign-exchange (gain) loss (note 21)	**(19.3)**	10.7	**(18.3)**	19.2
Asset-retirement obligations	**(0.4)**	(0.8)	**0.1**	(2.2)
Other Items	**(13.8)**	1.8	**(13.6)**	5.9
	155.8	130.3	**439.3**	440.2
Net increase in non-cash working capital (note 6)	**(109.0)**	(49.0)	**(222.8)**	(77.1)
Cash provided by continuing operations	**46.8**	81.3	**216.5**	363.1
Cash (used for) provided by discontinued operation	**(4.3)**	(3.5)	**(1.2)**	2.2
Cash provided by operating activities	**42.5**	77.8	**215.3**	365.3
Investing activities				
Capital expenditures	**(479.7)**	(86.2)	**(1,561.2)**	(266.4)
Other assets	**(42.2)**	(95.2)	**(112.0)**	(157.5)
Restricted cash	**17.7**	9.6	**13.8**	4.0
Net proceeds from sale of property, plant and equipment	**0.1**	0.1	**0.2**	0.1
Short-term investments	**-**	(173.2)	**103.5**	(173.2)
Proceeds from sale of investments	**-**	40.3	**-**	40.3
Investments	**-**	(59.5)	**-**	(59.5)
Royal Utilities Income Fund acquisition (note 3)	**-**	-	**(240.3)**	-
Cash balances acquired from Dynatec	**-**	-	**-**	12.8
Distribution from investment	**-**	10.3	**15.9**	29.7
Net change in non-cash capital expenditures	**(28.0)**	2.6	**153.2**	0.7
Cash used for investing activities	**(532.1)**	(351.2)	**(1,626.9)**	(569.0)
Financing activities				
Increase (decrease) in short-term debt	**-**	(0.2)	**(52.8)**	(29.1)
Repayment of long-term debt	**(223.7)**	-	**(232.9)**	-
Increase in long-term debt	**504.2**	13.2	**1,430.4**	56.8
Contribution from partners	**35.7**	-	**100.3**	-
Issuance of common shares	**1.4**	1.4	**418.2**	1.4
Dividends paid to non-controlling interest	**-**	(6.7)	**(10.3)**	(19.6)
Dividends paid	**(10.5)**	(7.0)	**(28.1)**	(17.3)
Cash provided by (used for) financing activities	**307.1**	0.7	**1,624.8**	(7.8)
Cash provided by (used for) discontinued operation	**2.1**	(1.4)	**0.7**	(1.5)
Cash provided by (used for) financing activities	**309.2**	(0.7)	**1,625.5**	(9.3)
Effect of exchange rate changes on cash and cash equivalents	**9.9**	(4.6)	**8.8**	(8.8)
Increase (decrease) in cash and cash equivalents	**(170.5)**	(278.7)	**222.7**	(221.8)
Cash and cash equivalents at beginning of period	**748.9**	410.2	**355.7**	353.3
Cash and cash equivalents at end of period	**$ 578.4**	$ 131.5	**$ 578.4**	$ 131.5
Cash and cash equivalents consist of:				
Cash and cash equivalents of continuing operations	**$ 578.4**	$ 127.6	**$ 578.4**	$ 127.6
Cash and cash equivalents of discontinued operation	**-**	3.9	**-**	3.9
Cash and cash equivalents consist of:				
Cash on hand and balances with banks	**$ 361.9**	$ 67.9	**$ 361.9**	$ 67.9
Cash equivalents	**216.5**	63.6	**216.5**	63.6
Supplementary Cash Flow Information				
Cash received for interest	**$ 3.8**	$ 4.6	**$ 13.2**	$ 13.3
Cash paid for interest on debt	**1.7**	2.2	**25.3**	16.3
Cash paid for income taxes	**35.7**	50.9	**180.5**	153.7

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

Notes to the Interim Consolidated Financial Statements (Unaudited)

1. Summary of accounting policies

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

2. Accounting changes

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

   The adoption of these standards did not have an impact on the classification and valuation of financial instruments. The new disclosures resulting from the adoption of these standards are included in note 24.

ii. Effective January 1, 2008, the Corporation adopted the CICA Handbook Section 1535, “Capital Disclosures” which specifies the disclosure of an entity’s objectives, policies and processes for managing capital and how it is meeting those objectives. The new disclosures resulting from adoption of this standard are included in note 25.

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

This section has been applied retroactively at January 1, 2008 without restatement by the Corporation. On adoption, the Corporation recorded a $6.5 million increase to opening inventories, a $3.3 million increase to non-controlling interest, and a $3.2 million ($2.7 million after-tax) increase to opening retained earnings. In addition, the Corporation reclassified $10.2 million of long-term spare parts from other assets to Property, plant and equipment. Depreciation and amortization of $17.1 million and $34.7 million have been reclassified to operating expenses within Operating, selling, and general and administrative expenses for the three and nine months ended September 30, 2008, respectively.

iv. In June 2007, the CICA amended Section 1400, "General Standards of Financial Statement Presentation" to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The amendments to Section 1400 apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this standard had no impact on the Corporation's presentation of its financial position or consolidated results of operations at September 30, 2008 and for the three and nine months ended.

v. In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". The changes will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Corporation will adopt the standards for its fiscal year beginning January 1, 2009. The new standard establishes the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The Corporation is currently evaluating the impact of the adoption of the changes on its consolidated financial statements.

vi. In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed the mandatory changeover date for International Financial Reporting Standards (IFRS) for publicly accountable entities as being January 1, 2011, with early adoption allowed. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosure. The AcSB has issued accounting standards, such as Section 3031, "Inventories" and Section 3064, "Goodwill and Intangible Assets", that have already been converged with IFRS thus mitigating the impact of IFRS adoption on the changeover date.

The Corporation will be required to prepare IFRS interim and annual financial statements, with comparatives, for its fiscal year beginning on January 1, 2011. Changes in accounting policies are likely and may materially impact the Corporation's consolidated financial statements.

The Corporation has established a dedicated IFRS team which has developed a plan for IFRS convergence and has started the implementation process. Training for key employees has begun and will continue throughout the implementation. Detailed analysis of the differences between IFRS and the Corporation's accounting policies and assessments of the various alternatives for first time adoption of IFRS are in progress. The impact of the conversion on our business activities, information technology, data systems, internal controls over financial reporting and disclosure controls will be assessed as part of the overall plan.

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

3. Acquisition of Royal Utilities

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

Sherritt and OTPPB SCP Inc., a wholly-owned subsidiary of Ontario Teachers' Pension Plan Board (Teachers') each owned and controlled 40,255,342 units, representing approximately 41.2% of the outstanding units for each of Sherritt and Teachers'. The balance of the units, representing approximately 17.6%, were widely held. Teachers' and Sherritt entered into a lock-up agreement pursuant to which Teachers' agreed to tender its 40,255,342 units to the Corporation's offer.

On April 14, 2008, Sherritt and Royal Utilities reached an agreement pursuant to which Sherritt agreed to amend its offer (the Amended Offer) such that unitholders of Royal Utilities could elect to receive for each unit (i) $12.68 in cash, (ii) 0.8315 of a Sherritt common share, or (iii) a combination of cash and Sherritt common shares, provided that the aggregate cash consideration paid by Sherritt did not exceed $250 million and the aggregate number of Sherritt common shares issuable did not exceed 31,438,717. The Sherritt offer expired on April 28, 2008.

On May 2, 2008, Sherritt acquired 56,653,478 units of Royal Utilities representing approximately 98.5% of the issued and outstanding units it did not already own. On May 5, 2008, Sherritt acquired the remaining 851,864 units pursuant to a compulsory acquisition in accordance with the terms of the declaration of trust of Royal Utilities.

The aggregate purchase price consists of the issuance of 31,438,705 common shares to Royal Utilities unitholders with a fair value of $14.79 per share, $249.7 million cash consideration and $7.0 million of acquisition costs directly related to the acquisition. The fair value of $14.79 per share was based upon the average volume and value of the Corporation's common shares traded for the period from two days prior to until two days after the Amended Offer was announced and agreed to by the Board of Trustees of Royal Utilities.

The acquisition is accounted for under the purchase method of accounting as a step acquisition. The Corporation will continue to carry its previously owned 41.2% interest in Royal Utilities at the carrying value and record the acquired amounts at their fair values in the Coal segment.

In the three months ended June 30, 2008, the purchase cost was allocated, on a preliminary basis, to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. The excess purchase price was previously presented as "unallocated purchase price". During the three months ended September 30, 2008, the Corporation assigned the values associated with the unallocated purchase price to certain assets. Accordingly, the purchase price allocation adjustments from the preliminary allocation in the second quarter of 2008 primarily relate to a reclassification between Property, plant, and equipment and intangible assets such as royalties, mining contracts and customer relationships. The allocation continues to remain preliminary and is subject to change upon finalization in the fourth quarter of 2008. Management does not expect the revisions to have a material affect on the results previously reported for the three and six months ended June 30, 2008.

The following table summarizes the components of the total purchase price and net assets acquired. It reflects fair-value adjustments for identifiable assets and liabilities acquired.

$ millions	
Purchase price:	
31,438,705 common shares issued (note 17)	$ 465.0
Cash consideration	249.7
Transaction costs	7.0
	$ 721.7

$ millions	
Net assets acquired and liabilities assumed:	
Cash	$ 14.7
Net working capital	40.0
Property, plant and equipment (note 8)	485.5
Intangibles	
Royalties	
Coal	320.0
Potash	100.0
Mining contracts	226.0
Customer relationships	7.0
Long-term debt	(204.4)
Asset-retirement obligation	(53.4)
Other liabilities	(28.9)
Future income tax liabilities	(195.2)
Net assets (100% basis)	711.3
Percentage of assets acquired	58.8%
Net assets acquired	418.2
Goodwill	303.5
	$ 721.7

The estimated fair values assigned to the assets and liabilities are based on a combination of independent appraisals and internal estimates. The excess of the purchase price over the net identifiable assets acquired represents goodwill. Intangible assets acquired consist of royalty agreements, mining contracts and customer relationships. The royalty agreements relate to a portfolio of mineral rights held by the Corporation which earn royalties based on the coal and potash mined. The mining contracts are agreements with various customers to mine dedicated reserves. The customer relationship values are based on the continued likelihood that certain agreements will be extended.

Royal Utilities results are consolidated with the Corporation from May 2, 2008 (the date of acquisition) to September 30, 2008.

4. Ambatovy Project

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

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

In August 2007, agreements for U.S.$2.1 billion limited recourse project financing, with an approximate duration of 17 years, were executed by the Ambatovy Joint Venture with a group of international lenders. During the first quarter of 2008, the conditions precedent to the initial disbursement of the project financing were all satisfied or waived. Consequently, the Ambatovy Joint Venture has borrowed U.S.$938.8 million of the project financing at September 30, 2008. Interest and commitment charges of $23.0 million related to the project financing have been capitalized as the project has not yet achieved commercial production.

Pursuant to the Shareholders' Agreement, prior to the initial disbursement of the project financing, Sherritt funded 45% of the cash calls from the Ambatovy Joint Venture, which included funding in respect of SNC-Lavalin's 5% interest in the Ambatovy Joint Venture. SNC-Lavalin had deposited $27.5 million, equal to 5% of the cash calls, in an escrow account. During the quarter, the funds in escrow were released to Sherritt. Since initial disbursement of the project financing SNC-Lavalin has been funding its pro-rata share directly to the Ambatovy Joint Venture.

Sherritt has entered into cross-guarantee fee letters with Sumitomo and SNC-Lavalin in which Sherritt agreed to issue 3,773,107 common shares, in four equal annual instalments beginning on December 31, 2008, to Sumitomo and SNC-Lavalin in consideration for providing U.S.$324 million of a total of U.S.$598 million of cross-guarantees. Upon achieving initial disbursement, the Corporation recorded a cross-guarantee fee asset (note 10) and contributed surplus (note 18) of $55.6 million. The amortization of the cross-guarantee fee asset is capitalized to deferred development costs until the project begins commercial production. As the shares are issued, contributed surplus will be reduced accordingly. The expected issuances have been included in the calculation of the diluted number of shares.

5. Discontinued operation

On June 14, 2007, the Corporation acquired Dynatec. Immediately after the acquisition, the Corporation determined it would sell Dynatec's Mining Services, Mineral Products and Coal-bed Methane divisions. The Mining Services and Coal-bed Methane divisions were sold in 2007. At September 30, 2008, the Mineral Products division remains unsold and continues to be classified as a discontinued operation.

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

$ millions, as at	**2008 September 30**	2007 December 31
Assets		
Current assets	**$ 3.0**	$ 2.2
Property, plant and equipment	**-**	1.3
Other assets	**1.2**	1.1
	4.2	4.6
Liabilities		
Short-term debt	**3.0**	2.0
Other current liabilities	**1.1**	1.2
Asset-retirement obligations	**1.2**	1.2
Net (liabilities) assets of discontinued operation	**$ (1.1)**	$ 0.2

Losses from the discontinued operation for the three and nine months ended September 30, 2008 is summarized as follows:

$ millions, except per share amounts	**For the three months ended 2008 September 30**	**For the nine months ended 2008 September 30**
Revenue	**$ 1.1**	**$ 3.6**
Operating, selling, general and administrative expenses	**3.3**	**6.5**
Loss before undernoted item	**(2.2)**	**(2.9)**
Depletion, amortization and accretion	**0.1**	**0.1**
Loss from discontinued operation	**(2.3)**	**(3.0)**
Loss from discontinued operation per share		
Basic	**$ (0.01)**	**$ (0.02)**
Diluted	**$ (0.01)**	**$ (0.01)**

The losses of the discontinued operations related to the Dynatec acquisition for the period June 14 to September 30, 2007 are as follows:

$ millions, except per share amounts	**Dynatec Mining Service**	**Mineral Products**	**Coal-bed Methane**	**Total**
Revenue	$ 75.2	$ 1.1	$ -	$ 76.3
Operating, selling, general and administrative expenses	73.7	2.0	-	75.7
Earnings before undernoted item	1.5	(0.9)	-	0.6
Depletion, amortization and accretion	1.7	-	-	1.7
Loss from operations before income taxes	(0.2)	(0.9)	-	(1.1)
Financing income	0.4	-	-	0.4
Loss from discontinued operations	$ 0.2	$ (0.9)	$ -	$ (0.7)
Loss from discontinued operations per share				
Basic	$ -	$ -	$ -	$ -
Diluted	$ -	$ -	$ -	$ -

6. Net increase in non-cash working capital

$ millions	For the three months ended 2008 September 30	2007 September 30	For the nine months ended 2008 September 30	2007 September 30
Accounts receivable	**$ (71.9)**	$ (20.0)	**$ (65.7)**	$ (69.2)
Inventories	**(30.6)**	(0.6)	**(57.2)**	(2.1)
Prepaid expenses	**(0.6)**	(1.2)	**(7.2)**	(9.3)
Accounts payable and accrued liabilities	**(5.9)**	(27.2)	**(92.7)**	3.5
	$ (109.0)	$ (49.0)	**$ (222.8)**	$ (77.1)

7. Inventories

$ millions, as at	2008 September 30	2007 December 31
Uncovered coal	**$ 7.8**	$ -
Raw materials	**30.3**	3.7
Materials in process	**47.4**	29.3
Finished products	**45.9**	22.4
	131.4	55.4
Spare parts and operating materials	**78.1**	38.6
	$ 209.5	$ 94.0

Uncovered coal, raw materials, materials in process, and finished products are valued at the lower of average production cost and net realizable value, with cost determined on a moving weighted-average basis or using standard costing. Spare parts and operating materials are valued at the lower of average cost and net realizable value.

For the three and nine months ended September 30, 2008, the cost of inventories recognized as an expense and included in Operating, selling, general and administrative expenses amount to $185.0 million (September 30, 2007 - $92.4 million) and $453.1 million (September 30, 2007 - $304.4 million), respectively.

8. Property, plant and equipment

$ millions, as at		2008 September 30			2007 December 31	
	Cost	**Accumulated amortization and depletion**	**Net book value**	Cost	Accumulated amortization and depletion	Net book value
Metals	**$ 4,158.4**	**$ 172.3**	**$ 3,986.1**	$ 2,583.0	$ 148.8	$ 2,434.2
Oil and Gas	**1,486.0**	**1,127.4**	**358.6**	1,376.1	1,051.8	324.3
Power	**582.6**	**155.6**	**427.0**	566.9	135.3	431.6
Coal	**1,099.1**	**320.7**	**778.4**	284.5	210.6	73.9
Other	**83.7**	**54.9**	**28.8**	69.2	51.0	18.2
	$ 7,409.8	**$ 1,830.9**	**$ 5,578.9**	$ 4,879.7	$ 1,597.5	$ 3,282.2

The property, plant and equipment balance includes the property, plant and equipment acquired from Royal Utilities of $285.5 million (note 3) and the mineral rights acquired from Dynatec of $1,356.7 million (December 31, 2007 - $1,264.4 million).

The Property, plant and equipment balance also includes development and pre-production expenditures attributable to the Ambatovy Project of $1,999.5 million (December 31, 2007 - $767.0 million). In addition to the Ambatovy Project, assets under construction of $389.0 million were included in property, plant and equipment at September 30, 2008 (December 31, 2007 - $201.5 million). Interest expense capitalized for the three and nine months ended September 30, 2008 was $14.4 million (September 30, 2007 - $0.7 million) and $23.2 million (September 30, 2007 - $3.4 million), respectively. The expenditures attributable to the Ambatovy Project, assets under construction and capitalized interest are not subject to depreciation or amortization until the project commences commercial production.

9. Investments

$ millions, as at	**2008 September 30**	2007 December 31
Royal Utilities	**$ -**	$ 337.1
Asset-Backed Commercial Paper	**44.8**	44.6
Other	**21.3**	23.1
	$ 66.1	$ 404.8

The Corporation acquired the remaining outstanding units of Royal Utilities in the third quarter of 2008 (note 3). This investment was accounted for as a long-term investment in accordance with the equity method of accounting prior to May 2, 2008.

Asset-Backed Commercial Paper (ABCP) with a carrying value of $44.8 million is net of a $18.7 million fair-value adjustment. The fair-value adjustment of $18.7 million includes an additional $2.8 million recorded in the third quarter of 2008 as the result of an increasing credit spread over Government of Canada T-bills. At the dates the Corporation and Royal Utilities acquired these investments they were rated R-1 by Dominion Bond Rating Service, the highest credit rating issued for commercial paper. The ABCP portfolio matured between mid-August 2007 and mid-September 2007, but was not repaid as a result of liquidity issues in the ABCP market. In December 2007, a group of participants in the ABCP market, including banks, liquidity providers and major investors, known as the Pan-Canadian Investors Committee, proposed a restructuring for $32 billion of ABCP to be converted into long-term floating-rate notes (FRNs). On March 17, 2008, a court order was obtained through which the restructuring of the ABCP was expected to occur under the protection of the Companies' Creditors Arrangement Act. The investors voted on April 25, 2008 and approved the restructuring plan which received court approval on June 18, 2008. During the third quarter of 2008, the Supreme Court of Canada denied an appeal made by certain investors and the Restructuring Committee is proceeding with the plan as proposed. It is expected the plan will be completed in the fourth quarter of 2008. The Corporation has classified the ABCP as long-term investments, after initially classifying them as cash and cash equivalents, as it is anticipated that this investment may be realized beyond a 365-day period.

In determining the fair value, the Corporation used discounted cash flows based on interest rates of medium- to long-term Government of Canada bonds, and management's best estimate of credit ratings and risk factors. The restructuring plan identifies three basic categories of restructured notes and the Corporation believes its holdings of these restructured notes will include traditional securitized assets ($1.0 million of the $63.5 million principal amount) which are expected to be paid out at par, notes backed by synthetic and hybrid assets ($55.7 million of the $63.5 million principal amount) with an average maturity of 8.5 years and ABCP backed, in whole or in part, by U.S. sub-prime assets, referred to as ineligible assets ($6.8 million of the $63.5 million principal amount) with maturities of between 8 and 20 years.

The discount rates used to determine the fair value of the new notes range from 6.74% to 9.73% for synthetic and hybrid assets and 15.00% for ineligible assets.

The Corporation performed a sensitivity analysis of certain fair-value assumptions. Based on a 10% favourable and a 10% unfavourable change in the expected term, discount rate or expected principal loss, the Corporation determined that the fair-value adjustment could range from approximately $17 million to $21 million.

10. Other assets

$ millions, as at	**2008 September 30**	2007 December 31
Advances and loans receivable [1]	**$ 267.0**	$ 152.6
Cross-guarantee fee asset (note 4)	**49.5**	-
Notes receivable	**28.0**	33.2
Long-term spare parts and equipment (note 2 (iii))	**-**	9.6
Pension asset	**4.7**	4.8
Put/call option - Ambatovy Project (note 24 (a))	**7.5**	7.5
Deferred reclamation recoveries [2]	**5.0**	-
Deferred items	**11.2**	8.7
Other	**24.4**	1.9
	397.3	218.3
Current portion of advances and loans receivable [1]	**(60.4)**	(51.5)
	$ 336.9	$ 166.8

(1) Advances and loans receivable include:

(i) In December 2005, the Corporation entered into a funding agreement with certain Moa Joint Venture entities within the Metals segment to finance expansion plans. As at September 30, 2008, advances and loans receivable include loans of $211.5 million (2007 - $108.2 million) bearing a fixed interest rate of 6.5%. The borrowers will commence repayments of the funds advanced in the month following commissioning of the expansion assets. Repayments will be made from available distributable cash flows from the Moa Joint Venture and any advances outstanding will become due on December 31, 2015.

(ii) The Corporation has provided a 364-day working capital facility and other advances to certain Moa Joint Venture entities within the Metals segment of $42.4 million (2007 – $44.4 million) bearing interest at bankers' acceptance rates plus an applicable margin of 2%. This facility is available for renewal in May 2009.

(2) Deferred reclamation recoveries relate to future recoveries of reclamation expenditures from domestic customers, obtained through the acquisition of Royal Utilities.

11. Goodwill and other intangibles

$ millions, as at	2008 September 30	2007 December 31
Goodwill		
Ambatovy Joint Venture	**$ 401.0**	$ 373.8
Royal Utilities (note 3)	**303.5**	-
Intangibles (1)		
Royalty agreements	**282.6**	-
Mining contracts	**132.9**	-
Customer relationships	**4.1**	-
Other	**28.1**	30.2
	$ 1,152.2	$ 404.0

(1) Intangibles have been recorded based on 58.8% of the assets acquired (note 3).

12. Post-retirement benefits

The Corporation's pension expense for the three and nine months ended September 30, 2008 was $1.4 million (September 30, 2007 - $2.0 million) and $5.8 million (September 30, 2007 - $5.9 million), respectively.

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

$ millions, as at	2008 September 30	2007 December 31
7.875% senior unsecured debentures due 2012	**$ 265.6**	$ 264.3
8.25% senior unsecured debentures due 2014	**221.2**	221.1
7.75% senior unsecured debentures due 2015	**271.5**	-
Ambatovy Project financing	**930.5**	-
Ambatovy Partner loans	**23.3**	-
Senior credit facility agreement	**5.2**	-
Loan from financial institution	**31.1**	38.9
Other	**123.0**	64.1
	1,871.4	588.4
Capital lease obligations	**82.5**	16.3
Other long-term liabilities	**27.4**	0.4
	1,981.3	605.1
Current portion of long-term debt	**(56.8)**	(15.3)
	$ 1,924.5	$ 589.8

On June 17, 2008 the Corporation issued $275 million principal amount of 7.75% senior unsecured debentures series C due 2015 for net cash proceeds of $271.4 million after deferred financing costs of $3.6 million. The annual effective interest rate was 7.99%. The 7.75% senior unsecured debentures are net of deferred financing costs of $3.5 million at September 30, 2008.

The 7.875% senior unsecured debentures, due 2012, are net of deferred financing costs of $8.0 million at September 30, 2008 (December 31, 2007 - $9.3 million).

The 8.25% senior unsecured debentures, due 2014, are net of deferred financing costs of $3.8 million, at September 30, 2008 (December 31, 2007 - $3.9 million).

The Ambatovy Joint Venture executed a U.S.$2.1 billion limited recourse project financing with a group of international lenders with a maturity date of June 15, 2024. The first repayment will be at the latest of six months after financial completion or thirty months after the final draw down but in no case later than February 2013. The project financing is guaranteed by the project sponsors until the project passes certain completion tests and is secured by the project assets. Sherritt has a completion guarantee of U.S.$840.0 million of which the first U.S.$598.0 million is cross guaranteed by its partners (note 4). Interest is payable based on LIBOR rates plus applicable margins, depending on the lenders, of 0.9% to 1.9% pre-completion. Interest is currently payable based on LIBOR rates plus applicable margins of approximately 1.40%.

During the third quarter, the Ambatovy Joint Venture borrowed U.S.$307.0 million under the project financing. The balance outstanding at September 30, 2008 of $930.5 million is net of deferred financing costs.

In March 2008, the Ambatovy Joint Venture partners finalized documentation to provide Sherritt with loans of up to U.S.$236.0 million to be used to fund Sherritt's equity contributions for the project. Interest is payable based on the six-month LIBOR rate plus 1.125%. Repayment is based on 70% of Sherritt's project distributions. If these distributions are not sufficient to repay the loans after 15 years, the partners have full recourse to Sherritt to repay any amounts outstanding. During the third quarter, Sherritt borrowed U.S.$22.0 million under these facilities.

The Corporation acquired a senior credit facility arrangement through the acquisition of Royal Utilities. The senior credit facility agreement is with a syndicate of financial institutions in which the interest rates payable on advances under the facility are based on prime lending rates, bankers acceptance rates, U.S. based rates and/or LIBOR rates plus applicable margins ranging from 0% to 1.457% depending on Royal Utilities' ratio of debt to operating earnings before interest, taxes, depreciation and amortization. A total of $140.0 million was repaid in the third quarter of 2008.

In 2005 and 2007, the Corporation entered into two separate loan agreements to fund a portion of expansion projects in the Power Business. These loan bears interest at the bankers' acceptance rates plus an applicable margin of 2.9%, payable semi-annually in ten equal instalments over a five-year term.

Capital lease obligations for the Coal segment of $78.0 million bear interest at rates ranging from 4.11% to 6.92%. These capital leases mature between 2008 and 2013 and are repayable by blended monthly payments of principal and interest.

Capital lease obligations for the Metals segment of $4.5 million bear interest at rates ranging from 1.08% to 8.0%. These capital leases mature between 2008 and 2012 and are repayable by blended monthly payments of principal and interest.

The other long-term liabilities are mostly comprised of other equipment financing arrangements and a pension liability in Royal Utilities. The equipment financing arrangements bear interest at rates ranging from 4.66% to 6.31% with a weighted-average interest rate of 5.61%, mature between 2010 and 2013 and are repayable by blended monthly payments of principal and interest.

Interest and accretion on long-term debt was $18.4 million (September 30, 2007 - $6.9 million) and $44.3 million (September 30, 2007 - $18.6 million) for the three and nine months ended September 30, 2008.

14. Asset-retirement obligations

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

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

$ millions	**For the nine months ended 2008 September 30**	For the year ended 2007 December 31
Balance, beginning of period	**$ 73.4**	$ 65.0
Acquisition of Royal Utilities Income Fund (note 3)	**53.4**	-
Additions to liabilities	**9.1**	12.0
Liabilities settled	**(6.5)**	(4.9)
Accretion expense	**5.0**	4.6
Change in foreign exchange rates	**2.1**	(3.3)
Balance, end of period	**136.5**	73.4
Current portion	**(21.9)**	(5.0)
	$ 114.6	$ 68.4

The Corporation has estimated that it will require approximately $313 million in undiscounted cash flows to settle these liabilities, payable over the next several decades. The payments are expected to be funded by cash generated from operations. Credit adjusted discount rates from 4% to 9% were applied to expected future cash flows to determine the carrying value of the asset-retirement obligations.

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

15. Non-controlling interests

The Corporation is the primary beneficiary of two Variable Interest Entities (VIEs) as defined under CICA's Accounting Guideline 15.

The Corporation holds an indirect 40% interest in the equity of a VIE, the Ambatovy Joint Venture. As a result, the accounts of the Ambatovy Joint Venture are consolidated and the 60% equity interests of other shareholders are accounted for as non-controlling interests.

The Corporation also holds an indirect one-third interest in the equity of a VIE, Energas S.A, which owns and operates power plants in Cuba. The Corporation indirectly provided financing for the construction of the power plants. The two-thirds non-controlling interests in the entity are presented separately.

Non-controlling interests in the VIEs consolidated by the Corporation are as follows:

$ millions	**For the nine months ended 2008 September 30**	For the year ended 2007 December 31
Ambatovy Joint Venture		
Balance, beginning of period	**$ 1,016.5**	$ -
Share of net earnings	**1.1**	0.6
Increase in net assets	**185.4**	1,015.9
	1,203.0	1,016.5
Energas S.A.		
Balance, beginning of period	**$ 185.8**	$ 194.1
Share of net earnings	**20.9**	20.5
Dividends paid to non-controlling interest	**(10.3)**	(28.8)
Change in accounting policy (note 2 (iii))	**3.3**	-
	199.7	185.8
Total balance, end of period	**$ 1,402.7**	$ 1,202.3

16. Commitments and contingencies

Commitments for the Ambatovy Project amounted to $1.3 billion (December 31, 2007 - $941.4 million), including the share of non-controlling interest. In addition, at September 30, 2008, the Corporation was committed to purchases of equipment, office space, vehicles, and services in the amount of $393.5 million (December 31, 2007 - $343.2 million), including its proportionate share of joint-venture commitments.

The Ontario Ministry of Environment (MOE) is nearing the end of an investigation into improper environmental sampling that allegedly occurred over a number of years at the Canada Talc mine before Sherritt's acquisition of Dynatec in 2007. The responsible MOE investigators have advised that because Dynatec was amalgamated into Sherritt after the acquisition, Sherritt will likely be charged as the corporate successor to Dynatec. The investigators have also advised that one or more former Dynatec subsidiaries and personnel may also be charged and the liability could ultimately rest with Sherritt. If charges are laid, an assessment of the amount of the potential fine for which Sherritt could be responsible (directly or indirectly) will be carried out. The potential fine is indeterminable as at September 30, 2008 and no liability has been recorded.

17. Capital stock

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

	Number		Stated Capital	
$ millions, except share amounts	**For the nine months ended 2008 September 30**	For the year ended 2007 December 31	**For the nine months ended 2008 September 30**	For the year ended 2007 December 31
Balance, beginning of period	**231,809,308**	172,011,570	**$ 1,857.2**	$ 929.2
Shares issued:				
Acquisition of Dynatec	**-**	61,439,408	**-**	941.3
Share issuance	**26,250,000**	-	**383.0**	-
Overallotment on share issuance	**2,276,951**	-	**33.3**	-
Acquisition of Royal Utilities (note 3)	**31,438,705**	-	**465.0**	-
Share purchase plan	**79,700**	89,930	**0.9**	0.8
Repurchase of shares	**-**	(1,836,600)	**-**	(14.7)
Stock options exercised	**178,335**	105,000	**0.6**	0.6
Balance, end of period	**292,032,999**	231,809,308	**$ 2,740.0**	$ 1,857.2

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

	For the three months ended		For the nine months ended	
$ millions, except per share amounts	**2008 September 30**	2007 September 30	**2008 September 30**	2007 September 30
Earnings from continuing operations	**$ 135.4**	$ 66.1	**$ 305.4**	$ 287.6
Loss from discontinued operation	**(2.3)**	(0.7)	**(3.0)**	(0.7)
Net earnings - basic	**133.1**	65.4	**302.4**	286.9
Net earnings - diluted	**133.1**	65.4	**302.4**	286.9
Loss from discontinued operation	**(2.3)**	(0.7)	**(3.0)**	(0.7)
Earnings from continuing operations - diluted	**$ 135.4**	$ 66.1	**$ 305.4**	$ 287.6
Weighted-average number of common shares - basic	**291.9**	233.6	**268.8**	196.6
Weighted-average effect of dilutive securities:				
Stock options	**0.1**	0.9	**0.6**	0.9
Cross guarantee (note 4)	**3.8**	-	**3.8**	-
Weighted-average number of common shares - diluted	**295.8**	234.5	**273.2**	197.5
Earnings from continuing operations per common share				
Basic	**$ 0.46**	$ 0.28	**$ 1.14**	$ 1.46
Diluted	**$ 0.46**	$ 0.28	**$ 1.12**	$ 1.45
Loss from discontinued operation per common share				
Basic	**$ (0.01)**	$ -	**$ (0.02)**	$ -
Diluted	**$ (0.01)**	$ -	**$ (0.01)**	$ -
Net earnings per common share				
Basic	**$ 0.45**	$ 0.28	**$ 1.12**	$ 1.46
Diluted	**$ 0.45**	$ 0.28	**$ 1.11**	$ 1.45

On March 31, 2008, the Corporation completed an offering of 26,250,000 common shares at a price of $15.25 per common share, resulting in net proceeds of $383.0 million after deducting underwriters' fees of $16.2 million and transaction costs of $1.1 million. The Corporation granted the underwriters an over-allotment option, exercisable in whole or in part, to purchase up to an additional 3,937,500 common shares at the same price for a period of 30 days after closing. On April 17, 2008, the underwriters exercised the over-allotment option to purchase an additional 2,276,951 common shares at $15.25 per common share resulting in net proceeds of $33.3 million after deducting underwriter fees of $1.4 million.

18. Contributed surplus

$ millions		For the nine months ended 2008 September 30		For the year ended 2007 December 31
Balance, beginning of period	$	190.3	$	191.8
Repurchase of common shares		-		(1.5)
Cross-guarantee (note 4)		55.6		-
Balance, end of period	$	245.9	$	190.3

19. Stock-based compensation plans

The following is a summary of stock option activity:

	For the three months ended 2008 September 30			For the three months ended 2007 September 30		
	Options		Weighted-average exercise price	Options		Weighted-average exercise price
Outstanding at beginning of period	3,975,001	$	12.12	2,401,667	$	9.48
Granted	265,000		8.87	945,000		14.95
Exercised for cash	(16,666)		9.78	(25,000)		10.49
Exercised for shares	(150,000)		3.05	(105,000)		6.44
Forfeited	-		-	(76,667)		13.42
Outstanding at end of period	4,073,335		12.25	3,140,000		11.12
Options exercisable, end of period	1,277,334	$	10.99	722,555	$	7.64

	For the nine months ended 2008 September 30			For the nine months ended 2007 September 30		
	Options		Weighted-average exercise price	Options		Weighted-average exercise price
Outstanding at beginning of period	3,255,000	$	11.30	2,451,667	$	9.49
Granted	1,075,000		13.50	945,000		14.95
Exercised for cash	(64,998)		10.05	(25,000)		10.49
Exercised for shares	(178,335)		3.39	(121,666)		6.94
Forfeited	(13,332)		10.34	(110,001)		12.40
Outstanding at end of period	4,073,335		12.25	3,140,000		11.12
Options exercisable, end of period	1,277,334	$	10.99	722,555	$	7.64

At September 30, 2008, 3,978,335 (September 30, 2007 – 2,875,001) options with a share appreciation right (SAR) attachment and 95,000 (September 30, 2007 – 265,000) options remained outstanding for which the Corporation has recognized a compensation recovery of $7.9 million and $3.8 million respectively, for the three and nine months ended September 30, 2008. The Corporation recognized a compensation expense of $2.2 million and of $5.8 million, respectively, for the three and nine months ended September 30, 2007.

The Corporation granted 265,000 and 1,075,000 stock options with exercise price of $8.87 and $13.50 for the three and nine months ended September 30, 2008, respectively.

The Corporation also recorded a compensation recovery of $7.2 million and $3.6 million respectively, for the three and nine months ended September 30, 2008 for other stock-based compensation plans. The Corporation recognized compensation expense of $3.9 million and $9.7 million respectively, for the three and nine months ended September 30, 2007 for other stock-based compensation plans.

	For the three months ended 2008 September 30		For the three months ended 2007 September 30	
	SAR	**RSU/DSU**	SAR	RSU/DSU
Balance, beginning of period	**448,125**	**898,733**	1,969,625	323,001
Issued	**-**	**164,712**	-	339,559
Exercised	**(166,750)**	**-**	(720,000)	(17,352)
Forfeited	**-**	**(34,826)**	-	(20,573)
Outstanding at end of period	**281,375**	**1,028,619**	1,249,625	624,635
Units exercisable, end of period	**281,375**	**163,665**	1,249,625	149,955
Weighted-average exercise price	**$ 3.80**	**Not Applicable**	$ 4.60	Not Applicable

	For the nine months ended 2008 September 30		For the nine months ended 2007 September 30	
	SAR	**RSU/DSU**	SAR	RSU/DSU
Balance, beginning of period	**549,625**	**636,052**	2,132,750	485,332
Issued	**-**	**467,189**	-	353,135
Exercised	**(268,250)**	**-**	(883,125)	(178,064)
Forfeited	**-**	**(74,622)**	-	(35,768)
Outstanding at end of period	**281,375**	**1,028,619**	1,249,625	624,635
Units exercisable, end of period	**281,375**	**163,665**	1,249,625	149,955
Weighted-average exercise price	**$ 3.80**	**Not Applicable**	$ 4.60	Not Applicable

20. Accumulated other comprehensive loss

$ millions	For the nine months ended 2008 September 30	For the year ended 2007 December 31
Balance, beginning of period	**$ (231.0)**	$ (43.8)
Effect of exchange rate changes during the period	**131.7**	(187.2)
Balance, end of period	**$ (99.3)**	$ (231.0)

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

21. Net financing expense

$ millions	For the three months ended 2008 September 30	2007 September 30	For the nine months ended 2008 September 30	2007 September 30
Interest (income) on cash, cash equivalents, short-term investments and loans receivable (note 24 (e))	**$ (6.6)**	$ (6.2)	**$ (19.9)**	$ (18.0)
Interest and accretion expense on debt	**18.4**	6.9	**44.3**	18.6
Foreign-exchange (gain) losses	**(19.3)**	10.7	**(18.3)**	19.2
Fair-value adjustment (note 9 and 24)	**10.1**	6.0	**10.1**	6.0
Other	**(0.5)**	(0.9)	**(1.5)**	(1.9)
	$ 2.1	$ 16.5	**$ 14.7**	$ 23.9

22. Income taxes

$ millions		For the three months ended 2008 September 30		2007 September 30		For the nine months ended 2008 September 30		2007 September 30
Current	**$**	**17.2**	$	37.0	**$**	**95.9**	$	159.1
Future		**(17.6)**		4.0		**(20.1)**		(4.9)
	$	**(0.4)**	$	41.0	**$**	**75.8**	$	154.2

23. Related party transactions

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

The total value of all goods and services, including labour services, that the Corporation and its subsidiaries provided to joint ventures and its affiliates in the three and nine months ended September 30, 2008 amounted to $38.9 million and $102.8 million (September 30, 2007 - $21.8 million and $77.6 million), respectively. The total value of goods and services purchased from joint ventures in the three and nine months ended September 30, 2008 was $19.4 million and $82.1 million (September 30, 2007 - $2.2 million and $6.9 million), respectively.

Accounts receivable from joint ventures at September 30, 2008 was $21.8 million (December 31, 2007 - $74.9 million). Accounts payable to joint ventures at September 30, 2008 was $8.4 million (December 31, 2007 - $7.3 million).

24. Financial instruments and financial risk management

(a) Financial instruments

The Corporation has classified financial instruments as follows:

$ millions, as at		2008 September 30		2007 December 31
Financial assets:				
Held-for-trading, measured at fair value				
Cash and cash equivalents	**$**	**578.4**	$	355.2
Restricted cash		**17.6**		31.4
Short-term investments		**-**		103.5
Asset-backed commercial paper (note 9)		**44.8**		44.6
Put/call option - Ambatovy Project (note 10)		**7.5**		7.5
Loans and receivables, measured at amortized costs				
Advances and loans receivable (note 10)		**267.0**		152.6
Accounts receivable, net		**637.3**		495.1
Notes receivable (note 10)		**28.0**		33.2
Deferred reclamation recoveries (note 10)		**5.0**		-
Financial liabilities:				
Other liabilities, measured at amortized costs				
Short-term debt	**$**	**-**	$	52.8
Accounts payable and accrued liabilities		**629.4**		467.6
Long-term debt and other long-term liabilities, including current portion (note 13)		**1,981.3**		605.1

(b) Short-term investments and cash equivalents

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

$ millions, as at		2008 September 30		2007 December 31
Government of Canada Treasury bills	**$**	**210.0**	$	159.2
Bank term deposits		**6.5**		113.0
Bankers' acceptances		**-**		82.2
	$	**216.5**	$	354.4

The Corporation's cash balances are deposited with major Canadian financial institutions rated A- or higher by Standard and Poor's and in bank deposit accounts in Cuba that have not yet been rated by Standard and Poor's. The total cash held in Cuban bank deposit accounts was approximately $60 million at September 30, 2008 (December 31, 2007 – approximately $17 million).

(c) Allowance for credit losses

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

$ millions, as at		**2008 September 30**		2007 December 31
Trade receivables	**$**	**560.5**	$	367.2
Allowances for doubtful accounts		**(4.6)**		(4.6)
Other		**81.4**		132.5
	$	**637.3**	$	495.1

Of which:

$ million, as at		**2008 September 30**		2007 December 31
Not past due	**$**	**465.3**	$	413.0
Past due no more than 30 days		**57.0**		10.6
Past due for more than 30 days but no more than 60 days		**30.5**		4.9
Past due for more than 60 days		**84.5**		66.6
	$	**637.3**	$	495.1

At September 30, 2008, approximately $172 million of accounts receivable were considered past due, of which $84.5 million was more than 60 days past due. Accounts receivable that are past due primarily relate to receivables in Oil and Gas which are in respect of amounts billed pursuant to Cuban production-sharing contracts.

Oil and Gas receivables include amounts which are due from Sherritt's joint operating partner on a block where Sherritt holds a participating interest and which are not subject to the payment pooling arrangement described in note 24 (f). These receivables have 90-day payment terms. Billed receivables in respect of blocks where Sherritt has a 100% interest have 180-day payment terms and are subject to the payment pooling arrangement.

The Corporation has assessed the collectability and timing of collection of these receivables. Although current global economic conditions have negatively impacted Cuba, the Corporation currently believes the receivables are collectible. Receivables relating to a jointly-operated block, however, are expected to be collected over a longer period of time. Due to the expected delays in receipt of payments, the Corporation has discounted the expected cash receipts of the jointly-operated block resulting in a downward fair-value adjustment of $7.3 million. As cash receipts are received, a portion of the receipts will be recorded as interest income up to a total of $7.3 million. This interest income will be included in Net financing (income) expense on the income statement. Collectability and timing of collection of receivables could be affected by the political environment and economic pressure resulting from the current global economic conditions and the Cuban Government's limited access to foreign exchange.

(d) Fair values

At September 30, 2008, the carrying values of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, reclamation recoveries, short-term debt, accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

The carrying value of Asset-Backed Commercial Paper, which is held-for-trading, approximated its fair value at September 30, 2008 (note 9).

The fair value of the accounts receivable associated with a jointly-operated block in Oil and Gas was reduced by $7.3 million in the third quarter of 2008 as described in note 24 (c). Management currently believes the accounts receivables carrying value approximates the fair value. Timing of collection of receivables could be affected by the political environment and economic pressure resulting from the current global economic conditions and the Cuban Government's limited access to foreign exchange which could negatively impact the fair value of the accounts receivables.

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

$ millions, as at	**Carrying Value**	**2008 September 30 Fair Value**	Carrying Value	2007 December 31 Fair Value
Investment in Royal Utilities	**$ -**	**$ -**	$ 337.1	$ 430.7
7.875% senior unsecured debentures due 2012	**265.6**	**276.9**	264.3	275.1
8.25% senior unsecured debentures due 2014	**221.2**	**228.2**	221.1	226.8
7.75% senior unsecured debentures due 2015	**271.5**	**274.9**	-	-
Short-term investments	**-**	**-**	103.5	104.6

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

The fair value for the put/call option on the Ambatovy Project was not determinable as the variability in the range of reasonable fair-value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed (note 10).

The Corporation had approximately CDN$1.8 billion available under its various credit facilities, at September 30, 2008, inclusive of approximately U.S.$1.2 billion (including the share of non-controlling interest) available under the Ambatovy Joint Venture limited recourse project financing.

(e) Net investment income

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

$ millions	For the three months ended 2008 September 30	2007 September 30	For the nine months ended 2008 September 30	2007 September 30
Interest income earned on:				
Cash	**$ 0.1**	$ 0.1	**$ 0.4**	$ 0.3
Short-term investments	**1.9**	2.7	**7.6**	8.2
Advances	**2.6**	1.1	**6.0**	2.5
Receivables	**1.4**	0.9	**4.3**	3.2
Other	**0.6**	1.4	**1.6**	3.8
	$ 6.6	$ 6.2	**$ 19.9**	$ 18.0

(f) Risk management policies and hedging activities

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

Credit risk

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

The Corporation has credit risk exposure related to its share of cash, accounts receivable and advances and loans associated with its businesses in Cuba of approximately $844.7 million at September 30, 2008 (December 31, 2007 – approximately $494.9 million).

$ millions, as at	2008 September 30	2007 December 31
Metals	**$ 345.7**	$ 200.2
Oil and Gas	**411.2**	245.0
Power	**20.4**	12.9
Corporate and other	**67.4**	36.8
	$ 844.7	$ 494.9

Management continues to evaluate the overall exposure to the Cuban Government. Although current global economic conditions have negatively impacted Cuba, the Corporation does not currently believe that the Cuban Government will be unable to meet its financial obligations to the Corporation. However, the timing of collection of loans and receivables could be impacted by the political environment and economic pressure resulting from the Cuban Government's limited access to foreign exchange which could result in receipt of payment over a longer period of time or result in uncertainty with respect to collectability of the loans and receivables.

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

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

Liquidity risk

Liquidity risk arises from the Corporation’s financial obligations and in the management of its assets, liabilities and optimal capital structure. We manage this risk by regularly evaluating our liquid financial resources to fund our current and long-term obligations and to meet our capital commitments in a cost-effective manner.

The main factors that affect liquidity include realized sales prices, production levels, cash production costs, working capital requirements, future capital expenditure requirements, scheduled repayments of long-term debt obligations, our credit capacity and expected future debt and equity capital market conditions.

The Corporation’s liquidity requirements are met through a variety of sources, including: cash and cash equivalents on hand, cash generated from operations, existing credit facilities, leases, and debt and equity capital markets.

Weakening global economic conditions have led to a significant weakness in exchange traded commodity prices in recent weeks, including nickel prices. In general, credit market conditions have increased the cost of obtaining capital and limited the availability of funds. As economic conditions stabilize, management expects to be in a similar position as it has been previously in terms of its ability to access its traditional sources of liquidity.

Given the Corporation's financial position, available credit facilities and the fact that there are no scheduled maturities on its public debt until 2012, the Corporation currently does not expect a need to access debt and equity capital markets for financing over the next twelve months. However, because the duration of the general economic uncertainty and its detrimental effect on credit and capital markets is unknown, it is difficult to determine the long-term impact on the Corporation.

In light of current market conditions, Sherritt has initiated a series of measures to bring its spending in line with the projected cash flows from its operations and available project specific facilities in order to preserve its balance sheet and maintain a strong liquidity position.

Management currently believes that based on its financial position and liquidity profile at September 30, 2008, the Corporation will be able to satisfy its current and long-term obligations.

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

$ millions, as at	Total	2008	2009	2010	2011	2012	2013 and thereafter
Capital commitments	$ 1,695.9	$ 671.0	$ 817.0	$ 207.9	$ -	$ -	$ -
Long-term debt	1,828.3	2.7	10.2	10.2	5.2	312.3	1,487.7
Capital leases	91.2	26.9	25.1	17.1	14.8	7.3	-
Operating leases	46.4	9.0	7.7	5.8	4.6	2.7	16.6
Asset-retirement obligations	313.0	82.3	4.7	4.5	103.9	37.6	80.0
Total	$ 3,974.8	$ 791.9	$ 864.7	$ 245.5	$ 128.5	$ 359.9	$ 1,584.3

On the Ambatovy Project financing, Sherritt has a completion guarantee of U.S.$840 million, of which the first U.S.$598 million is cross-guaranteed by its partners (note 4).

Market risk

Market risk is the potential for financial loss from adverse changes in underlying market factors, including interest and foreign-exchange rates, credit spreads, and equity and commodity prices.

Foreign-exchange risk

Many of Sherritt's businesses transact in currencies other than the Canadian dollar. The Corporation is also sensitive to foreign-exchange exposures when commitments are made to deliver products quoted in foreign currencies or when the contract currency is different from the product price currency. Derivative financial instruments are not used to reduce exposure to fluctuations in foreign-exchange rates.

Interest rate risk

Interest on the Corporation's short-term and long-term debt is based on both fixed and variable rates and exposes the Corporation to interest rate risk. The Corporation has not entered into any derivative agreements to mitigate this risk. Increases in interest rates would increase the interest cost of the Corporation's variable rate short-term and long-term debt and have an adverse effect on the Corporation's net earnings and earnings per share. Based on short-term and long-term debt at September 30, 2008, a 1.0% increase or decrease in the market interest rate could impact the Corporation's annual interest expense by approximately $10.0 million.

Commodity price risk

The most significant factor affecting our earnings is the price of the resources we produce and sell. This has an impact on our sales revenues. Revenues, earnings and cash flows from the sale of nickel, cobalt, oil and export-destined coal are sensitive to changes in market prices, over which the Corporation has little or no control. They are also affected to some extent by exchange rates and demand from the investment community.

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

Stock-based compensation cost risk

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

Under the Stock Option Plan, options may have tandem stock appreciation rights (SARs) attached and these are issued to senior management and other employees. The Corporation previously issued SARs which represent a right to receive a cash amount from the Corporation equivalent to the amount by which the market price of the Corporation's common shares at the time of exercise exceeds the market price of such shares at the time of grant. At September 30, 2008, there were 281,375 SARs outstanding (September 30, 2007 – 1,249,625) with a weighted-average exercise price of $3.80 (September 30, 2007 – $4.60) and 3,978,335 options with SARs (September 30, 2007 – 2,875,000) remained outstanding with a weighted-average exercise price of $12.46 (September 30, 2007 - $11.85). At September 30, 2008, there were 95,000 options outstanding (September 30, 2007 – 265,000) with a weighted-average exercise price of $3.47 (September 30, 2007 - $3.20). All outstanding SARs were fully vested and exercisable while 1,182,334 options with SARs and 95,000 options were exercisable at September 30, 2008.

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

Potential fluctuations in the price of Sherritt's common shares would have an impact on the charge related to its share unit plans described above. For the third quarter of fiscal 2008, a strengthening or weakening of $1.00 in the price of Sherritt's common shares would have had an unfavourable or favourable impact of approximately $0.7 million on net earnings, respectively. The impact includes options and options with SARs that were granted at values higher than the current market price. These options would likely not be exercised.

25. Capital disclosures

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

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

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

The Corporation and its subsidiaries are subject to leverage and earnings covenants on certain of its debt facilities. The Corporation monitors these covenants on a quarterly basis and is in compliance at and for the period ended September 30, 2008.

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

26. Segmented information

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

$ millions						For the three months ended 2008 September 30
	Metals	**Coal [1]**	**Oil and Gas**	**Power**	**Corporate and Other**	**Consolidated**
Revenue	**$ 137.5**	**$ 189.9**	**$ 112.9**	**$ 30.9**	**$ 6.0**	**$ 477.2**
Operating, selling, general and administrative expenses [2]	**102.9**	**146.3**	**16.7**	**7.2**	**4.9**	**278.0**
Earnings (loss) before undernoted items	**34.6**	**43.6**	**96.2**	**23.7**	**1.1**	**199.2**
Depletion, amortization and accretion [2]	**(2.3)**	**(18.0)**	**(24.2)**	**(7.3)**	**(1.4)**	**(53.2)**
Net financing expense						**(2.1)**
Income taxes						**0.4**
Non-controlling interests						**(9.0)**
Share of earnings of equity-accounted investments	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Earnings from continuing operations						**135.4**
Loss from discontinued operation						**(2.3)**
Net earnings						**133.1**
Capital expenditures	**432.8**	**3.0**	**32.6**	**4.9**	**6.4**	**479.7**
Total Assets [3]	**$ 5,225.9**	**$ 1,395.4**	**$ 935.1**	**$ 600.5**	**$ 664.3**	**$ 8,821.2**

$ millions						For the three months ended 2007 September 30
	Metals	Coal [1]	Oil and Gas	Power	Corporate and Other	Consolidated
Revenue	$ 150.7	$ 28.1	$ 81.5	$ 31.6	$ 9.4	$ 301.3
Operating, selling, general and administrative expenses	63.4	30.6	19.6	9.8	19.3	142.7
Earnings (loss) before undernoted items	87.3	(2.5)	61.9	21.8	(9.9)	158.6
Depletion, amortization and accretion	(5.8)	(1.2)	(20.0)	(7.3)	(1.1)	(35.4)
Net financing expense						(16.5)
Income taxes						(41.0)
Non-controlling interests						(5.0)
Gain on sale of investments						1.4
Share of earnings of equity-accounted investments	-	4.0	-	-	-	4.0
Earnings from continuing operations						66.1
Loss from discontinued operations						(0.7)
Net earnings						65.4
Capital expenditures	48.4	0.9	35.5	1.2	3.0	89.0
Total Assets	$ 680.1	$ 442.1	$ 709.3	$ 553.5	$ 1,395.9	$ 3,780.9

(1) The Coal segment includes the Corporation's 50% proportionate interest in the Mountain Operations (previously known as Coal Valley). It also includes the equity-accounted interest in the earnings of Royal Utilities to the acquisition date (note 3) and 100% of its results from the acquisition date onwards.
(2) Operating expenses include depreciation expense in the amount of $4.5 million in Metals and $12.6 million in Coal (note 2).
(3) Total assets include $4.2 million from the discontinued operation included in Corporate and other (note 5).

$ millions						For the nine months ended 2008 September 30
	Metals	**Coal (1)**	**Oil and Gas**	**Power**	**Corporate and Other**	**Consolidated**
Revenue	**$ 477.5**	**$ 345.3**	**$ 304.9**	**$ 91.0**	**$ 13.9**	**$ 1,232.6**
Operating, selling, general and administrative expenses (2)	**288.9**	**285.5**	**54.2**	**20.6**	**35.7**	**684.9**
Earnings (loss) before undernoted items	**188.6**	**59.8**	**250.7**	**70.4**	**(21.8)**	**547.7**
Depletion, amortization and accretion (2)	**(6.5)**	**(29.8)**	**(77.1)**	**(22.0)**	**(4.0)**	**(139.4)**
Net financing expense						**(14.7)**
Income taxes						**(75.8)**
Non-controlling interests						**(21.9)**
Share of earnings of equity-accounted investments	**-**	**8.3**	**-**	**-**	**1.2**	**9.5**
Earnings from continuing operations						**305.4**
Loss from discontinued operation						**(3.0)**
Net earnings						**302.4**
Capital expenditures	**1,432.3**	**10.5**	**87.7**	**16.2**	**14.5**	**1,561.2**
Total Assets (3)	**$ 5,225.9**	**$ 1,395.4**	**$ 935.1**	**$ 600.5**	**$ 664.3**	**$ 8,821.2**

$ millions						For the nine months ended 2007 September 30
	Metals	Coal (1)	Oil and Gas	Power	Corporate and Other	Consolidated
Revenue	$ 628.8	$ 72.5	$ 217.6	$ 87.8	$ 10.1	$ 1,016.8
Operating, selling, general and administrative expenses	240.1	75.9	55.3	24.6	43.5	439.4
Earnings (loss) before undernoted items	388.7	(3.4)	162.3	63.2	(33.4)	577.4
Depletion, amortization and accretion	(17.3)	(6.3)	(66.1)	(19.9)	(3.2)	(112.8)
Net financing expense						(23.9)
Income taxes						(154.2)
Non-controlling interests						(16.2)
Gain on sale of investment						1.4
Share of earnings of equity-accounted investments	-	15.9	-	-	-	15.9
Earnings from continuing operations						287.6
Loss from discontinued operations						(0.7)
Net earnings						286.9
Capital expenditures	128.5	2.0	118.6	16.9	3.3	269.3
Total Assets	$ 680.1	$ 442.1	$ 709.3	$ 553.5	$ 1,395.9	$ 3,780.9

(1) The Coal segment includes the Corporation's 50% proportionate interest in the Mountain Operations (previously known as Coal Valley). It also includes the equity-accounted interest in the earnings of Royal Utilities to the acquisition date (note 3) and 100% of its results from the acquisition date onwards.
(2) Operating expenses include depreciation expense in the amount of $11.0 million in Metals and $23.7 million in Coal (note 2).
(3) Total assets include $4.2 million from the discontinued operation included in Corporate and other (note 5).

$ millions	Goodwill and Intangibles (1)	For the three months ended 2008 September 30 Revenue	Property,Plant, and Equipment	For the three months ended 2007 September 30 Revenue	Property,Plant, and Equipment
Canada	**$ 447.7**	**$ 175.0**	**$ 1,042.2**	$ 20.7	$ 285.9
Cuba	**-**	**139.1**	**1,139.3**	109.1	894.8
Madagascar	**704.5**	**-**	**3,386.1**	-	-
Europe	**-**	**91.7**	**4.5**	68.2	6.2
Asia	**-**	**58.6**	**6.7**	99.2	6.6
Other foreign countries	**-**	**12.8**	**0.1**	4.1	0.1
	$ 1,152.2	**$ 477.2**	**$ 5,578.9**	$ 301.3	$ 1,193.6

$ millions	Goodwill and Intangibles (1)	For the nine months ended 2008 September 30 Revenue	Property,Plant, and Equipment	For the nine months ended 2007 September 30 Revenue	Property,Plant, and Equipment
Canada	**$ 447.7**	**$ 324.5**	**$ 1,042.2**	$ 87.5	$ 285.9
Cuba	**-**	**381.3**	**1,139.3**	295.2	894.8
Madagascar	**704.5**	**-**	**3,386.1**	-	-
Europe	**-**	**238.9**	**4.5**	335.5	6.2
Asia	**-**	**250.2**	**6.7**	279.6	6.6
Other foreign countries	**-**	**37.7**	**0.1**	19.0	0.1
	$ 1,152.2	**$ 1,232.6**	**$ 5,578.9**	$ 1,016.8	$ 1,193.6

(1) At September 30, 2007 there was no goodwill recorded by the Corporation.

27. Comparative figures

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

28. Subsequent events

Subsequent to September 30, 2008, there has been a rapid decline in commodity prices which together with general economic uncertainty is expected to negatively impact 2008 fourth quarter earnings.

Also subsequent to September 30, 2008, Sherritt announced that it is taking immediate steps to reduce its cost structures and capital spending including deferring significant expansion initiatives.

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