

sherritt

Q3

2013 THIRD QUARTER REPORT

Sherritt International Corporation
For the three months ended September 30, 2013

PRESS RELEASE

Sherritt Reports Third-Quarter 2013 Results

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IN THE UNITED STATES

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All amounts are Canadian dollars unless otherwise indicated.

Sherritt International Corporation Reports Third-Quarter 2013 Results

All amounts are Canadian dollars unless otherwise indicated

Toronto, October 30, 2013 - Sherritt International Corporation (“Sherritt” or the “Corporation”) (TSX: S) today reported earnings of \$1.1 million (\$0.00 per share, basic), compared to a net loss of \$22.6 million (\$0.08 per share, basic) for third-quarter 2012.

Earnings were higher quarter-over-quarter largely as a result of the impact of changes in the Ambatovy call option (a \$11.2 million non-cash gain in third-quarter 2013 compared to a \$3.2 million non-cash loss in third-quarter 2012), a \$27.0 million expense in third-quarter 2012 (related to the redemption of Sherritt's 8.25% Senior Unsecured Debentures Series B due October 24, 2014), and higher finished metals sales volumes in third-quarter 2013. These factors that increased relative earnings were partially offset by the impact of lower nickel and export coal prices, as well as higher administrative expenses and lower royalties in Coal.

Adjusted operating cash flow per share for second quarter 2013 was \$0.20 per share, compared to \$0.30 per share in third-quarter 2012 and up from second-quarter 2013 (\$0.18 per share).

Consolidated Highlights

- Spending on capital and intangibles relating to operations totaled \$35.5 million for third-quarter 2013, compared to \$48.5 million in third-quarter 2012.
- Cash, cash equivalents and short-term investments were \$370.8 million at September 30, 2013.
- Sales volumes for third-quarter 2013 (Sherritt's share) totaled 10.1 million pounds of finished nickel, 1.0 million pounds of finished cobalt, 5.4 million tonnes of thermal coal, 1.0 million barrels of oil and 130 GWh of electricity.
- Sales volumes in third-quarter 2013 do not include sales from the Ambatovy Joint Venture. Finished metal sold from the Ambatovy Joint Venture will not be categorized as sales volumes until the declaration of commercial production, defined as 70% of ore throughput of nameplate capacity in the Pressure Acid Leach (PAL) circuit, averaged over a thirty-day period. During third-quarter 2013, Ambatovy had pre-commercial sales of approximately 13.5 million pounds (100% basis) of finished nickel and approximately 1.0 million pounds (100% basis) of finished cobalt.

Operating Highlights

- The Moa Joint Venture partners have reached agreement to proceed with a third acid plant at the Moa, Cuba facilities. The new 2,000 tonne per day plant is expected to reduce the net direct cash cost of nickel by approximately 20%, largely by eliminating the requirement for purchased acid. Construction is scheduled to begin in second-quarter 2014, and initial production from the facility is expected in third-quarter 2015.
- The progress of the ramp-up at Ambatovy was impeded during third-quarter 2013 by mechanical challenges. As a result, ore throughput in the PAL circuit was similar to second-quarter 2013. Despite lower autoclave availability during the quarter, improved volumetric flow rates, higher ore grade and improved metallurgical recoveries in the PAL circuit resulted in higher mixed sulphides production relative to second-quarter 2013. Ambatovy finished metal production was lower than the previous quarter, as the combined impact of a net drawdown of mixed sulphides inventory in the previous quarter and an increase in in-process inventory during third-quarter 2013, more than offset the increase in mixed sulphides production.
- Third-quarter 2013 consolidated finished metal production (including production from both the Moa and Ambatovy Joint Ventures) was significantly higher than the prior-year period due to the addition of Ambatovy production and production increases at the Moa Joint Venture (relative to both the prior-year period and second-quarter 2013).
- The net direct cash cost of nickel at the Moa Joint Venture for third-quarter 2013 was comparable to the prior-year period, and was \$0.46 per pound (8%) lower than second-quarter 2013.

- Coal production volumes were lower in both the Prairie Operations and Mountain Operations relative to the prior-year period, due to a planned production response to reduced customer demand and the termination of the contract mining business in January 2013 in the mine-mouth Prairie Operations, and to sustained weaker international thermal coal prices in Mountain Operations.
- In Oil, gross-working interest production levels in Cuba were maintained during the quarter as the natural reservoir decline rates were largely offset by the addition of production from new wells and an established program of workovers and optimization of existing wells.
- To reflect lower-than-expected actual production to September 30, 2013, estimated full-year 2013 Ambatovy production was reduced for mixed sulphides (by 15% or 5,000 tonnes, 100% basis), finished nickel (by 16% or 5,000 tonnes, 100% basis), and finished cobalt (by 21% or 600 tonnes, 100% basis).

SUMMARY FINANCIAL DATA

(\$ millions unless otherwise noted)	Q3 2013	Q3 2012	Nine months ended	
			2013	September 30, 2012
Revenue	286.2	341.5	911.2	1,078.0
Adjusted EBITDA ⁽¹⁾	84.8	115.9	270.8	400.0
Earnings from operations and associate and joint venture	27.3	45.1	106.8	203.7
Net earnings (loss)	1.1	(22.6)	13.5	50.6
Basic and diluted earnings (loss) per share (\$ per share)	0.00	(0.08)	0.05	0.17
Net working capital balance ⁽²⁾	721.9	1,023.6	721.9	1,023.6
Spending on capital and intangibles ⁽³⁾	35.5	48.5	140.6	152.2
Total assets	6,648.4	6,798.8	6,648.4	6,798.8
Shareholders' equity	3,708.3	3,655.8	3,708.3	3,655.8
Long-term debt to total assets (%)	33	34	33	34
Weighted-average number of shares (millions)				
Basic	296.9	296.4	296.7	296.2
Diluted	297.3	297.0	297.1	296.8

(1) For additional information see the 'Non-GAAP Measure - Adjusted EBITDA' section of this release.

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

(3) Spending on capital and intangibles includes accruals and does not include spending on the Ambatovy Joint Venture or service concession arrangements.

SUMMARY SALES DATA

(units as noted)	Q3 2013	Q3 2012	Nine months ended	
			2013	September 30, 2012
Sales volumes				
Nickel - Moa Joint Venture (thousands of pounds, 50% basis) ⁽¹⁾	10,095	8,590	27,338	28,060
Cobalt - Moa Joint Venture (thousands of pounds, 50% basis) ⁽¹⁾	1,035	949	2,777	3,096
Thermal coal - Prairie Operations (millions of tonnes)	4.6	7.6	15.5	22.5
Thermal coal - Mountain Operations (millions of tonnes)	0.8	0.9	2.6	2.7
Oil (boepd, net working-interest production)	11,403	11,408	11,255	11,511
Electricity (GWh, 33 1/3% basis)	130	154	443	466
Realized prices				
Nickel (\$/lb) ⁽¹⁾	6.42	7.20	7.01	7.94
Cobalt (\$/lb) ⁽¹⁾	13.26	12.55	12.56	13.54
Thermal coal - Prairie Operations (\$/tonne)	18.40	17.47	18.26	17.55
Thermal coal - Mountain Operations (\$/tonne)	86.29	100.32	88.62	102.66
Oil (\$/boe)	69.63	69.81	68.96	72.74
Electricity (\$/MWh)	43.47	41.20	42.48	41.49

(1) Sales volumes and average realized prices do not include the impact of the Ambatovy Joint Venture.

Review of Operations

METALS

(\$ millions unless otherwise noted)	Q3 2013	Q3 2012	Nine months ended September 30,	
			2013	2012
Production				
Mixed sulphides (Ni+Co contained, tonnes)				
Moa Joint Venture (50% basis)	4,957	4,750	13,693	14,285
Ambatovy Joint Venture (40% basis)	2,622	1,358	8,055	1,601
Total	7,579	6,108	21,748	15,886
Nickel (tonnes)				
Moa Joint Venture (50% basis)	4,573	3,909	12,343	12,693
Ambatovy Joint Venture (40% basis)	2,183	917	7,369	917
Total	6,756	4,826	19,712	13,610
Cobalt (tonnes)				
Moa Joint Venture (50% basis)	446	436	1,225	1,410
Ambatovy Joint Venture (40% basis)	161	64	627	64
Total	607	500	1,852	1,474
Fertilizer (tonnes)				
Moa Joint Venture (50% basis)	25,344	22,323	68,177	71,734
Fort Site (100% basis)	39,108	44,742	122,902	129,216
Ambatovy Joint Venture (40% basis)	6,027	-	21,159	-
Total	70,479	67,065	212,238	200,950
Sales⁽¹⁾				
Nickel (thousands of pounds, 50% basis)	10,095	8,590	27,338	28,060
Cobalt (thousands of pounds, 50% basis)	1,035	949	2,777	3,096
Fertilizer (tonnes)				
Moa Joint Venture (50%)	12,083	14,839	50,739	59,812
Fort Site (100%)	16,041	5,612	78,828	58,560
Total	28,124	20,451	129,567	118,372
Reference prices⁽¹⁾				
Nickel (US\$/lb)	6.31	7.40	6.97	8.04
Cobalt (US\$/lb) ⁽²⁾	13.42	13.06	12.82	13.96
Realized prices⁽¹⁾				
Nickel (\$/lb)	6.42	7.20	7.01	7.94
Cobalt (\$/lb)	13.26	12.55	12.56	13.54
Unit operating costs (US\$/lb)⁽¹⁾				
Mining, processing and refining costs	6.10	6.48	6.70	6.55
Third-party feed costs	0.18	0.06	0.18	0.10
Cobalt by-product credits	(1.31)	(1.39)	(1.24)	(1.49)
Other	0.15	(0.02)	(0.06)	(0.28)
Net direct cash costs of nickel (NDCC) ⁽³⁾	5.12	5.13	5.58	4.88
Natural gas (\$/GJ)	2.48	2.27	3.07	2.13
Fuel oil (US\$/tonne)	618	629	626	676
Sulphur (US\$/tonne)	201	263	222	266
Sulphuric acid (US\$/tonne)	144	184	150	188
Revenue				
Nickel	\$ 64.8	\$ 61.9	\$ 191.5	\$ 222.8
Cobalt	13.7	11.9	34.9	41.9
Fertilizer, other	15.3	15.8	81.7	82.2
Metal marketing ⁽⁴⁾	11.0	-	21.0	-
Total revenue	104.8	89.6	329.1	346.9

METALS (continued)

(\$ millions unless otherwise noted)	Q3 2013	Q3 2012	Nine months ended September 30,	
			2013	2012
Adjusted EBITDA ⁽⁵⁾	8.9	17.2	43.1	94.1
Depletion, depreciation and amortization	9.6	8.7	30.1	26.0
Earnings (loss) from operations and associate	(0.7)	8.5	13.0	68.1
Spending on capital ⁽¹⁾	7.1	6.3	21.6	18.3

(1) Sales volumes, reference and realized prices, unit operating costs and spending on capital do not include the impact of the Ambatovy Joint Venture.

(2) Average Metal Bulletin - Low Grade Cobalt published price.

(3) Net direct cash costs of nickel (NDCC) after cobalt and other by-product credits.

(4) Under the Ambatovy Joint Venture agreements, the Corporation established a marketing organization to buy, market and sell certain Ambatovy nickel production.

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

Consolidated production of mixed sulphides (which is presented on a contained nickel + cobalt basis) of 16,469 tonnes (100% basis) was 28% (3,574 tonnes) higher than third-quarter 2012 resulting from the addition of Ambatovy production and higher production at Moa. Mixed sulphides production at Moa during the period established a new joint venture quarterly production record.

Third-quarter 2013 consolidated finished metal production was higher than the prior-year period due to both the addition of Ambatovy production and higher production at the Moa Joint Venture due to the timing of the annual maintenance turnaround at the refinery (in second-quarter 2013 versus third-quarter 2012). Consolidated finished nickel production of 14,604 tonnes (100% basis) was 44% (4,493 tonnes) higher than third-quarter 2012, and third-quarter 2013 finished cobalt production of 1,297 tonnes (100% basis), was 26% (265 tonnes) higher than the prior-year period.

Consolidated fertilizer production of 104,864 tonnes (100% basis) was 17% (15,478 tonnes) higher for third-quarter 2013 compared to the prior-year period, primarily reflecting the addition of Ambatovy production.

Consolidated sales volumes of finished nickel, finished cobalt and fertilizer for third-quarter 2013 reflect sales only from the Moa Joint Venture and Fort Site operations. Finished metal and fertilizer sold from the Ambatovy Joint Venture will not be categorized as sales volumes until the declaration of commercial production, defined as 70% of ore throughput of nameplate capacity in the Pressure Acid Leach (PAL) circuit, averaged over a thirty-day period. Third-quarter 2013 finished nickel sales volumes from the Moa Joint Venture were 18% (1.5 million lbs, 50% basis), and finished cobalt sales volumes were 9% (0.1 million lbs, 50% basis) higher than the prior-year period reflecting the production trend. Fertilizer sales volumes (50% Moa Joint Venture, 100% Fort Site), were 38% (7,673 tonnes) higher for third-quarter 2013 compared to the prior-year period, reflecting strong fall season sales and higher product availability due to increased inventory availability.

For accounting purposes, all revenues from the sale of Ambatovy nickel and cobalt will be capitalized until commercial production is reached. During third-quarter 2013, Ambatovy sold approximately 13.5 million pounds (100% basis) of finished nickel and approximately 1.0 million pounds (100% basis) of finished cobalt. Finished nickel products averaged in excess of 99.9% purity in third-quarter 2013 with only silicon slightly above the limit for the ASTM B39-79 (2013) LME specification. During the same period, finished cobalt products averaged above 99.9% purity - in excess of both the highest quality standard (99.8%) and the 99.3% LME specification.

The average nickel reference price was 15% (US\$1.09 per pound) lower in third-quarter 2013 compared to the prior-year period, due to a persistent market surplus that has been sustained by a lack of material production capacity closures. The average cobalt reference price was slightly higher (3% or US\$0.36 per pound) compared to the prior-year period, reflecting increased industrial demand and the impact of electricity outages in key supply regions. The impact of the lower nickel reference price on realized prices was partially offset by the weaker Canadian dollar relative to the U.S. dollar. The impact of the foreign exchange movement, combined with higher reference pricing for cobalt, increased the average realized cobalt price period-over-period.

The NDCC of nickel at the Moa Joint Venture for third-quarter 2013 was comparable to the prior-year period, but continued the downward trend in 2013. The third-quarter 2013 NDCC was 8% (US\$0.46 per lb) lower than second-quarter 2013, reflecting the unit impact of higher production (as fixed costs are spread across a larger number of production units), as well as lower input commodity costs (primarily sulphuric acid, sulphur and fuel oil).

Spending on capital in third-quarter 2013 for the Moa Joint Venture was 13% (\$0.8 million, 50% basis) higher than the prior

year-period, due to higher planned spending in 2013.

The Moa Joint Venture partners have reached agreement to proceed with a third acid plant at the Moa, Cuba facilities. This new plant is expected to reduce the NDCC by approximately 20%. The 2,000 tonne per day plant will enhance the efficiency of the operations by providing sufficient acid production capacity to eliminate all sulphuric acid purchases at the current rate of production (38,000 tonnes per annum of mixed sulphides) and will accommodate future acid requirements for subsequent expansions (up to a total facility capacity of 46,000 tonnes per annum of mixed sulphides). Construction is scheduled to begin in second-quarter 2014, and initial production from the facility is expected in third-quarter 2015. The Moa Joint Venture has obtained project financing for the estimated capital cost of the plant (US\$65 million) from a Cuban financial institution.

Ambatovy Update

Mechanical challenges faced in the ramp-up of the facilities during third-quarter 2013 impeded progress in increasing the ore throughput in the PAL circuit during the quarter. In third-quarter 2013, average ore throughput in the pressure acid leach (PAL) circuit of 39% was largely similar to second-quarter 2013. Planned and unplanned maintenance activity on the autoclaves reduced the operating hours 13% (721 hours) compared to second-quarter 2013. One of the two autoclaves affected during the period has been returned to service, and the second is expected to be on-line by year-end. Despite lower autoclave availability during the quarter, improved volumetric flow rates, higher ore grade and improved metallurgical recoveries in the PAL circuit resulted in higher mixed sulphides production relative to second-quarter 2013.

Finished nickel production for third-quarter 2013 was 23% (1,676 tonnes, 100% basis) lower and finished cobalt production was 35% (220 tonnes, 100% basis) lower than second-quarter 2013. The variances were largely due to the combined impact of a net drawdown of mixed sulphides inventory in the previous quarter and an increase in in-process inventory during third-quarter 2013.

Total capital costs for Ambatovy remained US\$5.3 billion (100% basis), below the US\$5.5 billion (100% basis) estimate.

Total project costs (including operating costs, financing charges, working capital and foreign exchange, net of pre-commercial sales revenue) in third-quarter 2013 were US\$150.2 million (100% basis) and were net of pre-commercial sales revenue of US\$96.3 million (100% basis). This compares to a total project cost credit of US\$10.4 million (100% basis) in second-quarter 2013, net of US\$129.9 million (100% basis) of pre-commercial sales revenue. Cumulative total project costs to September 30, 2013 were US\$7.0 billion (100% basis), including financing charges, working capital and foreign exchange, and will continue to vary until commercial production is declared. The most significant variability in total project costs is most likely to arise from the working capital component and the offsetting production revenue component (which is netted from these costs).

In third-quarter 2013, a total of US\$153.0 million (100% basis) in funding was provided by the Ambatovy Joint Venture partners. Sherritt's 40% share of the funding was US\$61.2 million (\$63.8 million), and was sourced from cash on hand.

The Ambatovy operations are expected to reach commercial production in 2013, which is the point at which all operating costs, net of revenue, cease to be capitalized. Commercial production is defined as 70% of ore throughput of nameplate capacity in the PAL circuit, averaged over a 30-day period.

COAL

(\$ millions unless otherwise noted)	Q3 2013	Q3 2012	Nine months ended September 30,	
			2013	2012
Production (millions of tonnes)				
Prairie Operations – owned mines	4.8	5.1	15.9	15.4
Prairie Operations – contract mine	-	2.2	-	7.5
Mountain Operations	0.7	0.9	2.3	2.7
Total production	5.5	8.2	18.2	25.6
Sales (millions of tonnes)				
Prairie Operations – owned mines	4.6	4.9	15.5	14.6
Prairie Operations – contract mine	-	2.7	-	7.9
Mountain Operations	0.8	0.9	2.6	2.7
Total sales	5.4	8.5	18.1	25.2

COAL (continued)

(\$ millions unless otherwise noted)	Q3 2013	Q3 2012	Nine months ended September 30,	
			2013	2012
Realized prices (\$/tonne)				
Prairie Operations ⁽¹⁾	18.40	17.47	18.26	17.55
Mountain Operations	86.29	100.32	88.62	102.66
Unit operating costs (\$/tonne)				
Prairie Operations ⁽¹⁾	14.43	15.22	13.97	14.95
Mountain Operations	79.95	84.57	86.72	87.12
Revenue				
Prairie Operations				
Mining revenue	91.2	140.3	302.9	417.6
Coal royalties	9.2	10.1	29.0	30.9
Potash royalties	1.9	3.0	8.8	9.8
Mountain Operations and other assets	72.7	83.7	230.6	274.7
Total revenue	175.0	237.1	571.3	733.0
Adjusted EBITDA⁽²⁾				
Prairie Operations	22.5	33.9	95.9	103.7
Mountain Operations and other assets	2.9	10.4	1.0	34.1
Total Adjusted EBITDA	25.4	44.3	96.9	137.8
Depletion, depreciation and amortization	28.6	39.4	84.3	97.4
Earnings (loss) from operations	(3.2)	4.9	34.6	40.4
Spending on capital				
Prairie Operations	5.1	23.6	37.6	50.3
Mountain Operations and other assets	5.7	4.7	35.9	44.6
Total spending on capital	10.8	28.3	73.5	94.9

(1) Prairie Operations realized pricing and unit operating costs exclude royalties and the results of the char and activated carbon businesses.

(2) For additional information see the 'Non-GAAP Measure – Adjusted EBITDA' section of this release.

Production volumes for third-quarter 2013 in Prairie Operations owned mines were 6% (0.3 million tonnes) lower than the prior-year period primarily due to weaker customer demand at the Sheerness mine and an extended outage at the Boundary Dam power station. Total production (owned mines + contract mine) was 34% (2.5 million tonnes) lower than in third-quarter 2012, due to the exclusion of production volumes from the Highvale mine with the termination of the contract mining business in January 2013. Mountain Operations production volumes in third-quarter 2013 were 22% (0.2 million tonnes) lower than the prior-year period, reflecting the impact of an optimized production plan, which was implemented in response to sustained weak international coal prices.

Sales volumes for third-quarter 2013 in Prairie Operations owned mines were 6% (0.3 million tonnes) lower compared to the prior-year period, reflecting the production trends. Total sales volumes (owned mines + contract mine) were 39% (3.0 million tonnes) lower than in third-quarter 2012, due to the exclusion of sales volumes from the Highvale mine with the termination of the contract mining business in January 2013. Mountain Operations sales volumes in third-quarter 2013 were substantially unchanged from third-quarter 2012 as a drawdown in inventory offset lower production volumes.

Average realized pricing (excluding royalties, char and activated carbon) for third-quarter 2013 at Prairie Operations was 5% (\$0.93 per tonne) higher than the prior-year quarter, reflecting both the impact of an increase in general contract price escalators as well as revised pricing, due to a contract extension at the Paintearth mine. Realized pricing at Mountain Operations was 14% (\$14.03 per tonne) lower than third-quarter 2012, as a result of weaker international thermal coal reference pricing.

Unit operating costs at Prairie Operations were 5% (\$0.79 per tonne) lower in third-quarter 2013 primarily due to exiting the contract mining business in January 2013. Excluding the impact of the contract mining business, unit operating costs were marginally higher due to mining conditions at the Paintearth and Sheerness mines and dragline maintenance at the Boundary Dam mine. Unit operating costs at Mountain Operations were 5% (\$4.62 per tonne) lower than in third-quarter 2012, as a result of cost reduction initiatives and an optimized mine plan which have resulted in a focus on lower cost mining areas, a reduction in the use of contractors, as well as higher equipment availability and productivity.

Royalties for third-quarter 2013 were 15 % (\$2.0 million) lower than the prior-year period. Coal royalties were 9% (\$0.9 million) lower than the prior-year quarter, reflecting the timing of mining activities in royalty assessable areas at the Paintearth mine. Potash royalties, which can represent up to 25% of the royalty portfolio, were 37% (\$1.1 million) lower than third-quarter 2012, primarily due to weaker market pricing for potash.

Spending on capital at Prairie Operations for third-quarter 2013 was 78% (\$18.5 million) lower than second-quarter 2013, due to cost reduction initiatives and expenditure deferrals in support of a long-standing capital discipline of maintaining spending within a business' cash flow generation. Spending on capital at Mountain Operations was 21% (\$1.0 million) higher than second-quarter 2013, reflecting the timing of equipment arrivals at the Coal Valley mine.

OIL AND GAS

(\$ millions unless otherwise noted)	Q3 2013	Q3 2012	Nine months ended September 30,	
			2013	2012
Production (boepd)⁽¹⁾				
Gross working-interest - Cuba ^{(2), (3)}	20,445	20,557	20,144	20,481
Net working-interest ⁽⁴⁾				
Cuba - cost recovery	2,870	2,746	2,825	2,907
Cuba - profit oil	7,909	8,015	7,793	7,908
Cuba - total	10,779	10,761	10,618	10,815
Spain	294	297	305	343
Pakistan	330	350	332	353
Total net working-interest	11,403	11,408	11,255	11,511
Reference prices (US\$/bbl)				
U.S. Gulf Coast Fuel Oil No.6	92.94	97.30	93.59	100.97
Brent crude	111.61	110.14	109.43	112.89
Realized prices				
Cuba (\$/bbl)	70.27	70.69	69.66	73.59
Spain (\$/bbl)	114.91	110.67	110.41	112.42
Pakistan (\$/boe)	8.35	7.95	8.30	8.10
Weighted average (\$/boe)	69.63	69.81	68.96	72.74
Unit operating costs				
Cuba (\$/bbl)	12.50	11.81	12.48	12.38
Spain (\$/bbl)	33.88	52.86	24.70	48.49
Pakistan (\$/boe)	4.68	3.80	5.54	3.56
Weighted average (\$/boe)	12.86	12.72	12.62	13.29
Revenue	74.2	74.2	216.5	232.7
Adjusted EBITDA⁽⁵⁾	58.4	58.6	171.5	182.2
Depletion, depreciation and amortization	17.5	16.6	51.4	51.9
Earnings from operations	40.9	42.0	120.1	130.3
Spending on capital⁽⁶⁾	14.5	11.4	37.8	32.3

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

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

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

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

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

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

Gross working-interest (GWI) oil production in Cuba was marginally (1% or 112 bopd) lower in third-quarter 2013 compared to the prior-year period, primarily due to natural reservoir declines, which were largely offset by the impact of production increases from new wells drilled and the optimization of production from existing wells. A 5% (124 bopd) increase in cost-recovery oil production in Cuba during third-quarter 2013 was primarily due to a decline in oil reference pricing compared to the prior-year period. Third-quarter 2013 production in Spain was unchanged from the prior-year period. Third-quarter 2013 production in Pakistan was 6% (20 boepd) lower than the prior-year quarter, due to natural reservoir declines.

The average-realized price for oil produced in Cuba in third-quarter 2013 was marginally lower (1% or \$0.42 per barrel) as the impact of lower reference pricing (4% or \$4.36 per barrel) was largely offset by a weaker Canadian dollar relative to the U.S. dollar. Average-realized pricing for oil produced in Spain was 4% (\$4.24 per barrel) higher in third-quarter 2013 compared to the prior-year quarter, reflecting the impact of higher reference pricing and a weaker Canadian dollar relative to the U.S. dollar.

Unit operating costs in Cuba during third-quarter 2013 were 6% (\$0.69 per barrel) higher in third-quarter 2013 compared to the prior-year period, due to higher labour, fuel, electricity, and insurance costs, which were partially offset by lower production chemical costs. The unit operating cost in Spain was 36% (\$18.98 per barrel) lower, compared to the prior-year period, following the introduction of third-party production to the production facility in October 2012, which was partially offset by the impact of a weaker Canadian dollar relative to the Euro.

Spending on capital for third-quarter 2013 was 27% (\$3.1 million) higher compared to the prior-year period, primarily due to an increase in exploration spending in the United Kingdom North Sea Prospect Area, where a seismic program was completed in July 2013. The results of this program are currently under evaluation. During third-quarter 2013, one well was drilled and completed and is currently being evaluated. A second development well was initiated during the quarter and is expected to be completed in fourth-quarter 2013.

POWER

(\$ millions unless otherwise noted)	Q3 2013	Q3 2012	Nine months ended September 30,	
			2013	2012
Electricity sold (GWh, 33 1/3% basis)	130	154	443	466
Realized price (\$/MWh)	43.47	41.20	42.48	41.49
Unit operating cost (\$/MWh)				
Base ⁽¹⁾	20.59	13.78	18.41	14.90
Non-base ⁽²⁾	5.42	1.03	6.56	1.38
Total unit cash operating costs	26.01	14.81	24.97	16.28
Net capacity factor (%)	66	67	65	67
Revenue	14.7	18.8	44.2	53.0
Adjusted EBITDA ⁽³⁾	3.7	6.5	1.7	18.2
Depletion, depreciation and amortization	2.3	3.0	7.6	8.3
Impairment of property, plant and equipment	-	-	7.3	-
Earnings (loss) from operations	1.4	3.5	(13.2)	9.9
Spending on capital (33 1/3% basis) ⁽⁴⁾	2.6	1.7	6.4	4.2
Spending on SCAs (33 1/3% basis) ⁽⁵⁾	7.5	9.7	17.8	24.6
Total spending on capital and SCAs	10.1	11.4	24.2	28.8

(1) Base costs relate to the operations in Cuba and do not include the impairment of receivables that relates to the operations in Madagascar.

(2) Costs incurred at the Boca de Jaruco and Puerto Escondido facilities that otherwise would have been capitalized if these facilities were not accounted for as service concession arrangements. Excludes a credit adjustment in third-quarter 2013 related to pipeline costs incurred during that year.

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

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

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

Electricity production for third-quarter 2013 was 16% (24 MWh, 33 1/3% basis) lower than third-quarter 2012, primarily due to an increase in maintenance activities.

The average realized price of electricity was 6% (\$2.27 per MWh) higher in third-quarter 2013 compared to the prior-year period, primarily due to the impact of the weaker Canadian dollar relative to the U.S. dollar.

Total unit operating costs were 76% (\$11.20 per MWh) higher in third-quarter 2013 compared to the prior-year period; base unit operating costs increased by 49% (\$6.81 per MWh) primarily due to an increase in maintenance, freight and duty costs and lower production. Non-base unit operating costs increased 426% (\$4.39 per MWh) in the same comparable periods primarily as a result of scheduled major inspections at the Boca de Jaruco facilities.

Spending on capital and service concession arrangements (SCA) for third-quarter 2013 was 11% (\$1.3 million) lower than the prior-year period resulting from lower SCA spending due to the 150 MW Boca de Jaruco Combined Cycle project nearing start-up, which was partially offset by the combined impact of a modest increase in facilities and equipment spending and higher capitalized interest on the 150 MW Boca de Jaruco Combined Cycle Project.

150 MW Boca de Jaruco Combined Cycle Project

Spending on the Project for the quarter was 23% (\$2.2 million, 33 1/3% basis) lower than in third-quarter 2012 as the Project is nearing start-up. The Project is still expected to be operational by the end of the year and to remain within the total cost estimate of \$297 million. The Combined Cycle unit is expected to operate at 40% of capacity, until gas supply issues are resolved.

CASH, DEBT AND FINANCING

Cash, cash equivalents and short-term investments were \$370.8 million at September 30, 2013. This does not include cash, cash equivalents and short-term investments of \$56.5 million (100% basis) held by the Moa Joint Venture or \$70.2 million (100% basis) held by the Ambatovy Joint Venture.

Total long-term debt at September 30, 2013 was \$2.1 billion, including approximately \$0.9 billion related to non-recourse Ambatovy partner loans to Sherritt. At September 30, 2013, Sherritt had approximately \$0.6 billion of credit available under various facilities.

Outlook

Projected production volumes, royalties and spending on capital for full-year 2013 are shown below.

(units as noted)	Projected for the year ending December 31, 2013
Production volumes	
Mixed sulphides (tonnes, Ni+Co contained, 100% basis)	
Moa Joint Venture	38,000
Ambatovy Joint Venture	29,000
Total	67,000
Nickel, finished (tonnes, 100% basis)	
Moa Joint Venture	34,000
Ambatovy Joint Venture	26,000
Total	60,000
Cobalt, finished (tonnes, 100% basis)	
Moa Joint Venture	3,350
Ambatovy Joint Venture	2,200
Total	5,550
Coal - Prairie Operations (millions of tonnes)	22
Coal - Mountain Operations (millions of tonnes)	3.2
Oil - Cuba (gross working-interest, bopd)	19,500
Oil - All operations (net working-interest, boepd)	11,200
Electricity (GWh, 33 1/3% basis)	600
Royalties (\$ millions)	
Coal	35
Potash	12
Spending on capital (\$ millions)	
Metals - Moa Joint Venture (50% basis), Fort Site (100% basis) ⁽¹⁾	38
Metals - Ambatovy Joint Venture (40% basis)	29
Coal - Prairie Operations	58
Coal - Mountain Operations	48
Oil and Gas - Cuba ⁽²⁾	54
Oil and Gas - Other ⁽²⁾	13
Power (33 1/3% basis) ⁽³⁾	8
Spending on capital (excluding Projects and Corporate)	248
Spending on projects	
Power - 150 MW Boca de Jaruco (\$ millions, 100% basis)⁽⁴⁾	51

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

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

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

(4) Sherritt provides 100% of the funding for the 150 MW Boca de Jaruco Combined Cycle Project and accounts for the Project as a "Service Concession Arrangement". As a result, two thirds of the project spending (relating to the non-Sherritt partners' share) is recorded as a loan receivable. The remaining one third of project spending (Sherritt's share) is recorded as a construction cost.

The last 2013 Outlook on production, royalties and spending on capital was presented in July 2013 ("second-quarter 2013 Outlook"). The only material changes to the second-quarter 2013 Outlook relate to the Ambatovy Joint Venture in the Metals

business. Estimated 2013 Ambatovy production was reduced for mixed sulphides (by 15% or 5,000 tonnes, 100% basis), finished nickel (by 16% or 5,000 tonnes, 100% basis), and finished cobalt (by 21% or 600 tonnes, 100% basis). The adjustments reflect lower-than-expected actual production to September 30, 2013.

Non-GAAP Measure – Adjusted EBITDA

As a result of the change in accounting for the Moa Joint Venture under IFRS 11, the Corporation revised its definition of Adjusted EBITDA to include the results of the Corporation's share of earnings or loss in associate and joint venture, to provide a measure that is reasonable consistent with historical measures. As Adjusted EBITDA does not have a standardized meaning, it may not be comparable to similar measures provided by other companies.

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

Adjusted Operating Cash Flow

The Corporation defines adjusted operating cash flow as cash provided by operating activities before the net change in non-cash working capital, as provided in the financial statements for the period.

About Sherritt

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

Forward-Looking Statements

This press release contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include statements respecting certain future expectations about capital expenditures; sufficiency of working capital and capital project funding; capital project commissioning and completion dates; earnings and revenues; and production volumes. These forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The Corporation cautions readers of this press release not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

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

to the availability of capital to undertake capital initiatives; changes in capital cost estimates in respect of the Corporation's capital initiatives; risks associated with the Corporation's joint-venture partners; future non-compliance with financial covenants; potential interruptions in transportation; political, economic and other risks of foreign operations; the Corporation's reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainty of gas supply for electrical generation; uncertainties in oil and gas exploration; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; risks related to the Cuban government's ability to make certain payments to the Corporation; drilling and development programs; uncertainties in reserve estimates; risks associated with access to reserves and resources; uncertainties in environmental rehabilitation provisions estimates; the Corporation's reliance on significant customers; risks related to the Corporation's corporate structure; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; the Corporation's ability to access markets; risks in obtaining insurance; uncertainties in labour relations; uncertainties in pension liabilities; the ability of the Corporation to enforce legal rights in foreign jurisdictions; risks associated with future acquisitions; the ability of the Corporation to obtain government permits; risks associated with government regulations and environmental, health and safety matters; uncertainties in growth management and other factors listed from time to time in the Corporation's continuous disclosure documents. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve assessments based on certain estimates or assumptions. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this press release and the Corporation's other documents filed with the Canadian securities authorities.

The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this press release and in the Corporation's other documents filed with the Canadian securities authorities should be read for a description of certain factors that could cause the actual results of the Corporation to differ materially from those in the oral forward-looking statements. The forward-looking information and statements contained in this press release are made as of the date hereof and the Corporation undertakes no obligation to update publicly or revise any oral or written forward-looking information or statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2013

This Management's Discussion and Analysis (MD&A) is intended to help the reader understand Sherritt International Corporation's operations, financial performance and the present and future business environment. This MD&A, which has been prepared as of October 29, 2013, should be read in conjunction with Sherritt's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2013 and the MD&A for the year ended December 31, 2012. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's website at www.sherritt.com.

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

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

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Key financial and operational data

\$ millions, except as otherwise noted	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Financial highlights						
Revenue	\$ 286.2	\$ 341.5	(16%)	\$ 911.2	\$ 1,078.0	(15%)
Adjusted EBITDA ⁽¹⁾	84.8	115.9	(27%)	270.8	400.0	(32%)
Earnings from operations, associate and joint venture	27.3	45.1	(39%)	106.8	203.7	(48%)
Net (loss) earnings for the period	1.1	(22.6)	105%	13.5	50.6	(73%)
Net (loss) earnings per share, basic and diluted (\$ per share)	0.00	(0.08)	100%	0.05	0.17	(71%)
Cash flow						
Cash provided by operating activities	\$ 77.3	\$ 101.1	(24%)	\$ 174.3	\$ 202.7	(14%)
Adjusted operating cash flow per share (\$ per share) ⁽¹⁾	0.20	0.30	(33%)	0.57	0.82	(30%)
Spending on capital and intangible assets⁽²⁾	\$ 35.5	\$ 48.5	(27%)	\$ 140.6	\$ 152.2	(8%)
Production volumes						
Finished nickel (tonnes)						
Moa Joint Venture (50% basis)	4,573	3,909	17%	12,343	12,693	(3%)
Ambatovy Joint Venture (40% basis)	2,183	917	138%	7,369	917	704%
Finished cobalt (tonnes)						
Moa Joint Venture (50% basis)	446	436	2%	1,225	1,410	(13%)
Ambatovy Joint Venture (40% basis)	161	64	152%	627	64	880%
Coal (millions of tonnes)						
Prairie Operations	4.8	7.3	(34%)	15.9	22.9	(31%)
Mountain Operations	0.7	0.9	(22%)	2.3	2.7	(15%)
Oil - Cuba - net working-interest (barrels per day)	10,779	10,761	-	10,618	10,815	(2%)
Electricity (gigawatt hours) (33½% basis)	130	154	(16%)	443	466	(5%)
Average-realized prices⁽¹⁾						
Nickel - Moa Joint Venture (\$ per pound)	\$ 6.42	\$ 7.20	(11%)	\$ 7.01	\$ 7.94	(12%)
Cobalt - Moa Joint Venture (\$ per pound)	13.26	12.55	6%	12.56	13.54	(7%)
Coal (\$ per tonne)						
Prairie Operations ⁽³⁾	18.40	17.47	5%	18.26	17.55	4%
Mountain Operations	86.29	100.32	(14%)	88.62	102.66	(14%)
Oil - Cuba (\$ per barrel)	70.27	70.69	(1%)	69.66	73.59	(5%)
Electricity (\$ per megawatt hour)	43.47	41.20	6%	42.48	41.49	2%
Unit operating costs⁽¹⁾						
Nickel - Moa Joint Venture (US\$ per pound) ⁽⁴⁾⁽⁵⁾	\$ 5.12	\$ 5.13	-	\$ 5.58	\$ 4.88	14%
Coal (\$ per tonne)						
Prairie Operations ⁽³⁾	14.43	15.22	(5%)	13.97	14.95	(7%)
Mountain Operations	79.95	84.57	(5%)	86.72	87.12	-
Oil - Cuba (\$ per barrel)	12.50	11.81	6%	12.48	12.38	1%
Electricity (\$ per megawatt hour)	26.01	14.81	76%	24.97	16.28	53%

\$ millions, except as noted, as at	2013		Change
	September 30	December 31	
Financial condition			
Current ratio	3.24:1	4.08:1	(21%)
Net working capital balance	\$ 721.9	\$ 908.4	(21%)
Cash, cash equivalents and short-term investments	370.8	503.2	(26%)
Total assets	6,648.4	6,587.8	1%
Total loans and borrowings	2,062.8	2,039.8	1%
Shareholders' equity	3,708.3	3,645.9	2%
Long-term debt to total assets ⁽⁶⁾	33%	32%	3%

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

(2) Spending on capital and intangible assets includes accruals and does not include spending on the Ambatovy Joint Venture or service concession arrangements.

(3) Excludes royalties, activated carbon and char operating costs and revenue.

(4) Unit operating costs do not include the impact of Ambatovy Joint Venture.

(5) Net direct cash cost is inclusive of by-product credits and third-party feed costs.

(6) Calculated as total loans and borrowings divided by total assets excluding goodwill. This leverage ratio is monitored by management and lenders.

Executive summary

- On January 1, 2013, the Corporation was required to change the way it accounted for the Moa Joint Venture on adoption of IFRS 11, changing from proportionate consolidation to equity accounting. Under this accounting treatment, Sherritt is required to present the Moa Joint Venture as a single line item on the statement of financial position and its share of operating results in share of earnings (loss) of a joint venture on the statement of comprehensive income. This accounting change has significantly reduced the Corporation's assets, liabilities, revenues and expenses on a line-by-line basis with no significant change to net assets or earnings. The Corporation has adjusted its comparative information to reflect this revised accounting treatment.

Q3 2013 HIGHLIGHTS

- Revenue for the three months ended September 30, 2013 was \$286.2 million compared to \$341.5 million in the same period in the prior year. With the inclusion of the Moa Joint Venture, revenue for the three months ended September 30, 2013 was \$370.3 million compared to \$423.4 million in the same period in the prior year. Revenue was lower primarily due to lower sales volumes in Coal's Prairie Operations as a result of the termination of the mining contract at the Highvale mine at the beginning of 2013; and lower realized prices in Coal's Mountain Operations.
- Adjusted EBITDA⁽¹⁾ for the three months ended September 30, 2013 was \$84.8 million compared to \$115.9 million in the same period in the prior year. Lower Adjusted EBITDA was primarily due to lower nickel prices partly offset by higher sales volumes in Metals; higher administrative expenses and lower royalties in Prairie Operations; and lower realized prices in Mountain Operations.
- The net earnings for the three months ended September 30, 2013 was \$1.1 million compared to a net loss of \$22.6 million in the same period in the prior year. In addition to the Adjusted EBITDA above, net earnings were impacted by a non-cash gain in the Ambatovy call option of \$11.2 million compared to a \$3.2 million loss in the prior period. The net loss in the prior period included a \$27.0 million redemption expense on the Corporation's 2014 debentures.
- Operating cash flow for the three months ended September 30, 2013 was \$77.3 million compared to \$101.1 million in the same period in the prior year. Lower operating cash flow for the three months ended resulted from lower Adjusted EBITDA partly offset by a favourable change in non-cash working capital.
- The progress of the ramp-up at Ambatovy was impeded during third quarter of 2013 by mechanical challenges. As a result, ore throughput in the PAL circuit was similar to second quarter of 2013. Despite lower autoclave availability during the quarter, improved volumetric flow rates, higher ore grade and improved metallurgical recoveries in the PAL circuit resulted in higher mixed sulphides production relative to the second quarter of 2013. Ambatovy finished metal production was lower than the previous quarter as the combined impact of a net drawdown of mixed sulphides inventory in the previous quarter and an increase in in-process inventory during the third quarter of 2013, more than offset the increase in mixed sulphides production.
- At September 30, 2013, total available liquidity was approximately \$952.2 million. Total debt at September 30, 2013 was \$2,062.8 million, including \$900.4 million related to non-recourse Ambatovy Partner Loans to Sherritt. The Corporation's liquidity profile includes a current ratio of 3.24:1; a net working capital balance of \$721.9 million; and cash, cash equivalents and short-term investments of \$370.8 million. The Corporation's long-term debt to total assets ratio was 33%.
- In October 2013, the Moa Joint Venture partners reached agreement to proceed with a third acid plant at the Moa, Cuba facilities. This new plant is expected to reduce the net direct cash cost by approximately 20%. The 2,000 tonne per day plant will enhance the efficiency of operations by providing sufficient acid production capacity to eliminate all sulphuric acid purchases at the current rate of production (38,000 tonnes per annum of mixed sulphides) and will accommodate future acid requirements for subsequent expansions (up to a total facility capacity of 46,000 tonnes per annum of mixed sulphides). Construction is scheduled to begin in the second quarter of 2014, and initial production from the facility is expected in the third quarter of 2015. The Moa Joint Venture has obtained project financing for the estimated capital cost of the plant (US\$65 million) from a Cuban financial institution.

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

ADOPTION OF IFRS 11 AND AMENDMENTS TO IAS 19

IFRS 11 – Accounting for the Moa Joint Venture

- As of January 1, 2013, the Corporation was required to adopt IFRS 11, "Joint arrangements" (IFRS 11) issued by the IASB in May 2011 which superseded IAS 31, "Interest in joint ventures" and SIC 13, "Jointly controlled entities – non-monetary contributions by venturers". Under IFRS 11, joint arrangements must be classified as either joint operations or joint ventures. The structure of the joint arrangement is no longer the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. The standard removes the option to account for joint ventures using proportionate consolidation and requires equity accounting.
- As a result of adopting IFRS 11, the Corporation classified the Moa Joint Venture as an investment in joint venture and changed the accounting from proportionate consolidation to equity accounting. Under this accounting treatment, Sherritt was required to deconsolidate the proportionate results of the Moa Joint Venture and present this arrangement as a single line item on the statement of financial position. The Corporation's investment share of operating results in the Moa Joint Venture is included in share of earnings (loss) of a joint venture on the statement of comprehensive income.
- This accounting change has significantly reduced the Corporation's assets, liabilities, revenues and expenses on a line-by-line basis with no significant change to net assets or earnings. The impact of this accounting change is reflected in the financial statements for the three and nine months ended September 30, 2013, including restatement of the prior year periods and the revised opening statement of financial position. The change in accounting for the Moa Joint Venture did not impact shareholders' equity on adoption. See Note 28 – Transition note of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2013 for a full reconciliation of the impact of this change.
- As there has been no change in the economic substance, nor business structure associated with the change in accounting policy, this MD&A continues to provide operating information and discussion related to the Corporation's share (50%) of the Moa Joint Venture in the Metals business unit with reconciliation to financial statement amounts where applicable consistent with note 4 – Segmented information of the interim financial statements.

IAS 19 (Revised) – Accounting for employee benefits

- As of January 1, 2013, the amended IAS 19, "Employee benefits" (IAS 19) issued by the IASB in June 2011 resulted in a change in the accounting of defined benefit obligations for the Corporation. The amendment requires the recognition of changes in defined benefit obligations and fair value of plan assets when they occur, and eliminates the use of the "corridor approach" permitted under the previous version of IAS 19. The amendment also requires the Corporation's actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension liability to reflect the full amount of a plan's obligations or assets in the consolidated statement of financial position. See Note 28 – Transition note of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2013 for a full reconciliation of the impact of this change.

CONSOLIDATED FINANCIAL RESULTS

\$ millions, except per share amounts	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Revenue by segment						
Metals ⁽¹⁾	\$ 104.8	\$ 89.6	17%	\$ 329.1	\$ 346.9	(5%)
Coal	175.0	237.1	(26%)	571.3	733.0	(22%)
Oil and Gas	74.2	74.2	-	216.5	232.7	(7%)
Power	14.7	18.8	(22%)	44.2	53.0	(17%)
Corporate and other	1.6	3.7	(57%)	4.5	10.2	(56%)
	370.3	423.4	(13%)	1,165.6	1,375.8	(15%)
Adjust joint venture and associate revenue	(84.1)	(81.9)		(254.4)	(297.8)	
Financial statement revenue	286.2	341.5	(16%)	911.2	1,078.0	(15%)
Adjusted EBITDA⁽²⁾ by segment						
Metals ⁽¹⁾	\$ 8.9	\$ 17.2	(48%)	\$ 43.1	\$ 94.1	(54%)
Coal	25.4	44.3	(43%)	96.9	137.8	(30%)
Oil and Gas	58.4	58.6	(0%)	171.5	182.2	(6%)
Power	3.7	6.5	(43%)	1.7	18.2	(91%)
Corporate and other	(11.6)	(10.7)	8%	(42.4)	(32.3)	31%
	84.8	115.9	(27%)	270.8	400.0	(32%)
Earnings (loss) from operations by segment						
Metals ⁽¹⁾	\$ (0.7)	\$ 8.5	(108%)	\$ 13.0	\$ 68.1	(81%)
Coal	(3.2)	4.9	(165%)	34.6	40.4	(14%)
Oil and Gas	40.9	42.0	(3%)	120.1	130.3	(8%)
Power	1.4	3.5	(60%)	(13.2)	9.9	(233%)
Corporate and other	(12.1)	(11.2)	8%	(45.1)	(34.1)	32%
	26.3	47.7	(45%)	109.4	214.6	(49%)
Adjust earnings from joint venture and associate	1.0	(2.6)		(2.6)	(10.9)	
Financial statement earnings from operations, associate and joint venture	27.3	45.1	(39%)	106.8	203.7	(48%)
Net finance expense (income)	30.1	68.0	(56%)	80.9	141.7	(43%)
Income tax expense (income)	(3.9)	(0.3)	1200%	12.4	15.8	(22%)
Earnings from discontinued operation, net of tax	-	-	-	-	(4.4)	(100%)
Net (loss) earnings	\$ 1.1	\$ (22.6)	(105%)	\$ 13.5	\$ 50.6	(73%)
Net (loss) earnings per share						
Basic and diluted	0.00	(0.08)	(100%)	0.05	0.17	(71%)
Effective tax rate	138%	1%	13700%	48%	26%	85%

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

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

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

- Metals' loss from operations of \$0.7 million and earnings from operations of \$13.0 million for the three and nine months ended September 30, 2013 were \$9.2 million and \$55.1 million lower than in the same periods in the prior year primarily due to lower nickel prices. In addition, for the nine months ended September 30, 2013, net direct cash cost was higher than in the same period in the prior year;
- Coal's loss from operations of \$3.2 million and earnings from operations of \$34.6 million for the three and nine months ended September 30, 2013, respectively, were \$8.1 million and \$5.8 million lower than in the same periods in the prior year. Included in Prairie Operations' earnings from operations for the nine months ended September 30, 2013 is a net non-cash

Management's discussion and analysis

gain on termination of the Highvale contract of \$22.0 million. For ongoing operations in Prairie Operations for the three and nine months ended September 30, 2013, earnings from operations were lower due to higher depletion, depreciation, and amortization expense; higher administrative expenses and lower royalties. In Mountain Operations, for the three and nine months ended September 30, 2013, losses from operations were primarily due to lower realized prices and volumes offset by lower depletion, depreciation, and amortization expense;

- Oil and Gas' earnings from operations of \$40.9 million and \$120.1 million for the three and nine months ended September 30, 2013 were \$1.1 million and \$10.2 million lower than in the same periods in the prior year. Lower amounts in the nine months ended September 30, 2013 was primarily the result of a reduction in the reference price of oil and lower production volumes related to natural reservoir declines;
- Power's earnings from operations were \$1.4 million for the three months ended September 30, 2013 compared to \$3.5 million for the same period in the prior year. The loss from operations of \$13.2 million for the nine months ended September 30, 2013 compared to earnings of \$9.9 million in the same period in the prior year is primarily due to the recognition of an impairment on a electricity generation facility of \$7.3 million in Madagascar and a provision on receivables of \$9.3 million related to this facility;
- Net finance expense of \$30.1 million and \$80.9 million for the three and nine months ended September 30, 2013 were \$37.9 million and \$60.8 million lower than in the same periods in the prior year primarily due to an increase in the fair value of the Ambatovy call option resulting in gains for the three and nine months ended September 30, 2013 of \$11.2 million and \$12.4 million, respectively, compared to losses of \$3.2 million and \$16.1 million in the same periods in the prior year. During the third quarter of 2013, the increase in fair value of the option is primarily as a result of the extension in the exercise period linked to the extension of the financial completion date for the Ambatovy senior debt. The Ambatovy call option relates to the right of the Corporation and Sumitomo Corporation to acquire SNC-Lavalin Inc.'s 5% equity interest in the Ambatovy Joint Venture at any time over a two-year period following the satisfaction of certain completion tests. The movement in the fair value of the Ambatovy call option is a result of changes in various inputs used in the Black-Scholes model, including the time to expiration of the option and volatility, which is based on a blend of historical commodity prices and publicly traded stock prices of companies with comparable projects. Foreign exchange losses in the third quarter were relatively unchanged while for the nine months ended September 30, 2013, foreign exchange gains were \$4.2 million compared to a loss of \$9.6 million in the same period in the prior year. For the three and nine months ended September 30, 2013, net finance expense includes higher interest and accretion expense primarily due to higher loans and borrowing balances. In the third quarter of 2012, the Corporation recognized a premium of \$27.0 million redemption of its 2014 debentures.
- The effective tax rates for the three and nine months ended September 30, 2013 were 138% and 48% respectively compared to 1% and 26% in the same periods in the prior year. The effective rates for the current year were impacted by tax benefits recognized in the third quarter on certain tax attributes that had not previously been recognized; the gain on the Ambatovy call option in the third quarter, a portion of which was not taxable; and \$16.6 million in a provision on overdue receivables and impairment of the electricity generation facility in Madagascar recorded during the second quarter of 2013 which was not deductible for tax purposes. The effective tax rates for 2012 were impacted by the recognition of tax benefits on certain tax losses that had not previously been recognized. Adjusted for these items, the normalized effective tax rates for the three and nine months ended September 30, 2013, were (67%) and 60% respectively, compared to 1% and 41% for the same periods in the prior year. The variances in normalized effective tax rates in 2013 compared to 2012 are primarily the result of the proportionate share of earnings/losses of the Moa Joint Venture, which is net of tax, relative to total net income/loss; and a greater proportion of net losses, including foreign exchange gains and losses, incurred in lower tax rate jurisdictions relative to the amount of earnings generated in higher tax rate jurisdictions in the three and nine months ended September 30, 2013 compared to the same periods in the prior year.

Review of operations

METALS

Financial review

\$ millions, except as otherwise noted	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Financial highlights⁽¹⁾						
Revenue ⁽¹⁾⁽²⁾	\$ 104.8	\$ 89.6	17%	\$ 329.1	\$ 346.9	(5%)
Cost of sales ⁽¹⁾⁽²⁾⁽³⁾	93.7	70.6	33%	279.6	247.5	13%
	11.1	19.0	(42%)	49.5	99.4	(50%)
Administrative expenses ⁽¹⁾⁽²⁾⁽³⁾	2.2	1.8	22%	6.4	5.3	21%
Adjusted EBITDA ⁽⁴⁾	8.9	17.2	(48%)	43.1	94.1	(54%)
Depletion, depreciation and amortization	9.6	8.7	10%	30.1	26.0	16%
Earnings from operations	(0.7)	8.5	(108%)	13.0	68.1	(81%)
Production volumes (tonnes)⁽¹⁾						
Mixed Sulphides						
Moa Joint Venture (50% basis)	4,957	4,750	4%	13,693	14,285	(4%)
Ambatovy (40% basis)	2,622	1,358	93%	8,055	1,601	403%
	7,579	6,108	24%	21,748	15,886	37%
Finished Nickel						
Moa Joint Venture (50% basis)	4,573	3,909	17%	12,343	12,693	(3%)
Ambatovy (40% basis)	2,183	917	138%	7,369	917	704%
	6,756	4,826	40%	19,712	13,610	45%
Finished Cobalt						
Moa Joint Venture (50% basis)	446	436	2%	1,225	1,410	(13%)
Ambatovy (40% basis)	161	64	152%	627	64	880%
	607	500	21%	1,852	1,474	26%
Fertilizer						
Moa Joint Venture (50% basis), Fort Site (100% basis)	64,452	67,065	(4%)	191,079	200,950	(5%)
Ambatovy (40% basis)	6,027	-	-	21,159	-	-
	70,479	67,065	5%	212,238	200,950	6%
Sales volumes⁽¹⁾						
Moa Joint Venture and Fort Site						
Finished nickel (thousands of pounds)(50% basis)	10,095	8,590	18%	27,338	28,060	(3%)
Finished cobalt (thousands of pounds)(50% basis)	1,035	949	9%	2,777	3,096	(10%)
Fertilizer (tonnes)	28,124	20,451	38%	129,567	118,372	9%
Average-reference prices (US\$ per pound)						
Nickel	\$ 6.31	\$ 7.40	(15%)	\$ 6.97	\$ 8.04	(13%)
Cobalt ⁽⁵⁾	13.42	13.06	3%	12.82	13.96	(8%)
Average-realized prices⁽⁴⁾(\$ per pound)						
Moa Joint Venture						
Nickel	\$ 6.42	\$ 7.20	(11%)	\$ 7.01	\$ 7.94	(12%)
Cobalt	13.26	12.55	6%	12.56	13.54	(7%)
Unit operating costs⁽⁴⁾(US\$ per pound)						
Moa Joint Venture						
Nickel - net direct cash cost	\$ 5.12	\$ 5.13	-	\$ 5.58	\$ 4.88	14%
Spending on capital						
Moa Joint Venture ⁽¹⁾	\$ 7.1	\$ 6.3	13%	\$ 21.6	\$ 18.3	18%

- (1) The Moa Joint Venture and Ambatovy are accounted for using the equity method of accounting which recognizes the Corporation's share of earnings (loss) in earnings (loss) from joint venture and associate, respectively. Operating results, production/sales volumes and spending on capital for the Moa Joint Venture in the above table include the Corporation's 50% interest in the Moa Joint Venture and its 100% interest in the utility and fertilizer operations in Fort Saskatchewan (Fort Site), as applicable. Operating results and production volumes for Ambatovy include the Corporation's 40% interest in the Ambatovy Joint Venture consistent with note 4 - Segmented information of the interim condensed consolidated financial statements.
- (2) Revenue and costs includes \$11.0 million and \$21.0 million for the three and nine months ended September 30, 2013, respectively, recognized by a subsidiary of the Corporation established to buy, market and sell certain Ambatovy nickel production. The metals marketing company is reimbursed by Ambatovy for administration and selling costs. The impact on Adjusted EBITDA and earnings from operations is immaterial.
- (3) Excludes depletion, depreciation and amortization.
- (4) For additional information see the Non-GAAP measures section.
- (5) Average low-grade cobalt published price per Metals Bulletin.

Management's discussion and analysis

The change in earnings from operations for the joint venture and associate between 2013 and 2012 is detailed below:

\$ millions	For the three months ended		For the nine months ended
	2013	2012	2013
	September 30	September 30	September 30
Lower U.S. dollar denominated realized nickel prices	\$ (10.9)		\$ (30.0)
Higher (lower) U.S. dollar denominated realized cobalt prices	0.3		(3.9)
Lower fertilizer prices	(2.0)		(1.5)
Higher (lower) sales volumes	1.9		(1.0)
Lower (higher) mining, processing and refining, third-party feed and fertilizer costs	2.8		(16.1)
Weaker Canadian dollar relative to the U.S. dollar	(1.6)		1.7
Other	0.3		(4.3)
Change in earnings from operations, compared to 2012	\$ (9.2)		\$ (55.1)

Moa Joint Venture and Fort Site

The following operating results include the Corporation's 50% interest in the Moa Joint Venture and its 100% interest in the utility and fertilizer operations in Fort Saskatchewan (Fort Site).

Revenue for the three and nine months ended September 30, is composed of the following:

\$ millions	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Nickel	\$ 64.8	\$ 61.9	5%	\$ 191.5	\$ 222.8	(14%)
Cobalt	13.7	11.9	15%	34.9	41.9	(17%)
Fertilizers	12.5	12.2	2%	72.1	70.9	2%
Other	1.7	2.4	(29%)	6.0	7.8	(23%)
	\$ 92.7	\$ 88.4	5%	\$ 304.5	\$ 343.4	(11%)

The average-reference price for nickel decreased in 2013 compared to the same periods in the prior year as global production continued to outpace demand. The average-reference price for cobalt increased in the third quarter compared to the same period in the prior year reflecting higher global demand, but decreased for the first nine months of 2013 compared to the same period in the prior year reflecting lower demand in the first half of the year. The average-realized nickel price decreased \$0.78 per pound in the third quarter and \$0.93 per pound in the first nine months of 2013 compared to the same periods in the prior year while the average-realized cobalt price increased \$0.71 per pound in the third quarter and decreased \$0.98 per pound in the first nine months of 2013 compared to the same periods in the prior year. The impact of lower reference prices was partly offset by the weaker Canadian dollar relative to the U.S. dollar.

Finished nickel and cobalt sales volumes were higher in the third quarter and lower for the first nine months of 2013 compared to the same periods in the prior year in line with production. Fertilizer sales volumes increased 7,673 tonnes in the third quarter and 11,195 tonnes in the first nine months of 2013 compared to the same periods in the prior year reflecting greater availability of product as a result of higher opening inventory in 2013 and the timing of fall season sales.

Production of 9,914 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides in the third quarter established a quarterly production record and was 413 tonnes (100% basis) higher than the same period in the prior year reflecting stable plant operation. Finished nickel production of 9,147 tonnes (100% basis) and finished cobalt production of 892 tonnes (100% basis) in the third quarter were higher by 1,328 tonnes and 19 tonnes, respectively, than in the prior year primarily due to the timing of the annual maintenance turnaround for the refinery, which occurred in the second quarter of 2013 compared to the third quarter of 2012. The timing of the annual turnaround generally occurs in the second or third quarter of a year depending upon the availability of manpower in the Alberta region as well as the timing of critical equipment availability.

Cost of sales⁽¹⁾ for the three and nine months ended September 30, 2013 is composed of the following:

\$ millions	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Mining, processing and refining	\$ 66.8	\$ 55.3	21%	\$ 189.8	\$ 187.2	1%
Third-party feed costs	1.8	0.5	260%	5.0	2.7	85%
Fertilizers	8.3	6.6	26%	43.0	34.2	26%
Selling costs	3.4	2.9	17%	11.8	10.3	15%
Other	2.5	4.3	(42%)	7.4	9.6	(23%)
	\$ 82.8	\$ 69.6	19%	\$ 257.0	\$ 244.0	5%

(1) Excludes depletion, depreciation and amortization.

Net direct cash cost is composed of the following:

Net direct cash cost ⁽¹⁾	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Mining, processing and refining costs	\$ 6.10	\$ 6.48	(6%)	\$ 6.70	\$ 6.55	2%
Third-party feed costs	0.18	0.06	200%	0.18	0.10	80%
Cobalt by-product credits	(1.31)	(1.39)	(6%)	(1.24)	(1.49)	(17%)
Other ⁽²⁾	0.15	(0.02)	(850%)	(0.06)	(0.28)	(79%)
Net direct cash cost (US\$ per pound of nickel)	\$ 5.12	\$ 5.13	-	\$ 5.58	\$ 4.88	14%
Natural gas costs (\$ per gigajoule)	2.48	2.27	9%	3.07	2.13	44%
Fuel oil (US\$ per tonne)	618	629	(2%)	626	676	(7%)
Sulphur (US\$ per tonne)	201	263	(24%)	222	266	(17%)
Sulphuric acid (US\$ per tonne)	144	184	(22%)	150	188	(20%)

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

(2) Includes the Moa Joint Venture refinery by-product fertilizer profit or loss and marketing costs, discounts, and other by-product credits.

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

Components of mining, processing and refining costs ⁽¹⁾	For the three months ended		For the nine months ended	
	2013	2012	2013	2012
	September 30	September 30	September 30	September 30
Fixed costs	24%	20%	23%	19%
Sulphur	8%	9%	8%	9%
Sulphuric acid	15%	16%	16%	17%
Fuel oil	20%	18%	20%	19%
Maintenance	12%	13%	14%	11%
Other variable	21%	24%	19%	25%
	100%	100%	100%	100%

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

Net direct cash cost of nickel in the third quarter of 2013 were largely unchanged compared to the same period in the prior year primarily as lower mining, processing and refining costs were offset by lower fertilizer and cobalt by-product credits, and higher third party feed costs. Lower mining and processing costs largely reflected lower sulphuric acid and sulphur input commodity prices, while timing of the annual maintenance turnaround for the refinery resulted in lower refining costs. Higher third party feed costs primarily reflected higher availability of third party feed. Net direct cash cost of nickel in the first nine months of 2013 increased US\$0.70 per pound compared to the same period in the prior year primarily due to lower cobalt and fertilizer by-product credits, and higher refining costs partly offset by lower mining and processing costs. Higher refining costs largely reflected increased maintenance costs as well as the impact of higher natural gas and power prices. Mining and processing costs were lower reflecting the impact of lower sulphuric acid, fuel oil, and sulphur prices.

Management's discussion and analysis

Capital spending is composed of the following:

\$ millions	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Sustaining ⁽¹⁾	\$ 7.1	\$ 6.1	16%	\$ 21.1	\$ 17.0	24%
Expansion	-	0.2	(100%)	0.5	1.3	(62%)
Total	\$ 7.1	\$ 6.3	13%	\$ 21.6	\$ 18.3	18%

(1) Includes assets acquired under finance leases of \$0.1 million and \$4.5 million for the three and nine months ended September 30, 2013, respectively (2012 - \$0.2 million and \$1.1 million, respectively).

Capital spending for the Moa Joint Venture focused on sustaining activities and was higher as compared to prior year periods due to higher planned spending in 2013.

The Moa Joint Venture partners have reached agreement to proceed with a third acid plant at the Moa, Cuba facilities. This new plant is expected to reduce the net direct cash cost by approximately 20%. The 2,000 tonne per day plant will enhance the efficiency of operations by providing sufficient acid production capacity to eliminate all sulphuric acid purchases at the current rate of production (38,000 tonnes per annum of mixed sulphides) and will accommodate future acid requirements for subsequent expansions (up to a total facility capacity of 46,000 tonnes per annum of mixed sulphides). Construction is scheduled to begin in the second quarter of 2014, and initial production from the facility is expected in the third quarter of 2015. The Moa Joint Venture has obtained project financing for the estimated capital cost of the plant (US\$65 million) from a Cuban financial institution.

Ambatovy

For the three and nine month periods ended September 30, 2013, losses were \$0.7 million and \$1.4 million, respectively, compared to a loss of \$0.1 million and \$1.3 million for the same periods in the prior year. The Corporation recognizes earnings (losses) from Ambatovy in its share of earnings from associate. Until commercial production is declared (defined as 70% of ore throughput of nameplate capacity in the Pressure Acid Leach (PAL) circuit on average over a thirty-day period), the Corporation's share of earnings primarily consists of its non-capitalized administrative costs and foreign exchange gains or losses.

During the third quarter of 2013, Ambatovy produced 6,554 tonnes (100% basis) of nickel and cobalt contained in mixed sulphides, 5,459 tonnes (100% basis) of finished nickel and 404 tonnes (100% basis) of finished cobalt. Annual nameplate capacity is 60,000 tonnes of nickel and 5,600 tonnes of cobalt.

During the third quarter, Ambatovy sold 13,475 thousand pounds (100% basis) of nickel and 974 thousand pounds (100% basis) of cobalt. For accounting purposes, all revenue from the sale of nickel and cobalt is capitalized until commercial production is reached.

The average ore throughput during the third quarter of 2013 was approximately 39% of nameplate capacity, compared to 41% in second-quarter 2013. The lower ore throughput was primarily due to reduced autoclave operating hours associated with both planned and unplanned maintenance activities, including acid injection system failures on Autoclaves 2 and 3 that caused external damage to the shell of the autoclaves. Autoclave 2 has since returned to service, and Autoclave 3 is expected to be back in operation before the end of the year. Autoclave operating hours during third-quarter 2013 were 4,808 hours, compared to 5,529 hours in second-quarter 2013.

The Ambatovy operations continue to target reaching commercial production in the fourth quarter of 2013. Commercial production is the point at which all revenue and operating costs cease to be capitalized.

Total capital costs for Ambatovy are expected to remain within the US\$5.5 billion (100% basis) estimate. Cumulative spending on capital at Ambatovy to September 30, 2013 was US\$5.3 billion (100% basis), excluding financing charges, working capital and foreign exchange.

Total project costs (including operating costs, financing charges, working capital and foreign exchange, and net of sales revenue) in the third quarter of 2013 were US\$150.2 million (100% basis), compared to a credit of US\$10.4 million (100% basis) for the previous quarter. Project costs for the previous quarter reflected the impact on working capital of the availability of repatriated funds maintained in local bank accounts, which were used to fund operations. Cumulative total project costs to September 30, 2013 were US\$7.0 billion (100% basis). Total project costs will vary until commercial production is declared. The most significant variability in total project costs is likely to arise from the working capital requirements, operating costs and sales revenue (which are netted from these costs).

In the third quarter of 2013, a total of US\$153.0 million (100% basis) in funding was provided by the Ambatovy Joint Venture partners. Sherritt's 40% share of funding for the third quarter of 2013 was US\$61.2 million (\$63.8 million), sourced from cash on hand.

The Transitional Government of Madagascar continues to implement the "Roadmap", which was designed by the Southern African Development Community to facilitate Madagascar's return to democratic rule. The first round of Presidential elections was held on October 25, 2013, with the second round scheduled for December 20, 2013. Ambatovy continues to monitor the political climate in Madagascar and to engage in ongoing communication with representatives of the national, regional and local governments as well as multilateral institutions and key embassies.

Outlook for 2013

	Actual 2013	Projected 2013
Production volumes and spending on capital For the nine and twelve months ended	September 30	December 31
Production		
Mixed sulphides (tonnes, 100% basis):		
Moa Joint Venture	27,386	38,000
Ambatovy Joint Venture	20,137	29,000
	47,523	67,000
Finished nickel (tonnes, 100% basis):		
Moa Joint Venture	24,686	34,000
Ambatovy Joint Venture	18,423	26,000
	43,109	60,000
Finished cobalt (tonnes, 100% basis):		
Moa Joint Venture	2,450	3,350
Ambatovy Joint Venture	1,568	2,200
	4,018	5,550
Spending on capital (\$ millions):		
Moa Joint Venture (50% basis), Fort Site ⁽¹⁾	22	38
Ambatovy (40% basis)	22	29

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

To reflect lower-than-expected actual production to September 30, 2013, estimated full-year 2013 Ambatovy production was reduced for mixed sulphides (by 15% or 5,000 tonnes, 100% basis), finished nickel (by 16% or 5,000 tonnes, 100% basis), and finished cobalt (by 21% or 600 tonnes, 100% basis).

COAL

Financial review

\$ millions, except as otherwise noted	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Financial highlights						
Revenue						
Prairie Operations	\$ 102.3	\$ 153.4	(33%)	\$ 340.7	\$ 458.3	(26%)
Mountain Operations ⁽¹⁾	72.7	83.7	(13%)	230.6	274.7	(16%)
	175.0	237.1	(26%)	571.3	733.0	(22%)
Cost of sales⁽²⁾						
Prairie Operations	\$ 74.6	\$ 120.3	(38%)	\$ 235.0	\$ 351.0	(33%)
Mountain Operations ⁽¹⁾	67.9	71.4	(5%)	223.4	235.1	(5%)
	142.5	191.7	(26%)	458.4	586.1	(22%)
Administrative expenses⁽²⁾						
Prairie Operations	\$ 5.2	\$ (0.8)	(750%)	\$ 9.8	\$ 3.6	172%
Mountain Operations ⁽¹⁾	1.9	1.9	-	6.2	5.5	13%
	7.1	1.1	545%	16.0	9.1	76%
Adjusted EBITDA⁽³⁾						
Prairie Operations	\$ 22.5	\$ 33.9	(34%)	\$ 95.9	\$ 103.7	(8%)
Mountain Operations ⁽¹⁾	2.9	10.4	(72%)	1.0	34.1	(97%)
	25.4	44.3	(43%)	96.9	137.8	(30%)
Depletion, depreciation and amortization						
Prairie Operations	\$ 17.4	\$ 15.0	16%	\$ 50.9	\$ 45.1	13%
Mountain Operations ⁽¹⁾	11.2	24.4	(54%)	33.4	52.3	(36%)
	28.6	39.4	(27%)	84.3	97.4	(13%)
Earnings (loss) from operations						
Prairie Operations ⁽⁴⁾	\$ 5.1	\$ 18.9	(73%)	\$ 67.0	\$ 58.6	14%
Mountain Operations ⁽¹⁾	(8.3)	(14.0)	(41%)	(32.4)	(18.2)	78%
	(3.2)	4.9	(165%)	34.6	40.4	(14%)
Production volumes (millions of tonnes)						
Prairie Operations	4.8	7.3	(34%)	15.9	22.9	(31%)
Mountain Operations	0.7	0.9	(22%)	2.3	2.7	(15%)
	5.5	8.2	(33%)	18.2	25.6	(29%)
Sales volumes (millions of tonnes)						
Prairie Operations	4.6	7.6	(39%)	15.5	22.5	(31%)
Mountain Operations	0.8	0.9	(11%)	2.6	2.7	(4%)
	5.4	8.5	(36%)	18.1	25.2	(28%)
Average-realized prices⁽⁵⁾(\$ per tonne)						
Prairie Operations ⁽⁵⁾	\$ 18.40	\$ 17.47	5%	\$ 18.26	\$ 17.55	4%
Mountain Operations	86.29	100.32	(14%)	88.62	102.66	(14%)
Unit operating costs⁽⁵⁾(\$ per tonne)						
Prairie Operations	\$ 14.43	\$ 15.22	(5%)	\$ 13.97	\$ 14.95	(7%)
Mountain Operations	79.95	84.57	(5%)	86.72	87.12	(0%)
Spending on capital						
Prairie Operations	\$ 5.1	\$ 23.6	(78%)	\$ 37.6	\$ 50.3	(25%)
Mountain Operations	5.7	4.7	21%	35.9	44.6	(20%)
	10.8	28.3	(62%)	73.5	94.9	(23%)

(1) Includes results for coal development assets which the Corporation proportionately consolidates its 50% interest.

(2) Excludes depletion, depreciation and amortization.

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

(4) The nine months ended September 30, 2013 includes a \$22.0 million net non-cash gain on termination of the Highvale mining contract.

(5) For Prairie Operations average-realized price, revenue excludes royalties, activated carbon, char and other of \$17.7 million and \$59.7 million for three and nine months ended September 30, 2013, respectively (2012 - \$21.1 million and \$64.3 million, respectively) and tonnes sold excludes activated carbon and char of 20.4 thousand tonnes and 80.7 thousand tonnes for three and nine months ended September 30, 2013, respectively (2012 - 21.1 thousand tonnes and 84.7 thousand tonnes, respectively). Average-realized price may not calculate based on amounts presented due to rounding.

Management's discussion and analysis

In response to challenging coal market conditions, Coal has implemented a number of cost reduction initiatives that reduced capital spending, increased production efficiencies and focused on low cost mining areas. As part of the cost reduction strategy, Coal incurred a restructuring charge of \$8.7 million during the quarter consisting primarily of severance to reduce full time positions across both operations. The impact of the cost reduction initiative is positioning Coal for long-term success to produce coal at a lower cost per tonne.

Prairie Operations

The change in earnings from operations between 2013 and 2012 is detailed below:

\$ millions	For the three months ended		For the nine months ended	
	2013	2012	2013	2012
	September 30	September 30	September 30	September 30
Non-cash gain on Highvale contract termination	\$	-	\$	22.0
Lower mining margin due to Highvale contract termination		(1.9)		(2.3)
Higher mining margin, net of change in sales volumes		(0.6)		4.5
Lower coal and potash royalties		(1.9)		(2.9)
Higher depletion, depreciation and amortization		(2.4)		(5.8)
Higher administrative expenses		(6.0)		(6.2)
Other		(1.0)		(0.9)
Change in earnings from operations, compared to 2012	\$	(13.8)	\$	8.4

Prairie Operations revenue is composed of the following:

\$ millions	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Mining revenue	\$ 91.2	\$ 140.3	(35%)	\$ 302.9	\$ 417.6	(27%)
Coal royalties	9.2	10.1	(9%)	29.0	30.9	(6%)
Potash royalties	1.9	3.0	(37%)	8.8	9.8	(10%)
	\$ 102.3	\$ 153.4	(33%)	\$ 340.7	\$ 458.3	(26%)

For the three and nine month periods ended September 30, 2013 mining revenue decreased by \$54.0 million and \$140.2 million, respectively, due to the removal of the contract mining business at Highvale. Excluding the contract mining business, mining revenue increased by 8% and 11% compared to the same periods in the prior year reflecting general contract price escalation and the impact of a contract extension for a new mining area at the Paintearth mine. Lower coal royalties for the three and nine month periods ended September 30, 2013 reflect the timing of mining activities in royalty assessable areas at the Paintearth mine and weaker metallurgical coal pricing. Lower potash royalties for both the third quarter and first nine months of 2013 reflect weaker potash pricing.

Excluding the impact of the contract mining business, sales volumes were slightly lower for the third quarter of 2013 due to weaker customer demand at the Sheerness mine and an extended unit outage at the Boundary Dam power station. Third quarter costs included \$3.2 million primarily related to dragline maintenance at the Boundary Dam mine which partly offset lower costs at the other mines.

For the first nine months of 2013, Adjusted EBITDA decreased \$7.8 million, or 8%, as higher mining revenue was more than offset by restructuring charges and an increase in non-cash pension expense. Earnings from operations for the same period includes a one-time net non-cash gain of \$22.0 million recognized in the first quarter upon transfer of the defined benefit pension liability and disposal of certain intangible assets as a result of the Highvale contract termination.

Unit operating cost is composed of the following:

Components of unit operating cost (%)	For the three months ended		For the nine months ended	
	2013	2012	2013	2012
	September 30	September 30	September 30	September 30
Labour	45%	41%	45%	41%
Repairs and maintenance	28%	25%	30%	27%
Fuel	16%	15%	15%	15%
Other ⁽¹⁾	11%	19%	10%	17%
Total	100%	100%	100%	100%

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

Spending on capital is composed of the following:

\$ millions	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Sustaining						
Assets acquired under finance lease	\$ -	\$ 13.2	(100%)	\$ 17.2	\$ 24.0	(28%)
Cash capital	5.1	10.4	(51%)	20.4	26.3	(22%)
	\$ 5.1	\$ 23.6	(78%)	\$ 37.6	\$ 50.3	(25%)

For the first nine months of 2013, cash capital spending was generally lower compared to the same period in the prior year primarily due to \$12.1 million spent in 2012 to replace a major dragline component at the Bienfait mine. For both the third quarter and first nine months of 2013, capital spending decreased compared to the same periods in the prior year due to deferrals and cost-cutting reductions aimed at maintaining a disciplined capital spending profile.

Mountain Operations

The change in earnings from operations between 2013 and 2012 is detailed below:

\$ millions	For the three months ended		For the nine months ended	
	2013	2012	2013	2012
	September 30	September 30	September 30	September 30
Lower export coal prices, denominated in U.S. dollars	\$ (14.1)	\$ (41.9)		
Weaker Canadian dollar relative to the U.S. dollar	3.0	4.8		
Lower mining costs, net of change in sales volumes	1.5	2.5		
Higher domestic sales volumes	1.9	1.7		
Lower depletion, depreciation and amortization	13.2	18.9		
Other	0.2	(0.2)		
Change in earnings from operations, compared to 2012	\$ 5.7	\$ (14.2)		

For the three and nine month periods ended September 30, of 2013, Mountain Operation's earnings were mainly impacted by weaker international coal reference prices compared to the same periods in the prior year. Weaker pricing was partly offset by a weaker Canadian dollar relative to the U.S. dollar. Depletion, depreciation and amortization expense was lower in the third quarter of 2013 compared to the same period in the prior year mainly due to a change in estimate for environmental rehabilitation obligations recorded in the third quarter of 2012.

Lower production and sales volume for the three and nine month periods ended September 30, 2013 reflect the impact of an optimized mine plan at the Coal Valley mine, implemented in the third quarter in response to persistent weak international coal pricing. The cost reduction initiatives, which accompanied this reduction in the production levels, has resulted in unit operating costs being \$4.62 per tonne, or 5%, lower for the three months ended September 30, 2013 when compared to the prior period.

Management's discussion and analysis

With the continued weak international coal market conditions, Mountain operations continues to focus on cost containment measures that largely consist of significantly reducing operating costs, higher equipment utilizations and reduced capital spending. Improvements in unit operating cost per tonne during the third quarter ended September 30, 2013 have come from focusing on lower cost mining areas, a reduction in the use of contractors and increased equipment availabilities and productivities.

Unit operating cost is composed of the following:

Components of unit operating cost (%)	For the three months ended		For the nine months ended	
	2013 September 30	2012 September 30	2013 September 30	2012 September 30
Labour	24%	20%	23%	22%
Repairs and maintenance	11%	11%	12%	14%
Fuel	12%	11%	12%	11%
Rentals and contractors	8%	12%	9%	12%
Ex-Mine ⁽¹⁾	32%	36%	31%	33%
Other ⁽²⁾	13%	10%	13%	8%
Total	100%	100%	100%	100%

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

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

Spending on capital consists of the following:

\$ millions	For the three months ended			For the nine months ended		
	2013 September 30	2012 September 30	Change	2013 September 30	2012 September 30	Change
Sustaining						
Assets acquired under finance lease	\$ 2.2	\$ 0.8	175%	\$ 19.0	\$ 20.3	(6%)
Cash capital	3.5	3.9	(10%)	16.9	24.3	(30%)
	\$ 5.7	\$ 4.7	21%	\$ 35.9	\$ 44.6	(20%)

For the first nine months of 2013, capital spending decreased by \$8.7 million compared to the same period last year primarily due to \$9.8 million of loading equipment purchased in the first quarter of 2012. As expected, lease acquisitions in the third quarter of 2013 were lower compared to the same period in the prior year as most equipment arrived in the first quarter of 2013.

Outlook for 2013

	Actual 2013 September 30	Projected 2013 December 31
Production		
Prairie Operations (millions of tonnes)	16	22
Mountain Operations (millions of tonnes)	2.3	3.2
Royalties (\$ millions)		
Coal	29	35
Potash	9	12
Spending on capital (\$ millions)		
Prairie Operations	38	58
Mountain Operations	36	48

OIL AND GAS

Financial review

\$ millions, except as otherwise noted	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Financial highlights						
Revenue	\$ 74.2	\$ 74.2	-	\$ 216.5	\$ 232.7	(7%)
Cost of sales ⁽¹⁾	13.5	13.4	1%	38.8	41.8	(7%)
	60.7	60.8	-	177.7	190.9	(7%)
Administrative expenses ⁽¹⁾	2.3	2.2	5%	6.2	8.7	(29%)
Adjusted EBITDA ⁽²⁾	58.4	58.6	-	171.5	182.2	(6%)
Depletion, depreciation and amortization	17.5	16.6	5%	51.4	51.9	(1%)
Earnings from operations	40.9	42.0	(3%)	120.1	130.3	(8%)
Production and sales⁽³⁾ (net working-interest)						
Cuba (heavy oil)	10,779	10,761	-	10,618	10,815	(2%)
Spain (light/medium oil)	294	297	(1%)	305	343	(11%)
Pakistan (natural gas)	330	350	(6%)	332	353	(6%)
	11,403	11,408	-	11,255	11,511	(2%)
Average-reference prices (US\$ per barrel)						
Gulf Coast Fuel Oil No. 6	\$ 92.94	\$ 97.30	(4%)	\$ 93.59	\$ 100.97	(7%)
Brent	111.61	110.14	1%	109.43	112.89	(3%)
Average-realized prices⁽²⁾						
Cuba (\$ per barrel)	\$ 70.27	\$ 70.69	(1%)	\$ 69.66	\$ 73.59	(5%)
Spain (\$ per barrel)	114.91	110.67	4%	110.41	112.42	(2%)
Pakistan (\$ per boe) ⁽⁴⁾	8.35	7.95	5%	8.30	8.10	2%
Unit operating costs⁽²⁾ (\$ per net boe)						
Cuba	\$ 12.50	\$ 11.81	6%	\$ 12.48	\$ 12.38	1%
Spain	33.88	52.86	(36%)	24.70	48.49	(49%)
Pakistan	4.68	3.80	23%	5.54	3.56	56%
Weighted-average	12.86	12.72	1%	12.62	13.29	(5%)
Spending on capital	\$ 14.5	\$ 11.4	27%	\$ 37.8	\$ 32.3	17%

(1) Excludes depletion, depreciation and amortization.

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

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

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

Oil and Gas revenue is composed of the following:

\$ millions	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Cuba	\$ 69.7	\$ 70.0	-	\$ 201.9	\$ 218.1	(7%)
Spain	3.1	3.1	-	9.2	10.6	(13%)
Pakistan	0.3	0.2	50%	0.8	0.7	14%
Processing	1.1	0.9	22%	4.6	3.3	39%
	\$ 74.2	\$ 74.2	-	\$ 216.5	\$ 232.7	(7%)

Management's discussion and analysis

The change in earnings from operations between 2013 and 2012 is detailed below:

\$ millions	For the three months ended		For the nine months ended	
	2013		2013	
	September 30	September 30	September 30	September 30
Lower realized oil and gas prices	\$	(2.7)	\$	(13.8)
Lower gross working-interest volumes		(0.4)		(5.0)
Lower cost recovery revenue due to lower recoverable spending		(0.3)		(3.5)
Lower operating costs		0.1		3.4
(Higher) lower administrative costs		(0.1)		2.5
(Higher) lower depletion, depreciation and amortization		(0.1)		1.5
Weaker Canadian dollar relative to the U.S. dollar		2.1		3.2
Other		0.3		1.5
Change in earnings from operations, compared to 2012	\$	(1.1)	\$	(10.2)

The average-realized price for oil produced in Cuba decreased by \$0.42 per barrel in the third quarter and by \$3.93 per barrel in the first nine months of 2013 compared to the same periods in the prior year primarily as a result of a lower Gulf Coast Fuel Oil No. 6 reference price, partially offset by a weaker Canadian dollar relative to the U.S. dollar.

The average-realized price for oil produced in Spain increased by \$4.24 per barrel in the third quarter compared to the same period in the prior year primarily as a result of a higher Brent reference price and weaker Canadian dollar relative to the U.S. dollar. The average-realized price for oil produced in Spain decreased by \$2.01 per barrel in the first nine months of 2013 compared to the same period in the prior year, primarily as a result of a lower Brent reference price, partially offset by a weaker Canadian dollar relative to the U.S. dollar.

Production and sales volumes were as follows:

Daily production volumes ⁽¹⁾	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Gross working-interest oil production in Cuba⁽²⁾⁽³⁾	20,445	20,557	(1%)	20,144	20,481	(2%)
Net working-interest oil production						
Cuba (heavy oil)						
Cost recovery	2,870	2,746	5%	2,825	2,907	(3%)
Profit oil	7,909	8,015	(1%)	7,793	7,908	(1%)
Total	10,779	10,761	-	10,618	10,815	(2%)
Spain (light/medium oil) ⁽⁴⁾	294	297	(1%)	305	343	(11%)
Pakistan (natural gas) ⁽⁴⁾	330	350	(6%)	332	353	(6%)
Total	11,403	11,408	-	11,255	11,511	(2%)

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

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

(3) For further information on gross working-interest oil production in Cuba, cost recovery, and profit oil see page 41 of the 2012 annual report.

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

Gross working-interest (GWI) oil production in Cuba decreased 112 bopd in the third quarter and by 337 bopd in the first nine months of 2013 compared to the same periods in the prior year primarily due to natural reservoir declines, partly offset by production increases from new wells drilled and the optimization of production from existing wells.

Cost-recovery oil production in Cuba increased 124 bopd in the third quarter and decreased 82 bopd in the first nine months of 2013 compared to the same periods in the prior year. The increase in the third quarter was primarily due to lower oil prices. The decrease in the first nine months of 2013 was primarily due to lower cost-recovery spending, partly offset by lower oil prices. Profit-oil production, which represents Sherritt's share of production after cost recovery volumes are deducted from GWI volumes, decreased by 106 bopd in the third quarter and by 115 bopd in the first nine months of 2013.

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

Unit operating cost for Cuba is composed of the following:

Components of unit operating cost (%)	For the three months ended		For the nine months ended	
	2013	2012	2013	2012
	September 30	September 30	September 30	September 30
Labour	21%	20%	22%	23%
Maintenance	15%	16%	12%	13%
Treatment and transportation	18%	20%	18%	18%
Fuel and electricity	9%	8%	9%	8%
Production chemicals	7%	9%	8%	8%
Freight and duty	7%	7%	6%	6%
Insurance	4%	2%	4%	3%
Other	19%	18%	21%	21%
	100%	100%	100%	100%

Unit operating cost in Cuba increased \$0.69 per barrel in the third quarter primarily due to an increase in labour, fuel and electricity, and insurance costs, partly offset by lower production chemical costs. Unit operating cost in Cuba increased by \$0.10 per barrel in the first nine months of 2013 compared to the same period in the prior year primarily due to lower net production.

Unit operating cost in Spain decreased \$18.98 per barrel in the third quarter and by \$23.79 per barrel in the first nine months of 2013 compared to the same periods in the prior year, primarily due to a reduction in costs allocated to Sherritt following the addition of new third-party production to the production facility, partly offset by the effect of a weaker Canadian dollar relative to the Euro.

Spending on capital is composed of the following:

\$ millions	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Development, facilities and other	\$ 10.4	\$ 10.9	(5%)	\$ 32.8	\$ 28.3	16%
Exploration	4.1	0.5	720%	5.0	4.0	25%
Total	\$ 14.5	\$ 11.4	27%	\$ 37.8	\$ 32.3	17%

Spending on capital was \$3.1 million higher in the third quarter and \$5.5 million higher in the first nine months of 2013 compared to the same periods in the prior year, primarily due to exploration spending and increased equipment and inventory purchases for Cuba, partly offset by a decrease in development drilling costs.

In the third quarter of 2013, development and facilities capital spending was composed primarily of \$6.9 million for development drilling activities, \$0.9 million related to facility improvements and \$1.3 million related to equipment and inventory purchases. In the first nine months of 2013, development and facilities capital spending was composed primarily of \$17.2 million for development drilling activities, \$2.9 million related to facility improvements and \$8.9 million related to equipment and inventory purchases.

During the third quarter of 2013, one development well was drilled and completed in Cuba and is currently being evaluated. A second development well was initiated and is expected to be completed in the fourth quarter. In the first nine months of 2013, in addition to the wells referred to above, another well was drilled and completed and is currently producing oil.

Exploration spending in 2013 is focused in the United Kingdom North Sea prospect area. A seismic program was completed in the North Sea in July 2013, the results of which are currently being evaluated.

Management's discussion and analysis**Outlook for 2013**

	Actual 2013	Projected 2013
Production volumes and spending on capital For the nine and twelve months ended	September 30	December 31
Production		
Gross working-interest oil (Cuba) (bopd)	20,144	19,500
Net working-interest production, all operations (boepd)	11,255	11,200
Spending on capital (\$ millions)		
Cuba	30	54
Other	8	13

POWER

Financial review

\$ millions, except as otherwise noted	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Financial highlights						
Revenue	\$ 14.7	\$ 18.8	(22%)	\$ 44.2	\$ 53.0	(17%)
Cost of sales ⁽¹⁾	9.9	11.9	(17%)	46.1	32.2	43%
	4.8	6.9	(30%)	(1.9)	20.8	(109%)
Administrative expenses ⁽¹⁾	1.1	0.4	175%	3.7	2.6	42%
Add: Impairment of property, plant and equipment	-	-	-	(7.3)	-	-
Adjusted EBITDA ⁽²⁾	3.7	6.5	(43%)	1.7	18.2	(91%)
Depletion, depreciation and amortization	2.3	3.0	(23%)	7.6	8.3	(8%)
Impairment of property, plant and equipment	-	-	-	7.3	-	-
(Loss) earnings from operations	1.4	3.5	(60%)	(13.2)	9.9	(233%)
Production and sales (33 1/3% basis)						
Electricity (GWh ⁽³⁾)	130	154	(16%)	443	466	(5%)
Average-realized prices⁽²⁾						
Electricity (per MWh ⁽⁴⁾)	\$ 43.47	\$ 41.20	6%	\$ 42.48	\$ 41.49	2%
Unit operating costs⁽²⁾(per MWh)						
Base ⁽⁵⁾	\$ 20.59	\$ 13.78	49%	\$ 18.41	\$ 14.90	24%
Non-base ⁽⁶⁾	5.42	1.03	426%	6.56	1.38	375%
	26.01	14.81	76%	24.97	16.28	53%
Spending on capital and service concession arrangements						
Capital (33 1/3% basis)	\$ 2.6	\$ 1.7	53%	\$ 6.4	\$ 4.2	52%
Service concession arrangements (33 1/3% basis)	7.5	9.7	(23%)	17.8	24.6	(28%)
	10.1	11.4	(11%)	24.2	28.8	(16%)

(1) Excludes depletion, depreciation and amortization.

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

(3) Gigawatt hours (GWh).

(4) Megawatt hours (MWh).

(5) Excludes the impact of impairment of receivables and property, plant and equipment.

(6) Costs incurred at the Boca de Jaruco and Puerto Escondido facilities that otherwise would have been capitalized if these facilities were not accounted for as service concession arrangements. Excludes a Q3 2013 credit adjustment of \$0.9 million related to pipeline costs incurred in 2013.

Power revenue is composed of the following:

\$ millions (33 1/3% basis)	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Electricity sales	\$ 5.6	\$ 6.3	(11%)	\$ 18.8	\$ 19.3	(3%)
By-products and other	1.6	1.5	7%	5.0	5.3	(6%)
Fixed-price lease contracts ⁽¹⁾	-	1.3	(100%)	2.6	3.8	(32%)
Construction activity ⁽²⁾	7.5	9.7	(23%)	17.8	24.6	(28%)
	\$ 14.7	\$ 18.8	(22%)	\$ 44.2	\$ 53.0	(17%)

(1) In relation to the 25 MW power plant in Madagascar.

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

Management's discussion and analysis

The change in earnings from operations between 2013 and 2012 is detailed below:

\$ millions	For the three months ended		For the nine months ended	
	2013		2013	
	September 30	September 30	September 30	September 30
Lower electricity volumes	\$	(1.0)	\$	(0.9)
Lower realized by-product prices		-		(0.4)
Provision on receivables and impairment related to Madagascar assets		-		(17.2)
Higher scheduled maintenance costs		(0.4)		(2.1)
Higher administrative expenses		(0.7)		(1.1)
Weaker Canadian dollar relative to the U.S. dollar		0.3		0.5
Other		(0.3)		(1.9)
Change in earnings from operations, compared to 2012	\$	(2.1)	\$	(23.1)

Production decreased by 24 GWh in the third quarter of 2013 and by 23 GWh in the first nine months of 2013 compared to the same periods in the prior year primarily due to an increase in maintenance activities. The average-realized price of electricity was \$2.27 per MWh higher in the third quarter of 2013 and \$0.99 per MWh higher in the first nine months of 2013 compared to the same periods in the prior year primarily due to a weaker Canadian dollar relative to the U.S. dollar.

Unit operating cost is composed of the following:

Components of unit operating cost (%)	For the three months ended		For the nine months ended	
	2013	2012	2013	2012
	September 30	September 30	September 30	September 30
Labour	27%	37%	25%	34%
Maintenance	22%	21%	32%	20%
Freight and duty	7%	5%	9%	5%
Insurance	10%	10%	8%	10%
Other	34%	27%	26%	31%
Total	100%	100%	100%	100%

Overall, unit operating cost increased by \$11.20 per MWh in the third quarter of 2013 and by \$8.69 per MWh in the first nine months of 2013 compared to the same periods in the prior year. Base unit operating cost increased by \$6.81 per MWh in the third quarter of 2013 and by \$3.51 per MWh in the first nine months of 2013 compared to the same periods in the prior year primarily due to an increase in maintenance, freight and duty costs and lower production. Non-base unit operating cost increased by \$4.39 per MWh in the third quarter of 2013 and by \$5.18 per MWh in the first nine months of 2013 compared to the same periods in the prior year primarily due to scheduled maintenance which accounted for \$3.21 per MWh and scheduled major inspections at Boca de Jaruco which accounted for \$4.35 per MWh, respectively.

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

\$ millions (33⅓% basis)	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Sustaining	\$ 0.6	\$ 0.3	100%	\$ 0.9	\$ 0.6	50%
Growth	2.0	1.4	43%	5.5	3.6	53%
Total	\$ 2.6	\$ 1.7	53%	\$ 6.4	\$ 4.2	52%

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

\$ millions (33⅓% basis)	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Service concession arrangements	\$ 7.5	\$ 9.7	(23%)	\$ 17.8	\$ 24.6	(28%)

Service concession arrangement expenditures primarily relate to the 150 MW Boca de Jaruco Combined Cycle Project. The project is scheduled to begin production in the fourth quarter of 2013. The project is expected to be operational by the end of the year, however, it is expected to run at approximately 40% of capacity until gas supply issues are resolved. The total project cost estimate is \$297 million.

Outlook for 2013

Production volumes and spending on capital (33⅓% basis) and project For the nine and twelve months ended	Actual	Projected
	2013	2013
	September 30	December 31
Production		
Electricity (GWh)	443	600
Spending on capital (\$ millions)		
Cuba ⁽¹⁾	6	8
Project capital spending (\$ millions)		
150 MW Boca de Jaruco (100% basis)	51	51

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

OTHER

Technologies

Technologies continued to support Ambatovy's production ramp-up both on site in Madagascar and by providing consulting support from Sherritt Technologies' office in Fort Saskatchewan. Technologies also provided technical services to other Sherritt operations as well as to the Sulawesi Project in Indonesia. The division continued to advance Sherritt's initiatives in coal pre-combustion beneficiation, coal gasification and coal to liquid technologies.

Technologies is actively engaged in projects for third-party clients related to the development of commercial facilities for gold, copper and zinc projects in China, Colombia, Canada, Europe and Chile, and in the development and application of hydrometallurgical and associated technologies for application to other resource-based industries.

Sulawesi Project update

The Sulawesi Project is a large, high-grade undeveloped lateritic nickel deposit on the Indonesian island of Sulawesi. Under the terms of its earn-in and shareholders' agreement, with a subsidiary of Rio Tinto, the Corporation may elect to acquire a 57.5% interest in a holding company that owns the Sulawesi Project in Indonesia upon funding expenditures of US\$30.0 million and meeting certain other conditions by April 1, 2014. The Corporation satisfied the funding conditions in the third quarter of 2013 and anticipates satisfying the remaining conditions in the fourth quarter of 2013. Upon meeting the remaining conditions, the Corporation may elect to spend an additional US\$80.0 million by December 31, 2017 towards producing a feasibility study from which a development decision will be made. If the Corporation elects not to spend the US\$80.0 million it would forfeit its interest in the Sulawesi Project companies.

In compliance with Indonesia's mining law, Rio Tinto has concluded agreements to divest a 20% interest in the Sulawesi Project to Indonesian interests. Following such divestiture, which is expected to occur prior to production, Sherritt and Rio Tinto will have a 46% and 34% economic interest, respectively.

Exploration drilling to refine the definition of the deposit beyond the level of definition undertaken by Rio Tinto in their previous drilling program began in April 2013. Cores from the drilling program are currently being analyzed in Indonesia. Ore settling tests and other tests have also been conducted on core material in the Corporation's facilities in Fort Saskatchewan, Alberta. The Corporation continues to advance work on the project including environmental and social baseline studies and the project prefeasibility study.

To September 30, 2013, the Corporation has incurred a total of US\$31.4 million in qualifying expenditures or 29% of the total funding requirements to obtain Sherritt's 46% economic interest in the project.

Liquidity and capital resources

Based on the Corporation's financial position and liquidity at September 30, 2013 and projected future earnings, management expects to be able to fund its working capital and project needs, and meet its other obligations including debt repayments.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

\$ millions, as at September 30, 2013	Total	Falling	Falling	Falling	Falling	Falling	Falling
		due within 1 year	due between 1-2 years	due between 2-3 years	due between 3-4 years	due between 4-5 years	due in more than 5 years
Trade accounts payable and accrued liabilities	\$ 174.9	\$ 174.9	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes payable	57.1	57.1	-	-	-	-	-
Loans and borrowings ⁽¹⁾	3,215.2	90.9	90.9	455.5	133.5	276.0	2,168.4
Finance leases and other equipment financing	165.7	51.8	42.0	34.2	31.4	6.3	-
Environmental rehabilitation provisions	352.7	22.9	23.7	24.0	17.8	17.7	246.6
Operating leases	28.5	6.5	3.1	2.8	2.8	2.9	10.4
Pensions	25.0	3.2	3.3	3.4	3.1	2.2	9.8
Capital commitments	4.8	4.8	-	-	-	-	-
Total	\$ 4,023.9	\$ 412.1	\$ 163.0	\$ 519.9	\$ 188.6	\$ 305.1	\$ 2,435.2

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

OTHER COMMITMENTS

The following commitments are not reflected in the table above:

Moa Joint Venture

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

- Environmental rehabilitation commitments of \$74.1 million, with no significant repayments due in the next four years;
- Advances and loans payable of \$131.9 million; and
- Other commitments of \$5.6 million.

Ambatovy Joint Venture

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

- Environmental rehabilitation commitments of \$159.8 million, with no significant repayments due in the next four years;
- Other contractual commitments of \$30.1 million; and
- Ambatovy Joint Venture senior debt financing of US\$815.6 million (\$838.8 million), with principal repayments which began in June 2013. On an undiscounted basis, principal and interest repayments are \$969.2 million.

150 MW Boca de Jaruco Combined Cycle Project

The Corporation expects to fund \$1.3 million (100% basis) related to the remainder of its service concession arrangement commitment for the 150 MW Boca de Jaruco Combined Cycle Project which is scheduled to begin production the fourth quarter of 2013.

INVESTMENT LIQUIDITY

At September 30, 2013, cash and cash equivalents and investments were located in the following countries:

\$ millions, as at September 30, 2013	Cash equivalents and Short-term			Total
	Cash	investments	Investments	
Canada	\$ 18.7	\$ 326.5	\$ -	\$ 345.2
Cuba	17.1	-	12.7	29.8
Other	8.5	-	-	8.5
Total	\$ 44.3	\$ 326.5	\$ 12.7	\$ 383.5

Cash and short-term investments

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

At September 30, 2013, cash equivalents included \$100.8 million in Government of Canada treasury bills having original maturity dates of less than three months and short-term investments included \$225.7 million in Government of Canada treasury bills having original maturity dates of greater than three months and less than one year.

The table above does not include cash and cash equivalents of \$56.5 million (100% basis) held by the Moa Joint Venture, nor \$70.2 million (100% basis) held by the Ambatovy Joint Venture. These amounts are for the exclusive use of the joint ventures and the Corporation's share is included as part of the investment in a joint venture and associate balances in the consolidated statement of financial position. The cash and short-term investments amounts are deposited with or issued by financial institutions whose parent company is rated A- or higher by Standard and Poor's.

Investments

As a result of the agreement in January 2009 with Oil and Gas and Power's Cuban customers, Sherritt acquired approximately US\$159.1 million in certificates of deposit (CDs). These CDs were issued by a Cuban bank and bear interest at a rate of 30-day LIBOR plus 5%. In the event of default, Sherritt has the right to receive payment from the cash flows payable by the Moa Joint Venture to its Cuban beneficiaries. At September 30, 2013, the balance of the CDs was \$12.7 million.

AVAILABLE CREDIT FACILITIES

At September 30, 2013, the Corporation and its divisions had borrowed \$2.1 billion under available credit facilities. Total credit available under these facilities was \$581.4 million.

The following table outlines the maximum amount and amounts available to the Corporation for credit facilities that had amounts available at September 30, 2013 and December 31, 2012. A detailed description of these facilities is provided in the Loans, borrowings and other liabilities note in the Corporation's audited consolidated financial statements for the year ended December 31, 2012.

\$ millions, as at	2013		2012	
	Maximum	Available	Maximum	Available
			September 30	December 31
Short-term				
Syndicated 364-day revolving-term credit facility ⁽¹⁾	\$ 90	\$ 69	\$ 90	\$ 90
Line of credit	20	20	20	20
Long-term				
Ambatovy Joint Venture partner loans (US\$) ⁽²⁾	213	127	213	127
Coal revolving credit facility ⁽³⁾	525	360	525	325
Total Canadian equivalent	\$ 855	\$ 581	\$ 847	\$ 562
Supplementary information				
Ambatovy Project financing (US\$) (40%) ⁽⁴⁾	\$ 816	\$ -	\$ 840	\$ -
Finance leases ⁽⁵⁾	160	57	191	56

(1) Available for general corporate purposes. Total available draw is based on eligible receivables and inventory. At September 30, 2013, the Corporation had \$21.0 million of letters of credit outstanding on this facility.

(2) Available to fund Sherritt's contributions to the Ambatovy Joint Venture.

(3) Available to Prairie Mines & Royalty Ltd. (PMRL) and CVRI. At September 30, 2013, a total of \$5.0 million has been drawn on this facility and \$159.6 million of letters of credit are outstanding.

(4) Due to the equity accounting for Ambatovy Joint Venture, this loan is not included in loans and borrowings on the Corporation's statement of financial position.

(5) Finance leases include only those that have been committed by lenders.

Covenants

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

At September 30, 2013, the Corporation and its divisions were in compliance with all of their financial covenants. The Corporation expects to remain in compliance with all of its financial covenants during the next 12 months, based on current market conditions. Other than the covenants required for the debt facilities, the Corporation is not subject to any externally imposed capital restrictions.

Management's discussion and analysis

SOURCES AND USES OF CASH

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

\$ millions	For the three months ended			For the nine months ended		
	2013	2012	Change	2013	2012	Change
	September 30	September 30		September 30	September 30	
Cash from operating activities						
Cash from operating activities before change in non-cash working capital	\$ 58	\$ 89	(35%)	\$ 169	\$ 242	(30%)
Change in non-cash working capital	19	12	58%	5	(39)	(113%)
	\$ 77	\$ 101	(24%)	\$ 174	\$ 203	(14%)
Cash provided by (used for) investing and financing activities						
Property, plant, equipment and intangible expenditures	\$ (30)	\$ (36)	(17%)	\$ (87)	\$ (89)	(2%)
Net repayment of loans, borrowings and other financial liabilities	(22)	(8)	175%	(86)	(35)	146%
Issuance of 7.5% debentures, net of repayment of 8.25% debentures	-	469	(100%)	-	469	(100%)
Net repayment of finance lease receivables	4	3	33%	33	13	154%
Loans to an associate	-	(55)	(100%)	(65)	(137)	(53%)
Investment in an associate	(64)	(13)	392%	(77)	(136)	(43%)
Decrease in investments	7	7	-	21	21	-
Dividends paid on common shares	(13)	(11)	18%	(37)	(34)	9%
Other	6	(2)	(400%)	(8)	5	(260%)
	\$ (112)	\$ 354	(132%)	\$ (306)	\$ 77	(497%)
	(35)	455	(108%)	(132)	280	(147%)
Cash, cash equivalents and short-term investments:						
Beginning of the period	406	426	(5%)	503	601	(16%)
End of the period	\$ 371	\$ 881	(58%)	\$ 371	\$ 881	(58%)

The significant items affecting the sources and uses of cash during the three and nine months ended September 30, 2013 are described below:

- Cash from operating activities before change in non-cash working capital for the three and nine months ended September 30, 2013 were lower than the same periods in the prior year primarily due to the change in Adjusted EBITDA. The nine month ended September 30, 2013, also reflects the impact of higher interest paid;
- The change in non-cash working capital in the three and nine months ended September 30, 2013 is favorable compared to the same periods in prior year primarily due to strong receivable collections at Coal and Oil and Gas, and an increase in cash relating to the drawdown of Coal inventory that had accumulated after the Westshore incident in December 2012;
- The net repayment of loans and borrowings for the three and nine months ended September 30, 2013 related primarily to the repayment of the Corporation's Coal revolving credit facility and finance lease obligations;
- The net repayment of finance lease receivables in the first nine months ended September 30, 2013 primarily related to the leases repaid on the removal of the contract mining business at Highvale;
- A total of \$64 million and \$142 million (US\$61million and US\$139 million) was provided in cash to the Ambatovy Joint Venture as Sherritt's share of the joint venture funding requirements in the three and nine months ended September 30, 2013, respectively. Of the funding provided, \$64 million and \$77 million, respectively, was provided as a direct contribution to Sherritt's investment in the joint venture. The remaining funding of \$nil million and \$65 million, respectively, was provided as a loan;
- The decrease in investments was primarily related to amounts collected by the Corporation on the Cuban certificates of deposit.

COMMON SHARES

As at October 29, 2013, the Corporation had 296,939,426 common shares outstanding. An additional 4,893,249 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan.

On September 11, 2013, the Corporation's Board of Directors approved a quarterly dividend of \$0.043 per common share paid on October 15, 2013 to shareholders of record as of the close of business on September 30, 2013.

Managing risk

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

Accounting pronouncements

There have been no new accounting pronouncements issued in the first nine months of 2013 that are expected to impact the Corporation. For a summary of accounting pronouncements, see the Accounting pronouncements note in the Corporation's audited consolidated financial statements for the year ended December 31, 2012.

Summary of quarterly results

The following table presents a summary of the segment revenue and consolidated operating results for each of the eight quarters ended December 31, 2011 to September 30, 2013.

\$ millions, except per share amounts, for the three months ended	2013 Sept. 30	2013 June 30	2013 Mar 31	2012 Dec. 31	2012 Sept. 30	2012 June 30	2012 Mar. 31	2011 ⁽¹⁾ Dec. 31
Revenue								
Metals	\$ 104.8	\$ 120.6	\$ 103.7	\$ 138.4	\$ 89.6	\$ 141.2	\$ 116.1	\$ 137.7
Coal	175.0	216.8	179.5	242.0	237.1	250.6	245.3	303.3
Oil and Gas	74.2	71.2	71.1	68.2	74.2	76.3	82.2	74.4
Power	14.7	13.5	16.0	17.0	18.8	17.6	16.6	18.6
Corporate and other	1.6	1.7	1.2	2.3	3.7	3.2	3.3	2.8
	\$ 370.3	\$ 423.8	\$ 371.5	\$ 467.9	\$ 423.4	\$ 488.9	\$ 463.5	\$ 536.8
Adjust joint venture and associate revenue	(84.1)	(85.3)	(85.0)	(95.6)	(81.9)	(111.8)	(104.1)	-
Financial statement revenue	\$ 286.2	\$ 338.5	\$ 286.5	\$ 372.3	\$ 341.5	\$ 377.1	\$ 359.4	\$ 536.8
Net earnings (loss)	\$ 1.1	\$ (10.7)	\$ 23.1	\$ (16.9)	\$ (22.6)	\$ 40.8	\$ 32.4	\$ 28.1
Net earnings (loss) per share								
Basic	\$ 0.00	\$ (0.04)	\$ 0.08	\$ (0.06)	\$ (0.08)	\$ 0.14	\$ 0.11	\$ 0.10
Diluted	0.00	(0.04)	0.08	(0.06)	(0.08)	0.14	0.11	0.09

(1) The adoption date of IFRS 11 was January 1, 2013 which resulted in the Corporation changing the accounting for the Moa Joint Venture from proportionate consolidation to equity accounting effective January 1, 2012. Comparative period figures for 2012 have been restated to comply with these requirements. The 2011 period figures have not been restated to reflect the impact of adoption of this IFRS.

Net (loss) earnings for the Corporation are primarily affected by commodity prices, sales volumes and exchange rates that impact revenue and costs. The average Canadian dollar cost to purchase one U.S. dollar for the above quarters has been relatively consistent, ranging from \$0.99 to \$1.04. In addition to the impact of commodity prices, sales volumes and exchange rates, net (loss) earnings was impacted by the following significant items (pre-tax):

- the third quarter of 2013 included an \$11.2 million upward adjustment in the fair value of the Ambatovy call option;
- the second quarter of 2013 included a non-cash provision on accounts receivable and impairment on Madagascar assets of \$16.6 million;
- the first quarter of 2013 included a non-cash gain on termination of the Highvale mining contract of \$22.0 million;
- the fourth quarter of 2012 included the recognition of total impairments of \$18.7 million;
- the quarters ended September, 30 2012 and December 31, 2011 each included early redemption premiums on the redemption/repurchase of debentures;
- the quarter ended June 30, 2012 included a gain on sale related to Mineral Products; and
- the quarter ended March 31, 2012 included an \$11.8 million downward adjustment in the fair value of the Ambatovy call option.

Off-balance sheet arrangements

The Corporation has no foreign exchange or commodity options, futures or forward contracts. The Corporation has made a completion guarantee to the Ambatovy Joint Venture lenders and has letters of credit issued under the Coal revolving credit facility.

Transactions with related parties

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

\$ millions	For the three months ended		For the nine months ended	
	2013	2012	2013	2012
	September 30	September 30	September 30	September 30
Total value of goods and services:				
Provided to joint operations	\$ 4.6	\$ 4.1	\$ 18.9	\$ 18.1
Provided to joint venture	37.3	33.0	115.8	98.1
Provided to associate	-	1.0	5.7	3.4
Purchased from joint operations	1.8	-	2.7	-
Purchased from joint venture	22.3	19.4	79.8	68.0
Net financing income from joint operations	6.4	4.9	18.3	13.6
Net financing income from joint venture	1.7	2.0	5.2	6.3

\$ millions, as at	2013	2012
	September 30	December 31
Accounts receivable from joint venture	\$ 10.4	\$ 5.8
Accounts receivable from associate	78.5	31.1
Accounts payable to joint operations	0.1	-
Accounts payable to joint venture	3.7	0.9
Accounts payable to associate	2.4	11.8
Advances and loans receivable from associate	1,433.3	1,279.1
Advances and loans receivable from joint operations	255.4	223.9
Advances and loans receivable from joint venture entities	237.6	235.6

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

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal control over financial reporting means a process designed by or under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

As at September 30, 2013, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended September 30, 2013 the Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Supplementary information

SENSITIVITY ANALYSIS

The following table shows the approximate impact on the Corporation's net earnings and earnings per share for the third quarter of 2013 from a change in selected key variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor ⁽¹⁾	Increase		Approximate change in Q3 net earnings (\$ millions)	Approximate change in Q3 basic EPS
			Increase/(decrease)	Increase/(decrease)
Prices				
Nickel - LME price per pound (50% basis)	US\$	0.50	\$ 3	\$ 0.01
Cobalt - Metal Bulletin price per pound (50% basis)	US\$	5.00	3	0.01
Export thermal coal - price per tonne	US\$	15.00	4	0.01
Oil -U.S. Gulf Coast Fuel Oil No. 6 price per barrel	US\$	5.00	2	0.01
Volume				
Nickel - tonnes (50% basis) ⁽²⁾		1,000	1	-
Cobalt - tonnes (50% basis) ⁽²⁾		250	2	0.01
Oil - gross working-interest barrels per day		1,000	1	-
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	US\$	0.05	(11)	(0.04)
Operating costs				
Natural gas - cost per gigajoule (Metals) (50% basis)	\$	1.00	(1)	-
Sulphuric acid - cost per tonne (Metals) (50% basis)	US\$	25.00	(1)	-
Fuel - WTI oil price (Coal)	US\$	10.00	(1)	-

(1) Changes in factors/net earnings do not include the impact related to Ambatovy.

(2) Reflects volume increase on 100% basis for an approximate change in net earnings and basic EPS on a 50% basis.

NON-GAAP MEASURES

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

Adjusted EBITDA

As a result of the change in accounting for the Moa Joint Venture under IFRS 11, the Corporation revised its definition of Adjusted EBITDA in the first quarter of 2013 to include the results of the Corporation's earnings or loss in joint venture and associate to provide a measure that is reasonably consistent with historical measures.

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

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

\$ millions, for the three months ended September 30, 2013	Metals	Coal	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total
Earnings (loss) from operations, associate and joint venture per financial statements (note 4)	\$ (0.7)	\$ (3.2)	\$ 40.9	\$ 1.4	\$ (12.1)	\$ 1.0	\$ 27.3
Add (deduct):							
Depletion, depreciation and amortization	2.2	28.6	17.5	2.3	0.5	-	51.1
Adjustments for share of associate and joint venture:							
Associate							
Depletion, depreciation and amortization	0.8	-	-	-	-	-	0.8
Net finance income	-	-	-	-	-	(0.2)	(0.2)
Income tax expense	-	-	-	-	-	0.3	0.3
Joint venture							
Depletion, depreciation and amortization	6.6	-	-	-	-	-	6.6
Net finance expense	-	-	-	-	-	1.0	1.0
Income tax recovery	-	-	-	-	-	(2.1)	(2.1)
Adjusted EBITDA	\$ 8.9	\$ 25.4	\$ 58.4	\$ 3.7	\$ (11.6)	\$ -	\$ 84.8

\$ millions, for the three months ended September 30, 2012	Metals	Coal	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total
Earnings (loss) from operations, associate and joint venture per financial statements (note 4)	\$ 8.5	\$ 4.9	\$ 42.0	\$ 3.5	\$ (11.2)	\$ (2.6)	\$ 45.1
Add:							
Depletion, depreciation and amortization	2.1	39.4	16.6	3.0	0.5	-	61.6
Adjustments for share of associate and joint venture:							
Associate							
Net finance expense	-	-	-	-	-	0.1	0.1
Income tax recovery	-	-	-	-	-	(0.2)	(0.2)
Joint venture							
Depletion, depreciation and amortization	6.6	-	-	-	-	-	6.6
Net finance expense	-	-	-	-	-	0.8	0.8
Income tax expense	-	-	-	-	-	1.9	1.9
Adjusted EBITDA	\$ 17.2	\$ 44.3	\$ 58.6	\$ 6.5	\$ (10.7)	\$ -	\$ 115.9

Management's discussion and analysis

\$ millions, For the nine months ended September 30, 2013	Metals	Coal	Oil and Gas	Power	Adjustment for		Total
					Corporate and Other	Joint Venture and Associate	
Earnings (loss) from operations, associate and joint venture per financial statements (note 4)	\$ 13.0	\$ 34.6	\$ 120.1	\$ (13.2)	\$ (45.1)	\$ (2.6)	\$ 106.8
Add (deduct):							
Depletion, depreciation and amortization	7.0	84.3	51.4	7.6	2.7	-	153.0
Gain on termination of contract	-	(22.0)	-	-	-	-	(22.0)
Impairment of property, plant and equipment	-	-	-	7.3	-	-	7.3
Adjustments for share of associate and joint venture:							
Associate							
Depletion, depreciation and amortization	2.4	-	-	-	-	-	2.4
Net finance expense	-	-	-	-	-	0.6	0.6
Income tax recovery	-	-	-	-	-	(0.4)	(0.4)
Joint venture							
Depletion, depreciation and amortization	20.7	-	-	-	-	-	20.7
Net finance expense	-	-	-	-	-	8.2	8.2
Income tax recovery	-	-	-	-	-	(5.8)	(5.8)
Adjusted EBITDA	\$ 43.1	\$ 96.9	\$ 171.5	\$ 1.7	\$ (42.4)	\$ -	\$ 270.8

\$ millions, For the nine months ended September 30, 2012	Metals	Coal	Oil and Gas	Power	Adjustment for		Total
					Corporate and Other	Joint Venture and Associate	
Earnings (loss) from operations, associate and joint venture per financial statements (note 4)	\$ 68.1	\$ 40.4	\$ 130.3	\$ 9.9	\$ (34.1)	\$ (10.9)	\$ 203.7
Add:							
Depletion, depreciation and amortization	6.6	97.4	51.9	8.3	1.8	-	166.0
Adjustments for share of associate and joint venture:							
Associate							
Net finance income	-	-	-	-	-	(0.4)	(0.4)
Income tax recovery	-	-	-	-	-	(0.1)	(0.1)
Joint venture							
Depletion, depreciation and amortization	19.4	-	-	-	-	-	19.4
Net finance expense	-	-	-	-	-	5.3	5.3
Income tax expense	-	-	-	-	-	6.1	6.1
Adjusted EBITDA	\$ 94.1	\$ 137.8	\$ 182.2	\$ 18.2	\$ (32.3)	\$ -	\$ 400.0

Average-realized price

Average-realized price is calculated by dividing revenue by sales volume for the given product. For Metals, the average-realized price calculation does not include revenue of the metals marketing company.

For Coal's Prairie Operations, average-realized price excludes the impact related to royalties, activated carbon and char activities.

Unit operating cost

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

The Moa Joint Venture's net direct cash cost is calculated by dividing its cost of sales adjusted for the following: amortization in cost of sales; cobalt by-product, fertilizer and other revenue; and other costs primarily related to the impact of opening and closing inventory values, by the number of finished nickel pounds sold in the period, translated to U.S. dollars using an average exchange rate for the respective period.

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

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

\$ millions, except unit cost and sales volume, for the three months ended September 30, 2013

	Metals	Coal			Oil and Gas	Power
		Prairie	Mountain	Total		
Cost of sales per financial statements (note 4)	\$ 103.3	\$ 91.5	\$ 79.1	\$ 170.6	\$ 30.9	\$ 12.1
Less:						
Depletion, depreciation and amortization in cost of sales	(9.6)	(16.9)	(11.2)	(28.1)	(17.4)	(2.2)
Cost of sales per review of operations	93.7	74.6	67.9	142.5	13.5	9.9
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(27.9)	-	-	-	-	-
Net impact of non-joint venture fertilizer sales	3.7	-	-	-	-	-
Impact of opening/closing inventory and other	(4.7)	-	-	-	-	-
Cost of sales – royalties, activated carbon and char	-	(7.5)	-	(7.5)	-	-
Cost of sales – Ambatovy, metal marketing company and other	(10.9)	-	-	-	-	-
Service concession arrangements – Cost of construction	-	-	-	-	-	(7.5)
Adjustment related to pipeline costs	-	-	-	-	-	0.9
Other	-	(0.5)	(0.8)	(1.3)	-	-
Cost of sales for purposes of unit cost calculation	53.9	66.6	67.1	133.7	13.5	3.3
Sales volume for the period	10.1	4.6	0.8		1.1	130
Volume units	Millions of pounds	Millions of tonnes	Millions of tonnes		Millions of barrels ⁽¹⁾	Gigawatts
Unit operating cost ⁽²⁾⁽³⁾⁽⁴⁾	\$ 5.33	\$ 14.43	\$ 79.95		\$ 12.86	\$ 26.01
Unit operating cost (U.S. dollars)	\$ 5.12					

(1) Net working-interest oil production

(2) Metals: Net direct cash cost, inclusive of by-product credits and third-party feed costs. Sales volume based on pounds of finished nickel.

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

(4) Power, unit operating cost per MWh

Management's discussion and analysis

\$ millions, except unit cost and sales volume, for the three months ended September 30, 2012

	Metals	Coal			Oil and Gas	Power
		Prairie	Mountain	Total		
Cost of sales per financial statements (note 4)	\$ 79.5	\$ 135.1	\$ 95.8	\$ 230.9	\$ 29.8	\$ 14.9
Less:						
Depletion, depreciation and amortization in cost of sales	(8.9)	(14.8)	(24.4)	(39.2)	(16.4)	(3.0)
Cost of sales per review of operations	70.6	120.3	71.4	191.7	13.4	11.9
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(26.5)	-	-	-	-	-
Net impact of non-joint venture fertilizer sales	3.6	-	-	-	-	-
Impact of opening/closing inventory and other	(2.8)	-	-	-	-	-
Cost of sales – royalties, activated carbon and char	-	(5.4)	-	(5.4)	-	-
Cost of sales – Ambatovy, metal marketing company and other	(1.0)	-	-	-	-	-
Service concession arrangements - Cost of construction	-	-	-	-	-	(9.7)
Other	-	0.4	(1.0)	(0.6)	-	-
Cost of sales for purposes of unit cost calculation	43.9	115.3	70.4	185.7	13.4	2.2
Sales volume for the period	8.6	7.6	0.8		1.1	154
Volume units	Millions of pounds	Millions of tonnes	Millions of tonnes		Millions of barrels ⁽¹⁾	Gigawatts
Unit operating cost ^{†(2)(3)(4)}	\$ 5.10	\$ 15.22	\$ 84.57		\$ 12.72	\$ 14.81
Unit operating cost (U.S. dollars)	\$ 5.13					

\$ millions, except unit cost and sales volume, For the nine months ended September 30, 2013

	Metals	Coal			Oil and Gas	Power
		Prairie	Mountain	Total		
Cost of sales per financial statements (note 4)	\$ 309.6	\$ 285.4	\$ 256.8	\$ 542.2	\$ 89.9	\$ 53.6
Less:						
Depletion, depreciation and amortization in cost of sales	(30.0)	(50.4)	(33.4)	(83.8)	(51.1)	(7.5)
Cost of sales per review of operations	279.6	235.0	223.4	458.4	38.8	46.1
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(113.0)	-	-	-	-	-
Net impact of non-joint venture fertilizer sales	21.0	-	-	-	-	-
Impact of opening/closing inventory and other	(9.4)	-	-	-	-	-
Cost of sales – royalties, activated carbon and char	-	(17.5)	-	(17.5)	-	-
Cost of sales – Ambatovy, metal marketing company and other	(22.6)	-	-	-	-	-
Service concession arrangements – Cost of construction	-	-	-	-	-	(17.8)
Adjustment related to pipeline costs	-	-	-	-	-	-
Other	-	(1.3)	1.7	0.4	-	(17.2)
Cost of sales for purposes of unit cost calculation	155.6	216.2	225.1	441.3	38.8	11.1
Sales volume for the period	27.3	15.5	2.6		3.1	443
Volume units	Millions of pounds	Millions of tonnes	Millions of tonnes		Millions of barrels ⁽¹⁾	Gigawatts
Unit operating cost ^{†(2)(3)(4)}	\$ 5.69	\$ 13.97	\$ 86.72		\$ 12.62	\$ 24.97
Unit operating cost (U.S. dollars)	\$ 5.58					

(1) Net working-interest oil production

(2) Metals: Net direct cash cost, inclusive of by-product credits and third-party feed costs. Sales volume based on pounds of finished nickel.

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

(4) Power, unit operating cost per MWh

\$ millions, except unit cost and sales volume, For the nine months ended September 30, 2012

	Metals	Coal			Oil and Gas	Power
		Prairie	Mountain	Total		
Cost of sales per financial statements (note 4)	\$ 273.4	\$ 394.8	\$ 287.4	\$ 682.2	\$ 93.3	\$ 40.5
Less:						
Depletion, depreciation and amortization in cost of sales	(25.9)	(43.8)	(52.3)	(96.1)	(51.5)	(8.3)
Cost of sales per review of operations	247.5	351.0	235.1	586.1	41.8	32.2
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(120.6)	-	-	-	-	-
Net impact of non-joint venture fertilizer sales	23.8	-	-	-	-	-
Impact of opening/closing inventory and other	(10.0)	-	-	-	-	-
Cost of sales – royalties, activated carbon and char	-	(14.7)	-	(14.7)	-	-
Cost of sales – Ambatovy, metal marketing company and other	(3.5)	-	-	-	-	-
Service concession arrangements - Cost of construction	-	-	-	-	-	(24.6)
Other	-	(0.6)	(2.4)	(3.0)	-	-
Cost of sales for purposes of unit cost calculation	137.2	335.7	232.7	568.4	41.8	7.6
Sales volume for the period	28.1	22.5	2.7		3.2	466
Volume units	Millions of pounds	Millions of tonnes	Millions of tonnes		Millions of barrels ⁽¹⁾	Gigawatts
Unit operating cost ⁽²⁾⁽³⁾⁽⁴⁾	\$ 4.89	\$ 14.95	\$ 87.12		\$ 13.29	\$ 16.28
Unit operating cost (U.S. dollars)	\$ 4.88					

(1) Net working-interest oil production

(2) Metals: Net direct cash cost, inclusive of by-product credits and third-party feed costs. Sales volume based on pounds of finished nickel.

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

(4) Power, unit operating cost per MWh

Adjusted operating cash flow per share

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

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

\$ millions, except weighted average shares outstanding,	For the three months ended		For the nine months ended	
	2013	2012	2013	2012
	September 30	September 30	September 30	September 30
Cash provided by operating activities	\$ 77.3	\$ 101.1	\$ 174.3	\$ 202.7
Adjust: net change in non-cash working capital	19.4	11.9	4.8	(39.0)
Adjusted operating cash flow	\$ 57.9	\$ 89.2	\$ 169.5	\$ 241.7
Weighted-average number of common shares - basic	296.9	296.4	296.7	296.2
Adjusted operating cash flow per share	\$ 0.20	\$ 0.30	\$ 0.57	\$ 0.82

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will”, “could”, “should”, “suspect”, “outlook”, “projected”, “continue” or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements set out in the “Outlook” sections of this MD&A and those respecting certain expectations of future and total capital expenditures; capital project commissioning and completion dates; expectations of the timing of commercial production at Ambatovy; production and sales volumes; revenue, costs, and earnings; compliance with financial covenants; sufficiency of working capital and capital project funding, including new exploration and development activities.

Forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; realized prices for production; earnings and revenues; development and exploratory wells and enhance oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory approvals; compliance with applicable environmental laws and regulations; the impact of regulations related to greenhouse gas emissions and credits; debt repayments; collection of accounts receivable; and certain corporate objectives, goals and plans for 2013. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The Corporation cautions readers of this MD&A not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

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

The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this MD&A and in the Corporation's other documents filed with the Canadian securities authorities including, by not limited to, the Corporation's annual MD&A and Annual Information Form for the year ended December 31, 2012 should be read for a description of certain factors that could cause the actual results of the Corporation to differ materially from those in the oral forward-looking statements. The forward-looking information and statements contained in this MD&A are made as of the date hereof and the Corporation undertakes no obligation to update publicly or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2013

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Condensed consolidated statements of comprehensive income (loss)

Unaudited Canadian \$ millions, except per share amounts	Note	For the three months ended		For the nine months ended	
		2013 September 30	2012 September 30 (note 28)	2013 September 30	2012 September 30 (note 28)
Revenue		\$ 286.2	\$ 341.5	\$ 911.2	\$ 1,078.0
Cost of sales	5	233.8	283.7	765.6	857.6
Gross profit		52.4	57.8	145.6	220.4
Administrative expenses		24.0	17.8	59.8	57.7
Operating profit		28.4	40.0	85.8	162.7
Gain on termination of contract	6	-	-	22.0	-
Share of loss of an associate, net of tax	7	(0.7)	(0.1)	(1.4)	(1.3)
Share of (loss) earnings of a joint venture, net of tax	8	(0.4)	5.2	0.4	42.3
Earnings from operations, associate and joint venture		27.3	45.1	106.8	203.7
Financing income	9	(17.8)	(5.9)	(34.1)	(11.7)
Financing expense	9	47.9	73.9	115.0	153.4
Net finance expense		30.1	68.0	80.9	141.7
(Loss) earnings before tax		(2.8)	(22.9)	25.9	62.0
Income tax (recovery) expense	10	(3.9)	(0.3)	12.4	15.8
Net earnings (loss) from continuing operations		1.1	(22.6)	13.5	46.2
Earnings from discontinued operation, net of tax	11	-	-	-	4.4
Net earnings (loss) for the period		\$ 1.1	\$ (22.6)	\$ 13.5	\$ 50.6
Other comprehensive (loss) income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	19	(52.3)	(82.4)	80.7	(76.3)
Items that will not be subsequently reclassified to profit or loss:					
Actuarial gains on pension plans, net of tax	19	0.6	1.9	3.1	2.3
Other comprehensive (loss) income		(51.7)	(80.5)	83.8	(74.0)
Total comprehensive (loss) income		\$ (50.6)	\$ (103.1)	\$ 97.3	\$ (23.4)
Net earnings (loss) from continuing operations per common share, basic and diluted	12	\$ 0.00	\$ (0.08)	\$ 0.05	\$ 0.16
Net earnings (loss) per common share, basic and diluted	12	\$ 0.00	\$ (0.08)	\$ 0.05	\$ 0.17

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

Condensed consolidated statements of financial position

Unaudited, Canadian \$ millions, as at	Note	2013 September 30	2012 December 31 (note 28)	2012 January 1 (note 28)
ASSETS				
Current Assets				
Cash and cash equivalents	13	\$ 145.1	\$ 147.1	\$ 144.6
Restricted cash		1.0	1.1	1.1
Short-term investments	13	225.7	356.1	456.8
Investments		12.7	26.8	29.1
Advances, loans receivable and other financial assets	14	91.8	93.7	121.5
Other non-financial assets	14	0.7	0.8	0.2
Finance lease receivables	14	16.3	24.8	23.3
Trade accounts receivable, net	13	363.1	371.9	348.1
Income taxes receivable		3.4	5.0	19.1
Inventories	15	162.5	163.8	129.0
Prepaid expenses		22.2	12.7	11.1
		1,044.5	1,203.8	1,283.9
Non-current assets				
Advances, loans receivable and other financial assets	14	1,897.8	1,695.2	1,367.8
Other non-financial assets	14	8.3	10.8	20.5
Finance lease receivables	14	157.4	182.2	196.0
Property, plant and equipment	16	877.1	908.9	906.3
Investments		-	4.9	34.7
Investment in an associate	7	1,133.2	1,089.5	1,053.1
Investment in a joint venture	8	368.5	365.8	357.5
Goodwill		307.9	307.9	307.9
Intangible assets		788.4	790.1	786.2
Deferred income taxes		65.3	28.7	3.3
		5,603.9	5,384.0	5,033.3
Assets of discontinued operation	11	-	-	1.5
Total Assets		\$ 6,648.4	\$ 6,587.8	\$ 6,318.7
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Loans and borrowings	17	\$ -	\$ -	\$ 56.9
Trade accounts payable and accrued liabilities		174.9	171.4	158.1
Income taxes payable		57.1	16.8	25.5
Other financial liabilities	17	50.8	56.8	55.4
Other non-financial liabilities	17	18.6	16.0	8.1
Environmental rehabilitation provisions	18	21.2	34.4	31.9
		322.6	295.4	335.9
Non-current liabilities				
Loans and borrowings	17	2,062.8	2,039.8	1,687.8
Other financial liabilities	17	109.3	122.6	107.7
Other non-financial liabilities	17	11.8	49.7	46.2
Intangible liability		3.4	4.6	9.1
Environmental rehabilitation provisions	18	218.7	228.8	203.4
Deferred income taxes		211.5	201.0	209.3
		2,617.5	2,646.5	2,263.5
Liabilities of discontinued operation	11	-	-	8.2
Total liabilities		2,940.1	2,941.9	2,607.6
Shareholders' equity				
Capital stock	19	2,808.5	2,806.1	2,803.1
Retained earnings		726.9	774.5	786.0
Reserves	19	195.8	194.9	195.1
Accumulated other comprehensive loss	19	(22.9)	(129.6)	(73.1)
		3,708.3	3,645.9	3,711.1
Total liabilities and shareholders' equity		\$ 6,648.4	\$ 6,587.8	\$ 6,318.7

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

Condensed consolidated statements of cash flow

Unaudited, Canadian \$ millions	Note	For the three months ended		For the nine months ended	
		2013 September 30	2012 September 30 (note 28)	2013 September 30	2012 September 30 (note 28)
Operating activities					
Net earnings (loss) for the period		\$ 1.1	\$ (22.6)	\$ 13.5	\$ 50.6
Add (deduct):					
Depletion, depreciation and amortization		51.1	61.6	153.0	166.0
Share of loss of an associate, net of tax	7	0.7	0.1	1.4	1.3
Share of loss (earnings) of a joint venture, net of tax	8	0.4	(5.2)	(0.4)	(42.3)
Gain on termination of contract	6	-	-	(22.0)	-
Loss on impairment of assets	5	0.4	-	18.5	6.9
Finance costs (less accretion expenses)	9	29.1	67.1	78.1	138.8
Income tax (recovery) expense	10	(3.9)	(0.3)	12.4	15.8
Loss on settlement of environmental rehabilitation provisions		1.7	1.8	3.7	4.4
Service concession arrangement		(7.5)	(9.7)	(17.8)	(24.6)
Gain on sale of discontinued operation	11	-	-	-	(4.7)
Net change in non-cash working capital	21	19.4	11.9	4.8	(39.0)
Interest received		9.7	10.6	24.3	34.6
Interest paid		(19.9)	(11.1)	(69.8)	(51.0)
Income tax received (paid)		1.1	(2.0)	0.5	(36.0)
Dividends received from joint venture		-	7.8	2.3	7.8
Liabilities settled for environmental rehabilitation provisions		(6.3)	(6.2)	(17.3)	(20.6)
Other operating items	21	0.2	(2.7)	(10.9)	(5.3)
Cash provided by operating activities		77.3	101.1	174.3	202.7
Investing activities					
Property, plant and equipment expenditures	4	(23.5)	(33.7)	(76.6)	(81.5)
Intangible expenditures	4	(6.0)	(1.8)	(10.5)	(7.6)
Increase in advances, loans receivable and other financial assets		(13.1)	(17.4)	(36.8)	(46.7)
Repayment of advances, loans receivable and other financial assets		15.9	14.2	24.3	50.1
Investments		7.1	6.8	20.9	20.5
Loans to an associate		-	(54.5)	(65.3)	(136.5)
Investment in an associate		(63.8)	(13.2)	(77.0)	(135.6)
Net proceeds from sale of property, plant and equipment		0.3	0.5	1.0	2.5
Short-term investments		(176.4)	(38.9)	130.4	231.4
Cash used for investing activities		(259.5)	(138.0)	(89.6)	(103.4)
Financing activities					
Repayment of loans and borrowings and other financial liabilities		(21.6)	(67.2)	(85.6)	(148.0)
Increase in loans and borrowings and other financial liabilities		-	58.9	-	113.1
Issuance of senior unsecured debentures, net of financing costs		-	489.6	-	489.6
Repayment of senior unsecured debentures		-	(21.1)	-	(21.1)
Increase in finance lease receivables		(0.7)	(3.1)	(6.3)	(5.7)
Repayment of finance lease receivables		4.6	6.1	39.6	18.5
Issuance of common shares		1.4	1.5	1.4	1.5
Treasury stock - restricted stock plan		-	-	-	(1.6)
Dividends paid on common shares	19	(12.7)	(11.3)	(36.7)	(33.9)
Cash (used for) provided by financing activities		(29.0)	453.4	(87.6)	412.4
Effect of exchange rate changes on cash and cash equivalents		(0.4)	(0.5)	0.9	(0.5)
(Decrease) increase in cash and cash equivalents		(211.6)	416.0	(2.0)	511.2
Cash and cash equivalents at beginning of the period		356.7	239.8	147.1	144.6
Cash and cash equivalents at end of the period		\$ 145.1	\$ 655.8	\$ 145.1	\$ 655.8

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

Condensed consolidated statements of changes in shareholders' equity

Unaudited, Canadian \$ millions

	Note	Capital stock (notes 19, 28)	Retained earnings (note 28)	Reserves (notes 19, 28)	Accumulated other comprehensive income (loss) (notes 19, 28)	Total
Balance as at January 1, 2012		\$ 2,803.1	\$ 786.0	\$ 195.1	\$ (73.1)	\$ 3,711.1
Total comprehensive income:						
Net earnings for the period		-	50.6	-	-	50.6
Foreign currency translation						
differences on foreign operations	19	-	-	-	(76.3)	(76.3)
Actuarial gains on defined benefit						
obligation	19	-	-	-	2.3	2.3
		-	50.6	-	(74.0)	(23.4)
Shares issued for:						
Treasury stock - restricted stock plan	19	(1.6)	-	-	-	(1.6)
Restricted stock plan (vested)	19	0.2	-	(0.2)	-	-
Restricted stock plan expense	20	-	-	1.0	-	1.0
Employee share purchase plan expense	20	1.3	-	0.1	-	1.4
Stock option plan expense	20	-	-	1.2	-	1.2
Dividends declared to common shareholders		-	(33.9)	-	-	(33.9)
Balance as at September 30, 2012		\$ 2,803.0	\$ 802.7	\$ 197.2	\$ (147.1)	\$ 3,655.8
Total comprehensive income:						
Net loss for the period		-	(16.9)	-	-	(16.9)
Foreign currency translation						
differences on foreign operations	19	-	-	-	26.5	26.5
Actuarial losses on defined benefit						
obligation	19	-	-	-	(9.0)	(9.0)
		-	(16.9)	-	17.5	0.6
Shares issued for:						
Restricted stock plan (vested)	19	0.7	-	(0.7)	-	-
Employee share purchase plan	19	2.4	-	(2.4)	-	-
Restricted stock plan expense	20	-	-	0.3	-	0.3
Employee share purchase plan expense	20	-	-	0.1	-	0.1
Stock option plan expense	20	-	-	0.4	-	0.4
Dividends declared to common shareholders		-	(11.3)	-	-	(11.3)
Balance as at December 31, 2012		\$ 2,806.1	\$ 774.5	\$ 194.9	\$ (129.6)	\$ 3,645.9
Total comprehensive income:						
Net earnings for the period		-	13.5	-	-	13.5
Foreign currency translation						
differences on foreign operations	19	-	-	-	80.7	80.7
Reclassification on settlement of pension						
obligation		-	(22.9)	-	22.9	-
Actuarial gains on defined benefit obligation	19	-	-	-	3.1	3.1
		-	(9.4)	-	106.7	97.3
Shares issued for:						
Restricted stock plan (vested)	19	0.8	-	(0.8)	-	-
Employee share purchase plan	19	1.6	-	(0.2)	-	1.4
Restricted stock plan expense	20	-	-	0.5	-	0.5
Employee share purchase plan expense	20	-	-	0.4	-	0.4
Stock option plan expense	20	-	-	1.0	-	1.0
Dividends declared to common shareholders		-	(38.2)	-	-	(38.2)
Balance as at September 30, 2013		\$ 2,808.5	\$ 726.9	\$ 195.8	\$ (22.9)	\$ 3,708.3

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

Notes to the interim condensed consolidated financial statements

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

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

The Corporation is domiciled in Ontario, Canada and its registered office is 1133 Yonge Street, Toronto, Ontario, M4T 2Y7. These interim condensed consolidated financial statements were approved and authorized for issuance by the Audit Committee on behalf of the Board of Directors of Sherritt on October 29, 2013. The Corporation is listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of Sherritt as at and for the year ended December 31, 2012, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were applicable from January 1, 2013. The adoption of these amendments and standards have not had a material impact on the accounting policies, methods of computation or presentation applied by the Corporation, with the exception of IFRS 11, "Joint Arrangements" and IAS 19 (2011), "Employee Benefits" for which the effects of adoption are included in note 28.

Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2012.

Joint Arrangements

The Corporation adopted IFRS 11, "Joint Arrangements" effective January 1, 2013. This standard replaces IAS 31, "Interests in Joint Ventures" and SIC 13, "Jointly controlled entities – non-monetary contributions by venturers". The standard is applicable to all entities that have an interest in arrangements that are jointly controlled. Joint control is considered to be when all parties to the joint arrangement are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. In accordance with the transition requirements, interests, previously defined as jointly controlled entities that were proportionately consolidated, are re-measured using the carrying amount of the assets and liabilities at the beginning of the immediately preceding period, that is, January 1, 2012, in order to arrive at the initial equity investment. The Corporation has two types of joint arrangements:

(i) Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the net assets of the arrangement. Interests in joint ventures are recognized as an investment and accounted for using the equity method of accounting.

(ii) Joint Operations

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the assets and liabilities relating to the arrangement. Interests in joint operations are accounted for by recognizing the Corporation's share of assets, liabilities, revenues, and expenses incurred jointly.

Post-employment benefits

The Corporation adopted IAS 19 (2011), "Employee Benefits" effective January 1, 2013. On adoption of this standard, which has been applied retrospectively, the Corporation now recognizes changes in defined benefit obligations and plan assets when they occur rather than utilizing the corridor approach. Actuarial gains and losses are recognized immediately through other comprehensive income. Additionally, net interest on plan assets is calculated using the discount rate used to measure the defined benefit obligations and is recognized in the consolidated statements of comprehensive income (loss).

Disclosures of Interests in Other Entities

The Corporation adopted IFRS 12, "Disclosures of Interests in Other Entities" effective January 1, 2013. This standard requires an entity to disclose information related to interests in subsidiaries, joint arrangements, associates, and other unconsolidated structured entities and enables users to evaluate the risks associated with these interests and the effects of those interests on an entity's financial position, financial performance, and cash flows. The requirements of IFRS 12 apply for annual periods beginning on or after January 1, 2013. Accordingly, these disclosure requirements will be fully incorporated, as necessary, in the Corporation's annual financial statements for the year ended December 31, 2013.

Judgments and estimates

Interests in other entities

As part of its process in determining the classification of its interests in other entities, the Corporation applies judgment in interpreting these interests such as (i) the determination of the level of control or significant influence held by the Corporation (ii) the standard's applicability to the operations, (iii) the legal structure and contractual terms of the arrangement, (iv) concluding whether the Corporation has rights to assets and liabilities or to net assets of the arrangement, and (v) when relevant, other facts and circumstances. The Corporation has determined that Energas S.A., Carbon Development Partnership, and Bienfait Activated Carbon Joint Venture represent joint operations while the Moa Joint Venture represents a joint venture as described in IFRS 11, "Joint Arrangements". The Corporation has also concluded that the Ambatovy Joint Venture continues to represent an investment in associate as described in IAS 28 "Investments in Associates and Joint Ventures".

4. SEGMENTED INFORMATION

Business segments

Canadian \$ millions, for the three months ended September 30

2013

	Metals ⁽¹⁾	Coal	Oil and Gas	Power	Corporate and Other	Elimination of Joint Venture and Associate ⁽²⁾	Total
Revenue	\$ 104.8	\$ 175.0	\$ 74.2	\$ 14.7	\$ 1.6	\$ (84.1)	\$ 286.2
Cost of sales	103.3	170.6	30.9	12.1	2.0	(85.1)	233.8
Gross profit (loss)	1.5	4.4	43.3	2.6	(0.4)	1.0	52.4
Administrative expenses	2.2	7.6	2.4	1.2	11.7	(1.1)	24.0
Operating (loss) profit	(0.7)	(3.2)	40.9	1.4	(12.1)	2.1	28.4
Share of loss of associate, net of tax	-	-	-	-	-	(0.7)	(0.7)
Share of loss of joint venture, net of tax	-	-	-	-	-	(0.4)	(0.4)
(Loss) earnings from operations, associate and joint venture	(0.7)	(3.2)	40.9	1.4	(12.1)	1.0	27.3
Financing income	(11.7)	(3.4)	(0.3)	-	(2.9)	0.5	(17.8)
Financing expense	34.4	3.5	(12.9)	(3.0)	27.2	(1.3)	47.9
Net finance expense (income)	22.7	0.1	(13.2)	(3.0)	24.3	(0.8)	30.1
(Loss) earnings before tax	(23.4)	(3.3)	54.1	4.4	(36.4)	1.8	(2.8)
Income tax (recovery) expense	(1.8)	(4.5)	13.2	(0.1)	(12.5)	1.8	(3.9)
Net (loss) earnings for the period	\$ (21.6)	\$ 1.2	\$ 40.9	\$ 4.5	\$ (23.9)	\$ -	\$ 1.1

Supplementary information

Depletion, depreciation and amortization	\$ 9.6	\$ 28.6	\$ 17.5	\$ 2.3	\$ 0.5	\$ (7.4)	\$ 51.1
Property, plant and equipment expenditures	16.8	6.5	11.9	0.5	0.5	(12.7)	23.5
Intangible asset expenditures	-	-	4.1	1.9	-	-	6.0

Canadian \$ millions, as at September 30

2013

Non-current assets ⁽³⁾	\$ 4,161.7	\$ 1,410.6	\$ 192.1	\$ 212.8	\$ 16.8	\$ (4,020.6)	\$ 1,973.4
Total assets	6,097.2	1,842.1	1,138.1	470.6	(26.3)	(2,873.3)	6,648.4

Canadian \$ millions, for the three months ended September 30

2012

	Metals ⁽¹⁾	Coal	Oil and Gas	Power	Corporate and Other	Adjustments for Joint Venture and Associate ⁽²⁾	Total
Revenue	\$ 89.6	\$ 237.1	\$ 74.2	\$ 18.8	\$ 3.7	\$ (81.9)	\$ 341.5
Cost of sales	79.5	230.9	29.8	14.9	2.0	(73.4)	283.7
Gross profit (loss)	10.1	6.2	44.4	3.9	1.7	(8.5)	57.8
Administrative expenses	1.6	1.3	2.4	0.4	12.9	(0.8)	17.8
Operating profit (loss)	8.5	4.9	42.0	3.5	(11.2)	(7.7)	40.0
Share of loss of associate, net of tax	-	-	-	-	-	(0.1)	(0.1)
Share of earnings of joint venture, net of tax	-	-	-	-	-	5.2	5.2
Earnings (loss) from operations, associate and joint venture	8.5	4.9	42.0	3.5	(11.2)	(2.6)	45.1
Financing income	3.1	(7.0)	(1.0)	(0.7)	(0.4)	0.1	(5.9)
Financing expense	34.1	5.3	(15.1)	(0.2)	50.8	(1.0)	73.9
Net finance expense (income)	37.2	(1.7)	(16.1)	(0.9)	50.4	(0.9)	68.0
(Loss) earnings before tax	(28.7)	6.6	58.1	4.4	(61.6)	(1.7)	(22.9)
Income tax expense (recovery)	1.7	(2.4)	13.3	0.3	(11.5)	(1.7)	(0.3)
Net (loss) earnings for the period	\$ (30.4)	\$ 9.0	\$ 44.8	\$ 4.1	\$ (50.1)	\$ -	\$ (22.6)

Supplementary information

Depletion, depreciation and amortization	\$ 8.7	\$ 39.4	\$ 16.6	\$ 3.0	\$ 0.5	\$ (6.6)	\$ 61.6
Property, plant and equipment expenditures	13.9	16.1	11.6	0.3	1.0	(9.2)	33.7
Intangible asset expenditures	-	-	0.5	1.3	-	-	1.8

Canadian \$ millions, as at December 31

2012

Non-current assets ⁽³⁾	\$ 3,892.5	\$ 1,436.9	\$ 203.9	\$ 197.0	\$ 18.3	\$ (3,741.7)	\$ 2,006.9
Total assets	5,638.4	1,911.6	1,007.7	462.3	221.5	(2,653.7)	6,587.8

Canadian \$ millions, for the nine months ended September 30

2013

	Metals ⁽¹⁾	Coal	Oil and Gas	Power	Corporate and Other	Adjustments for Joint Venture and Associate ⁽²⁾	Total
Revenue	\$ 329.1	\$ 571.3	\$ 216.5	\$ 44.2	\$ 4.5	\$ (254.4)	\$ 911.2
Cost of sales	309.6	542.2	89.9	53.6	20.0	(249.7)	765.6
Gross profit (loss)	19.5	29.1	126.6	(9.4)	(15.5)	(4.7)	145.6
Administrative expenses	6.5	16.5	6.5	3.8	29.6	(3.1)	59.8
Operating profit (loss)	13.0	12.6	120.1	(13.2)	(45.1)	(1.6)	85.8
Gain on termination of contract	-	22.0	-	-	-	-	22.0
Share of loss of associate, net of tax	-	-	-	-	-	(1.4)	(1.4)
Share of earnings of joint venture, net of tax	-	-	-	-	-	0.4	0.4
Earnings (loss) from operations, associate and joint venture	13.0	34.6	120.1	(13.2)	(45.1)	(2.6)	106.8
Financing income	(12.6)	(10.8)	(1.6)	(0.8)	(8.5)	0.2	(34.1)
Financing expense	43.3	13.4	23.5	(24.5)	68.3	(9.0)	115.0
Net finance expense (income)	30.7	2.6	21.9	(25.3)	59.8	(8.8)	80.9
(Loss) earnings before tax	(17.7)	32.0	98.2	12.1	(104.9)	6.2	25.9
Income tax (recovery) expense	(6.2)	(3.2)	35.2	1.7	(21.3)	6.2	12.4
Net (loss) earnings for the period	\$ (11.5)	\$ 35.2	\$ 63.0	\$ 10.4	\$ (83.6)	\$ -	\$ 13.5
Supplementary information							
Depletion, depreciation and amortization	\$ 30.1	\$ 84.3	\$ 51.4	\$ 7.6	\$ 2.7	\$ (23.1)	\$ 153.0
Property, plant and equipment expenditures	39.7	28.6	36.1	0.8	1.3	(29.9)	76.6
Intangible asset expenditures	-	-	5.0	5.5	-	-	10.5
Canadian \$ millions, as at September 30							2013
Non-current assets ⁽³⁾	\$ 4,161.7	\$ 1,410.6	\$ 192.1	\$ 212.8	\$ 16.8	\$ (4,020.6)	\$ 1,973.4
Total assets	6,097.2	1,842.1	1,138.1	470.6	(26.3)	(2,873.3)	6,648.4

2013 Third Quarter Report
Interim condensed consolidated financial statements (unaudited)

Canadian \$ millions, for the nine months ended September 30

2012

	Metals ⁽¹⁾	Coal	Oil and Gas	Power	Corporate and Other	Elimination of Joint Venture and Associate ⁽²⁾	Total
Revenue	\$ 346.9	\$ 733.0	\$ 232.7	\$ 53.0	\$ 10.2	\$ (297.8)	\$ 1,078.0
Cost of sales	273.4	682.2	93.3	40.5	9.7	(241.5)	857.6
Gross profit (loss)	73.5	50.8	139.4	12.5	0.5	(56.3)	220.4
Administrative expenses	5.4	10.4	9.1	2.6	34.6	(4.4)	57.7
Operating profit (loss)	68.1	40.4	130.3	9.9	(34.1)	(51.9)	162.7
Share of loss of associate, net of tax	-	-	-	-	-	(1.3)	(1.3)
Share of earnings of joint venture, net of tax	-	-	-	-	-	42.3	42.3
Earnings (loss) from operations, associate and joint venture	68.1	40.4	130.3	9.9	(34.1)	(10.9)	203.7
Financing income	15.8	(13.1)	(3.7)	(1.8)	(9.2)	0.3	(11.7)
Financing expense	77.2	12.7	(10.5)	(8.8)	88.0	(5.2)	153.4
Net finance expense (income)	93.0	(0.4)	(14.2)	(10.6)	78.8	(4.9)	141.7
(Loss) earnings before tax	(24.9)	40.8	144.5	20.5	(112.9)	(6.0)	62.0
Income tax expense (recovery)	6.0	(0.3)	41.3	1.4	(26.6)	(6.0)	15.8
Net (loss) earnings from continuing operations	(30.9)	41.1	103.2	19.1	(86.3)	-	46.2
Earnings from discontinued operation	-	-	-	-	4.4	-	4.4
Net (loss) earnings for the period	\$ (30.9)	\$ 41.1	\$ 103.2	\$ 19.1	\$ (81.9)	\$ -	\$ 50.6
Supplementary information							
Depletion, depreciation and amortization	\$ 26.0	\$ 97.4	\$ 51.9	\$ 8.3	\$ 1.8	\$ (19.4)	\$ 166.0
Property, plant and equipment expenditures	31.5	42.4	30.0	0.6	2.5	(25.5)	81.5
Intangible asset expenditures	-	-	4.0	3.6	-	-	7.6

Canadian \$ millions, as at December 31

2012

Non-current assets ⁽³⁾	\$ 3,892.5	\$ 1,436.9	\$ 203.9	\$ 197.0	\$ 18.3	\$ (3,741.7)	\$ 2,006.9
Total assets	5,638.4	1,911.6	1,007.7	462.3	221.5	(2,653.7)	6,587.8

- (1) Included in the Metals segment are the operations of the Corporation's 50% interest in the Moa Joint Venture, its 100% interest in the utility and fertilizer operations in Fort Saskatchewan and its 40% interest in the Ambatovy Joint Venture. Also included in the Metals segment are revenues and costs of \$11.0 million and \$21.0 million for the three and nine months ended September 30, 2013, respectively, (for the three and nine months ended September 30, 2012 - \$nil) recognized by a subsidiary of the Corporation established to buy, market and sell certain of Ambatovy's nickel production.
- (2) The adjustments for Joint Venture and Associate reflect the adjustments for equity-accounted investments in the Moa and Ambatovy Joint Ventures that are included within the Metals segment above.
- (3) Non-current assets are composed of property, plant and equipment, goodwill, and intangible assets.

Geographic segments

Canadian \$ millions, as at	2013		2012	
	September 30		December 31	
	Non-current assets ⁽¹⁾	Total assets ⁽²⁾	Non-current assets ⁽¹⁾	Total assets ⁽²⁾
Canada	\$ 1,578.4	\$ 2,927.4	\$ 1,617.1	\$ 3,060.1
Cuba	377.6	1,071.7	368.9	1,077.2
Madagascar	2.1	2,596.8	10.0	2,387.0
Europe	14.6	23.1	9.6	33.5
Asia	0.7	2.2	1.3	2.3
Other	-	27.2	-	27.7
	\$ 1,973.4	\$ 6,648.4	\$ 2,006.9	\$ 6,587.8

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

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

Canadian \$ millions	For the three months ended		For the nine months ended	
	2013	2012	2013	2012
	September 30	September 30	September 30	September 30
	Total revenue ⁽¹⁾	Total revenue ⁽¹⁾	Total revenue ⁽¹⁾	Total revenue ⁽¹⁾
Canada	\$ 111.1	\$ 157.6	\$ 387.9	\$ 498.2
Cuba	85.5	88.6	248.0	270.7
Madagascar	0.4	2.2	4.2	7.2
Europe	3.1	3.0	9.3	10.6
Asia	38.0	82.0	162.4	171.0
Other	48.1	8.1	99.4	120.3
	\$ 286.2	\$ 341.5	\$ 911.2	\$ 1,078.0

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

Revenue segments

Revenue includes the following significant categories:

Canadian \$ millions	For the three months ended		For the nine months ended	
	2013	2012	2013	2012
	September 30	September 30	September 30	September 30
Commodity and electricity	\$ 263.8	\$ 313.0	\$ 843.6	\$ 996.1
Royalty	11.3	13.2	38.4	41.1
Other	11.1	15.3	29.2	40.8
	\$ 286.2	\$ 341.5	\$ 911.2	\$ 1,078.0

5. COST OF SALES

Cost of sales includes the following select information:

Canadian \$ millions	For the three months ended		For the nine months ended	
	2013	2012	2013	2012
	September 30	September 30	September 30	September 30
Employee costs	\$ 64.3	\$ 78.3	\$ 199.9	\$ 246.8
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	50.4	60.9	150.3	163.2
Exploration and evaluation expenses	-	0.3	16.8	4.3
Impairment losses ⁽¹⁾	0.4	-	18.5	6.9

(1) For the nine months ended September 30, 2013, impairment losses are primarily comprised of a provision on overdue receivables and an impairment of an electricity generation facility that is leased to the local electricity utility in Madagascar of \$9.3 million and \$7.3 million, respectively. In 2012 impairment losses relate to a write down of inventory.

The exploration and evaluation expenses incurred by the Corporation relate to the Sulawesi Project in Indonesia. The Corporation expensed \$nil and \$16.8 million relating to this project for the three and nine months ended September 30, 2013, respectively (\$0.3 million and \$4.3 million for the three and nine months ended September 30, 2012, respectively).

6. GAIN ON TERMINATION OF CONTRACT

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

7. INVESTMENT IN AN ASSOCIATE

The Corporation indirectly holds a 40% interest in Ambatovy Minerals S.A. and Dynatec Madagascar S.A (collectively the Ambatovy Joint Venture). Sherritt is the operator of the Ambatovy Joint Venture and has as its partners, Sumitomo Corporation (Sumitomo), Korea Resources Corporation (Kores) and SNC-Lavalin Inc. (SNC-Lavalin). The Ambatovy Joint Venture has two nickel deposits located near Moramanga, Madagascar. The ore from these deposits is delivered via pipeline to a processing plant and refinery located near the Port of Toamasina. The Ambatovy Joint Venture commenced production in September 2012.

Statement of financial position

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

Canadian \$ millions, 100% basis, as at	2013 September 30	2012 December 31	2012 January 1
Assets			
Cash and cash equivalents ⁽¹⁾	\$ 70.2	\$ 51.5	\$ 34.3
Short-term investments ⁽¹⁾	-	79.5	-
Other current assets	25.2	13.5	15.5
Trade accounts receivable, net	92.1	119.3	80.5
Inventories	297.4	265.3	139.3
Other non-current assets ⁽²⁾	5.4	4.8	6.0
Property, plant and equipment	8,782.1	8,079.3	7,519.3
Total assets	9,272.4	8,613.2	7,794.9
Liabilities			
Trade accounts payable and accrued liabilities	354.2	227.8	248.8
Other financial liabilities	22.2	20.0	16.3
Current portion of loans and borrowings ⁽³⁾	159.7	121.5	-
Loans and borrowings			
Ambatovy revolving credit facility ⁽⁴⁾	37.0	8.8	-
Ambatovy Joint Venture financing ⁽³⁾	1,905.3	1,935.5	2,097.3
Ambatovy Subordinated loan payable ⁽⁵⁾	3,583.2	3,197.8	2,422.3
Environmental rehabilitation provision	77.9	87.0	81.0
Other long-term liabilities	0.2	0.3	0.3
Deferred income taxes	299.9	290.8	296.2
Total liabilities	6,439.6	5,889.5	5,162.2
Net assets⁽⁶⁾	\$ 2,832.8	\$ 2,723.7	\$ 2,632.7

- (1) In accordance with *La loi établissant un régime special pour les grands investissements dans le secteur minier Malagasay* (LGIM), Madagascar's large scale mining investment act, the Ambatovy Joint Venture is required to (a) maintain foreign currency in local bank accounts sufficient to pay 90 days of local expenses or (b) repatriate all revenue from export sales of mining products, less authorized debt service costs, to local bank accounts within 90 days. The Ambatovy joint venture is currently electing to repatriate revenue from export sales, less authorized debt service costs, in compliance with the requirements of the LGIM.
- (2) As at September 30, 2013, the Ambatovy Joint Venture has earned investment tax credits of \$502.9 million (December 31, 2012 - \$432.8 million) for which a deferred income tax asset has not been recognized. The investment tax credits have an indefinite carry forward period and may be used to partially offset Malagasy income tax otherwise payable by the Ambatovy Joint Venture in subsequent years.
- (3) The Ambatovy Joint Venture financing totalling US\$2,100.0 million is limited recourse project financing with a group of international lenders that matures June 15, 2024. The first repayment of US\$61.0 million was made in June 2013. The project financing is guaranteed by the project sponsors until the project passes certain completion tests at which point the project financing is secured by the project assets. Failure to pass such completion tests would be an event of default. During the quarter the financial completion date was extended from September 30, 2013 to September 30, 2015. Interest is payable based on LIBOR rates plus applicable margins, depending on the lenders. Interest is currently payable based on LIBOR rates plus applicable

margins of approximately 1.4%. As part of the project financing, Sherritt is required to demonstrate its financial capacity to fund its share of the project. Sherritt is required to have available cash or un-drawn partner loans equal to three months of its shareholder contributions. If Sherritt's net tangible assets fall below \$1,600.0 million or the ratio of debt-to-total-capitalization on a three-year rolling average basis is equal to or greater than 0.55:1, Sherritt will be required to set aside its remaining shareholder contributions. At September 30, 2013 the Ambatovy Joint Venture had borrowed US\$2,039.0 million (December 31, 2012 - US\$2,100.0 million) under the project financing.

- (4) The Ambatovy revolving credit facility is comprised of an approximate US\$36.6 million revolving and US\$9.0 million overdraft credit facility agreement with local financial institutions. The facilities bear interest rates between 9.00% and 11.85% and expire on December 6, 2013. The facilities are subordinated to the Ambatovy Joint Venture financing. As at September 30, 2013, US\$35.9 million and US\$nil were drawn on the revolving and overdraft credit facilities (December 31, 2012 - US\$8.8 million and US\$nil).
- (5) The subordinated loan payable is comprised of pro-rata contributions provided by the Ambatovy Joint Venture partners. The debt bears interest at LIBOR plus 6%. Repayments of principal or interest will not be made prior to certain conditions of the finance agreements being satisfied. Unpaid interest is accrued monthly and capitalized to the principal balance semi-annually. Interest expense capitalized to property, plant and equipment is eliminated on consolidation. The Corporation has recorded its share of subordinated loan receivable in advances, loans receivable, other financial assets and finance lease receivables (note 14).
- (6) Net assets include the elimination of certain items, the most significant of which is the capitalization of interest relating to the subordinated loans payable to the Ambatovy Joint Venture partners. As at September 30, 2013 \$617.8 million of capitalized interest was eliminated (December 31, 2012 - \$438.2 million; January 1, 2012 - \$256.9 million).

Results of operations

For the three and nine months ended September 30, 2013, the Corporation recognized net losses of \$0.7 million and \$1.4 million, respectively, representing its 40% interest in the Ambatovy Joint Venture (net losses of \$0.1 million and \$1.3 million for the three and nine months ended September 30, 2012, respectively). The Ambatovy Joint Venture generated pre-commercial production revenue of \$40.1 million and \$134.1 million for the three and nine months ended September 30, 2013 (\$nil for the three and nine months ended September 30, 2012). The operating revenue and expenses are capitalized until commercial production is declared. For the Ambatovy Joint Venture, commercial production is defined as achieving 70% of ore throughput of nameplate capacity in the Pressure Acid Leach circuits, on average, over a thirty-day period.

8. JOINT ARRANGEMENTS

Investment in a Joint Venture

The Corporation indirectly holds a 50% interest in the Moa Joint Venture. The Moa Joint Venture mines, processes and refines nickel and cobalt for sale worldwide (except in the United States). The Moa Joint Venture has mining operations and associated processing facilities in Moa, Cuba; refining facilities in Fort Saskatchewan, Alberta; and an international marketing and sales organization.

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

Statement of financial position

Canadian \$ millions, 100% basis, as at	2013 September 30	2012 December 31	2012 January 1
Assets			
Cash and cash equivalents	\$ 56.5	\$ 47.1	\$ 60.0
Other current assets	10.8	8.8	4.2
Trade accounts receivable, net	68.9	74.6	84.5
Inventories	171.2	169.0	172.3
Other non-current assets	12.3	10.6	6.3
Property, plant and equipment	1,012.5	1,017.3	1,048.2
Total assets	1,332.2	1,327.4	1,375.5
Liabilities			
Trade accounts payable and accrued liabilities	66.8	57.3	51.1
Other current financial liabilities	98.9	98.0	130.4
Other current liabilities	-	3.0	0.8
Environmental rehabilitation provision	56.2	66.0	64.8
Other long-term financial liabilities	348.7	338.4	380.9
Deferred income taxes	24.7	33.1	32.5
Total liabilities	595.3	595.8	660.5
Net assets⁽¹⁾	\$ 736.9	\$ 731.6	\$ 715.0

- (1) Net assets include the elimination of certain items, the most significant of which is the capitalization of interest relating to advances and loans payable due to the Moa Joint Venture partners. As at September 30, 2013, \$77.5 million of capitalized interest was eliminated (December 31, 2012 - \$75.8 million; January 1, 2012 - \$77.0 million).

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Results of operations

Canadian \$ millions, 100% basis	For the three months ended		For the nine months ended	
	2013	2012	2013	2012
	September 30	September 30	September 30	September 30
Revenue	\$ 168.2	\$ 163.9	\$ 508.8	\$ 595.7
Cost of sales	169.0	146.3	497.1	483.1
Gross profit	(0.8)	17.6	11.7	112.6
Administrative expenses	1.8	1.8	5.8	5.2
Operating (loss) profit	(2.6)	15.8	5.9	107.4
Financing income	(0.1)	(0.3)	(0.4)	(0.6)
Financing expense	2.3	1.8	16.9	11.2
	2.2	1.5	16.5	10.6
(Loss) earnings before tax	(4.8)	14.3	(10.6)	96.8
Income tax (recovery) expense	(4.0)	3.8	(11.4)	12.2
Net (loss) earnings for the period⁽¹⁾	\$ (0.8)	\$ 10.5	\$ 0.8	\$ 84.6
Other comprehensive income (loss)				
Foreign currency translation differences on foreign operations	(14.6)	(24.6)	22.0	(22.8)
Total comprehensive (loss) income	\$ (15.4)	\$ (14.1)	\$ 22.8	\$ 61.8

(1) Net earnings includes the elimination of certain items the most significant of which is interest expense relating to advances and loans payable due to the Moa Joint Venture partners. For the three and nine months ended September 30, 2013, \$3.5 million and \$10.3 million, respectively, of interest expense was eliminated (\$3.8 million and \$11.0 million for the three and nine months ended September 30, 2012, respectively).

For the three and nine months ended September 30, 2013, the Corporation recognized net loss of \$0.4 million and net earnings of \$0.4 million, respectively, representing its 50% interest in the Moa Joint Venture (net earnings of \$5.2 million and \$42.3 million for the three and nine months ended September 30, 2012, respectively).

For the three and nine months ended September 30, 2013, the Moa Joint Venture (50% basis) paid \$nil and \$2.3 million of dividends, respectively (\$7.8 million for the three and nine months ended September 30, 2012).

Joint Operations

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

As at	Entity	Principal activities	2013	2012	2012
			September 30	December 31	January 1
		Economic Interest			
	Carbon Development Partnership	Coal recovery and coal gasification project	50%	50%	50%
	Energas	Power generation	33⅓%	33⅓%	33⅓%
	Bienfait Activated Carbon	Operator of activated carbon plant facilities	50%	50%	50%

As a result, the Corporation recognizes all applicable assets, liabilities, revenues and expenses relating to its interest in the above noted joint operations in accordance with IFRS.

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

Canadian \$ millions, as at September 30	2013		
	Bienfait Activated Carbon	Carbon Development Partnership	Energas
	50%	50%	33⅓%
Current assets	\$ 4.2	\$ 1.0	\$ 22.5
Non-current assets	33.2	12.8	179.5
Current liabilities	25.2	1.1	11.9
Non-current liabilities	0.7	0.4	120.1
Net assets	\$ 11.5	\$ 12.3	\$ 70.0

Canadian \$ millions, as at December 31				2012
	Bienfait Activated Carbon	Carbon Development Partnership	Energas	
	50%	50%	33⅓%	
Current assets	\$ 5.3	\$ 1.1	\$ 24.4	
Non-current assets	34.2	12.9	156.3	
Current liabilities	29.2	1.0	11.4	
Non-current liabilities	0.8	0.4	104.2	
Net assets	\$ 9.5	\$ 12.6	\$ 65.1	

Canadian \$ millions, as at January 1				2012
	Bienfait Activated Carbon	Carbon Development Partnership	Energas	
	50%	50%	33⅓%	
Current assets	\$ 5.1	\$ 0.9	\$ 21.2	
Non-current assets	35.2	29.6	131.2	
Current liabilities	36.2	1.1	11.4	
Non-current liabilities	0.8	0.5	75.4	
Net assets	\$ 3.3	\$ 28.9	\$ 65.6	

Canadian \$ millions, for the three months ended September 30				2013
	Bienfait Activated Carbon	Carbon Development Partnership	Energas	
	50%	50%	33⅓%	
Revenue	\$ 2.8	\$ 0.3	\$ 14.7	
Expense	2.6	0.4	14.8	
Net earnings (loss)	\$ 0.2	\$ (0.1)	\$ (0.1)	

Canadian \$ millions, for the nine months ended September 30				2013
	Bienfait Activated Carbon	Carbon Development Partnership	Energas	
	50%	50%	33⅓%	
Revenue	\$ 9.0	\$ 0.7	\$ 41.5	
Expense	7.0	0.9	33.5	
Net earnings (loss)	\$ 2.0	\$ (0.2)	\$ 8.0	

Canadian \$ millions, for the three months ended September 30				2012
	Bienfait Activated Carbon	Carbon Development Partnership	Energas	
	50%	50%	33⅓%	
Revenue	\$ 4.5	\$ 0.1	\$ 17.6	
Expense	2.5	0.3	17.4	
Net earnings (loss)	\$ 2.0	\$ (0.2)	\$ 0.2	

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Canadian \$ millions, for the nine months ended September 30

	Bienfait Activated Carbon		Carbon Development Partnership		2012 Energas
	50%		50%		33%
Revenue	\$	12.2	\$	0.4	\$ 49.0
Expense		7.3		0.9	42.6
Net earnings (loss)	\$	4.9	\$	(0.5)	\$ 6.4

9. NET FINANCE EXPENSE

Canadian \$ millions	Note	For the three months ended		For the nine months ended	
		2013 September 30	2012 September 30	2013 September 30	2012 September 30
Net unrealized gain (loss) on financial instruments	13	\$ 11.2	\$ (3.2)	\$ 12.4	\$ (16.1)
Interest income on cash, cash equivalents and short-term investments		0.9	1.4	3.0	3.4
Interest income on investments		0.4	1.6	2.4	5.2
Interest income on advances and loans receivable		1.9	1.8	5.5	6.3
Interest income on finance leases		3.4	4.3	10.8	12.9
Total financing income		17.8	5.9	34.1	11.7
Interest expense and accretion on loans and borrowings		33.6	30.6	99.2	88.3
Interest expense on finance lease obligations		2.0	2.0	5.9	6.1
Unrealized foreign exchange (gain) loss		7.3	7.1	(3.9)	9.6
Realized foreign exchange (gain) loss		0.6	-	(0.3)	-
Cross-guarantee fee amortization		-	2.9	-	8.9
Premium on debenture redemption		-	27.0	-	27.0
Other finance charges		3.4	3.4	11.3	10.6
Accretion expense on environmental rehabilitation provisions	18	1.0	0.9	2.8	2.9
Total financing expense		47.9	73.9	115.0	153.4
Net finance expense		\$ 30.1	\$ 68.0	\$ 80.9	\$ 141.7

10. INCOME TAXES

Canadian \$ millions	For the three months ended		For the nine months ended	
	2013 September 30	2012 September 30	2013 September 30	2012 September 30
Current income tax expense				
Current period	\$ 14.7	\$ 12.6	\$ 40.9	\$ 41.0
	14.7	12.6	40.9	41.0
Deferred income tax (recovery) expense				
Origination and reversal of temporary differences	(8.8)	(11.4)	(24.8)	(13.8)
Reduction in tax rate	-	-	-	(0.4)
Recognition of tax assets previously recognized	(9.8)	(1.5)	(3.7)	(11.0)
	(18.6)	(12.9)	(28.5)	(25.2)
Income tax (recovery) expense	\$ (3.9)	\$ (0.3)	\$ 12.4	\$ 15.8

11. DISCONTINUED OPERATION

In 2007, the Corporation acquired Mineral Products, which included a talc mine and plant, through the acquisition of the Dynatec Corporation (Dynatec). During 2010, the Corporation closed the talc mine and plant and classified Mineral Products as a discontinued operation. Mineral Products is included in the Corporate and Other business segment (note 4).

In the second quarter of 2012, the Corporation closed the sale of its talc plant to a third party. The Corporation recorded a gain of \$4.7 million at that time, primarily as a result of transferring the reclamation liability to the purchaser. As at April 30, 2012, the remaining net assets with respect to the talc mine were reclassified into continuing operations.

12. EARNINGS (LOSS) PER SHARE

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

Canadian \$ millions, except per share amounts	For the three months ended		For the nine months ended	
	2013 September 30	2012 September 30	2013 September 30	2012 September 30
Net earnings (loss) from continuing operations	\$ 1.1	\$ (22.6)	\$ 13.5	\$ 46.2
Earnings from discontinued operation, net of tax	-	-	-	4.4
Net earnings (loss) - basic	\$ 1.1	\$ (22.6)	\$ 13.5	\$ 50.6
Net earnings (loss) from continuing operations	\$ 1.1	\$ (22.6)	\$ 13.5	\$ 46.2
Earnings from discontinued operation, net of tax	-	-	-	4.4
Net earnings (loss) - diluted	\$ 1.1	\$ (22.6)	\$ 13.5	\$ 50.6
Weighted-average number of common shares - basic	296.9	296.4	296.7	296.2
Weighted-average effect of dilutive securities ⁽¹⁾ :				
Restricted stock plan	0.4	0.6	0.4	0.6
Weighted-average number of common shares - diluted	297.3	297.0	297.1	296.8
Net earnings (loss) from continuing operations per common share:				
Basic and diluted	\$ 0.00	\$ (0.08)	\$ 0.05	\$ 0.16
Earnings from discontinued operation per common share:				
Basic and diluted	\$ -	\$ -	\$ -	\$ 0.01
Net earnings (loss) per common share:				
Basic and diluted	\$ 0.00	\$ (0.08)	\$ 0.05	\$ 0.17

(1) The determination of the weighted-average number of common shares - diluted excludes 4.9 million shares related to stock options that were anti-dilutive for the three and nine months ended September 30, 2013 (4.2 million for the three and nine months ended September 30, 2012). There were 0.8 million shares related to the employee share purchase plan that were anti-dilutive for the three and nine months ended September 30, 2013 (0.8 million shares for the three and nine months ended September 30, 2012).

13. FINANCIAL INSTRUMENTS

Financial instrument hierarchy

Canadian \$ millions, as at	Note	Hierarchy level	2013	2012	2012
			September 30	December 31	January 1
Recurring financial assets held for trading, measured at fair value:					
Cash equivalents		1	\$ 100.8	\$ 108.3	\$ 54.9
Short-term investments		1	225.7	356.1	456.8
Ambatovy call option	14	3	34.5	21.5	38.0

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

Canadian \$ millions	Note	For the nine months ended	For the year ended
		2013 September 30 Ambatovy call option	2012 December 31 Ambatovy call option
Balance, beginning of the period		\$ 21.5	\$ 38.0
Total gain (loss) in net earnings ⁽¹⁾	9	12.4	(15.8)
Effect of movements in exchange rates		0.6	(0.7)
Balance, end of the period		\$ 34.5	\$ 21.5

(1) Gains and losses are recognized in net finance expense (note 9).

During the three and nine months ended September 30, 2013, the Corporation recognized upward fair value adjustments of \$11.2 million and \$12.4 million, respectively (downward fair value adjustments of \$3.2 million and \$16.1 million for the three and nine months ended September 30, 2012, respectively) in financing income on the Ambatovy call option primarily as a result of changes in various inputs in the Black-Scholes model, including volatility, which is based on a blend of historical commodity prices and publicly traded stock prices of companies with comparable projects, the estimated fair value of the Ambatovy project based on forecasted cash flows, and the time until expiration of the option.

Fair values

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

Canadian \$ millions, as at	Note	2013		2012		2012	
		September 30	September 30	December 31	December 31	January 1	January 1
		Carrying value	Fair value	Carrying value	Fair Value	Carrying value	Fair Value
8.25% senior unsecured debentures due 2014	17	\$ -	\$ -	\$ -	\$ -	\$ 223.0	\$ 233.0
7.75% senior unsecured debentures due 2015	17	273.8	286.4	273.4	295.6	272.9	283.1
8.00% senior unsecured debentures due 2018	17	393.0	393.0	392.2	426.0	391.2	408.4
7.50% senior unsecured debentures due 2020	17	490.6	475.0	489.8	517.5	-	-
Ambatovy Joint Venture Additional Partner loans ⁽²⁾	17	804.4	834.3	749.3	865.4	708.5	797.4
Ambatovy Joint Venture Partner loans ⁽²⁾	17	96.0	78.1	92.1	77.5	92.2	71.5

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

(2) The fair value for the Ambatovy Partner loans and Ambatovy Additional Partner loans is calculated by discounting future cash flows by 8.46% and 8.43%, respectively. These rates are based on market rates adjusted for the Corporation's credit quality for instruments with similar maturity horizons.

As at September 30, 2013, the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, trade accounts receivable, current portion of advances and loans receivable, current portion of other financial assets, current portion of finance lease receivables, current portion of loans and borrowings, current portion of other financial liabilities, trade accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

The fair values of non-current loans and borrowings and other financial liabilities approximate their carrying amount except as indicated above. The fair value of a financial instrument on initial recognition is normally the transaction price, the fair value of the consideration given or received. The fair values of non-current advances and loans receivable and finance lease receivables 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.

As at September 30, 2013, the carrying amount of the lenders' conversion option under the Ambatovy Joint Venture additional partner loan agreements is approximately equal to its fair value.

Cash, cash equivalents and short-term investments

Cash and cash equivalents consist of:

Canadian \$ millions, as at	2013		2012		2012	
	September 30	September 30	December 31	December 31	January 1	January 1
Cash equivalents	\$	100.8	\$	108.3	\$	54.9
Cash on hand and balances with banks		44.3		38.8		89.7
	\$	145.1	\$	147.1	\$	144.6

The Corporation's cash balances are deposited with major financial institutions rated A or higher by Standard and Poor's and with banks in Cuba that are not rated. The total cash held in Cuban bank deposit accounts was \$17.1 million at September 30, 2013 (December 31, 2012 - \$20.1 million).

As at September 30, 2013, \$8.6 million of cash on the Corporation's consolidated statements of financial position was held by Energas (December 31, 2012 - \$8.6 million). These funds are for the use of the joint operation.

As at September 30, 2013, the Corporation had \$326.5 million in Government of Canada treasury bills (December 31, 2012 - \$464.4 million) included in cash and cash equivalents and short-term investments.

Trade accounts receivable

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

Canadian \$ millions, as at	Note	2013 September 30	2012 December 31	2012 January 1
Trade accounts receivable		\$ 267.8	\$ 322.4	\$ 303.8
Allowance for doubtful accounts		(12.2)	(2.3)	(0.1)
Accounts receivable from joint operations	23	-	-	0.1
Accounts receivable from joint venture	23	10.4	5.8	7.8
Accounts receivable from associate	23	78.5	31.1	22.1
Other		18.6	14.9	14.4
		\$ 363.1	\$ 371.9	\$ 348.1

Aging of receivables not impaired:

Canadian \$ millions, as at		2013 September 30	2012 December 31	2012 January 1
Not past due	\$	319.4	\$ 290.0	\$ 285.5
Past due no more than 30 days		30.0	31.6	33.2
Past due for more than 30 days but no more than 60 days		6.1	19.0	19.5
Past due for more than 60 days		7.6	31.3	9.9
	\$	363.1	\$ 371.9	\$ 348.1

Current payment terms for oil sales to an agency of the Cuban government are based on West Texas Intermediate (WTI) reference prices. As the WTI price exceeds US\$29.50, payment terms are 180 days from the date of invoice.

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

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

Advances, loans receivable and other financial assets

Canadian \$ millions, as at	Note	2013 September 30	2012 December 31	2012 January 1
Advances, loans receivable				
Ambatovy subordinated loans receivable	23	\$ 1,433.3	\$ 1,279.1	\$ 968.9
Energas conditional sales agreement	23	255.4	223.9	166.9
Moa Joint Venture loans receivable	23	237.6	235.6	285.6
Other		18.7	19.8	20.9
Other financial assets				
Ambatovy call option	13	34.5	21.5	38.0
Deferred reclamation recoveries		7.8	9.0	9.0
Other		2.3	-	-
		1,989.6	1,788.9	1,489.3
Current portion of advances, loan receivable and other financial assets		(91.8)	(93.7)	(121.5)
	\$	1,897.8	\$ 1,695.2	\$ 1,367.8

Other non-financial assets

Canadian \$ millions, as at		2013 September 30	2012 December 31	2012 January 1
Cross-guarantee fee asset	\$	-	\$ -	\$ 10.6
Pension receivable		5.2	5.3	5.8
Other		3.8	6.3	4.3
		9.0	11.6	20.7
Current portion of other non-financial assets		(0.7)	(0.8)	(0.2)
	\$	8.3	\$ 10.8	\$ 20.5

Finance lease receivables

Canadian \$ millions, as at	2013 September 30				2012 December 31				2012 January 1	
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments	
Less than one year	\$ 28.0	\$ 11.7	\$ 16.3	\$ 38.5	\$ 13.7	\$ 24.8	\$ 38.3	\$ 15.0	\$ 23.3	
Between one and five years	99.2	34.2	65.0	120.6	39.6	81.0	122.8	45.8	77.0	
More than five years	114.7	22.3	92.4	127.8	26.6	101.2	149.5	30.5	119.0	
	\$ 241.9	\$ 68.2	\$ 173.7	\$ 286.9	\$ 79.9	\$ 207.0	\$ 310.6	\$ 91.3	\$ 219.3	

15. INVENTORIES

Canadian \$ millions, as at	2013 September 30	2012 December 31	2012 January 1
Uncovered coal	\$ 9.4	\$ 8.3	\$ 8.5
Raw materials	7.6	6.6	2.7
Materials in process	0.1	0.1	0.2
Finished products	68.0	77.5	51.0
	85.1	92.5	62.4
Spare parts and operating materials	77.4	71.3	66.6
	\$ 162.5	\$ 163.8	\$ 129.0

For the three and nine months ended September 30, 2013, the cost of inventories recognized as an expense and included in cost of sales was \$166.3 million and \$533.3 million, respectively (\$169.4 million and \$515.9 million for the three and nine months ended September 30, 2012, respectively).

16. PROPERTY, PLANT AND EQUIPMENT

Canadian \$ millions, for the nine months ended September 30	2013			2012				
	Mining properties	Oil and Gas properties	Plant, equipment and land	Total	Mining properties	Oil and Gas properties	Plant, equipment and land	Total
Cost								
Balance, beginning of the period	\$ 439.5	\$ 1,056.9	\$ 1,310.6	\$ 2,807.0	\$ 439.5	\$ 1,056.9	\$ 1,310.6	\$ 2,807.0
Additions	15.1	23.4	71.0	109.5	15.1	23.4	71.0	109.5
Capitalized closure costs	12.5	(0.2)	(14.8)	(2.5)	12.5	(0.2)	(14.8)	(2.5)
Disposals	-	-	(2.3)	(2.3)	-	-	(2.3)	(2.3)
Effect of movements in exchange rates	-	38.4	9.6	48.0	-	38.4	9.6	48.0
Balance, end of the period	\$ 467.1	\$ 1,118.5	\$ 1,374.1	\$ 2,959.7	\$ 467.1	\$ 1,118.5	\$ 1,374.1	\$ 2,959.7
Depletion, depreciation and impairment losses								
Balance, beginning of the period	\$ 298.4	\$ 957.7	\$ 642.0	\$ 1,898.1	\$ 298.4	\$ 957.7	\$ 642.0	\$ 1,898.1
Depletion and depreciation	24.9	46.9	64.6	136.4	24.9	46.9	64.6	136.4
Impairments	-	-	7.3	7.3	-	-	7.3	7.3
Effect of movements in exchange rates	-	36.0	4.8	40.8	-	36.0	4.8	40.8
Balance, end of the period	323.3	1,040.6	718.7	2,082.6	323.3	1,040.6	718.7	2,082.6
Net book value	\$ 143.8	\$ 77.9	\$ 655.4	\$ 877.1	\$ 143.8	\$ 77.9	\$ 655.4	\$ 877.1

Canadian \$ millions, for the year ended December 31

2012

	Mining properties	Oil and Gas properties	Plant, equipment and land	Total
Cost				
Balance, beginning of the year	\$ 389.7	\$ 1,047.0	\$ 1,294.3	\$ 2,731.0
Additions	21.1	30.5	122.7	174.3
Capitalized closure costs (recoveries)	41.9	(1.4)	5.2	45.7
Disposals and derecognition	(13.2)	-	(105.0)	(118.2)
Effect of movements in exchange rates	-	(19.2)	(6.6)	(25.8)
Balance, end of the year	\$ 439.5	\$ 1,056.9	\$ 1,310.6	\$ 2,807.0
Depletion, depreciation and impairment losses				
Balance, beginning of the year	\$ 241.0	\$ 917.0	\$ 666.7	\$ 1,824.7
Depletion and depreciation	59.6	57.9	82.7	200.2
Impairments	10.9	-	-	10.9
Disposals and derecognition	(13.1)	-	(103.7)	(116.8)
Effect of movements in exchange rates	-	(17.2)	(3.7)	(20.9)
Balance, end of the year	298.4	957.7	642.0	1,898.1
Net book value	\$ 141.1	\$ 99.2	\$ 668.6	\$ 908.9

Canadian \$ millions

Plant,
equipment
and land

Assets held under finance lease at net book value, included in above

As at September 30, 2013	\$ 148.5
As at December 31, 2012	142.8
As at January 1, 2012	115.6

Assets under construction, included in above

As at September 30, 2013	\$ 26.0
As at December 31, 2012	24.7
As at January 1, 2012	28.8

17. LOANS, BORROWINGS AND OTHER LIABILITIES

Loans and borrowings

Canadian \$ millions, as at	Note	2013 September 30	2012 December 31	2012 January 1
Long-term loans				
8.25% senior unsecured debentures due 2014	13	\$ -	\$ -	223.0
7.75% senior unsecured debentures due 2015	13	273.8	273.4	272.9
8.00% senior unsecured debentures due 2018	13	393.0	392.2	391.2
7.50% senior unsecured debentures due 2020	13	490.6	489.8	-
Ambatovy Joint Venture Additional Partner loans	13	804.4	749.3	708.5
Ambatovy Joint Venture Partner loans	13	96.0	92.1	92.2
Coal revolving credit facility		5.0	43.0	-
Senior credit facility		-	-	43.0
3-year non-revolving term loan		-	-	11.2
Loan from financial institution		-	-	2.7
Syndicated 364-day revolving-term credit facility		-	-	-
Line of credit		-	-	-
		2,062.8	2,039.8	1,744.7
Current portion of loans and borrowings		-	-	(56.9)
		\$ 2,062.8	\$ 2,039.8	\$ 1,687.8

Syndicated 364-day revolving-term credit facility

In September 2013, the Corporation extended the maturity date of the syndicated 364-day revolving-term credit facility to November 29, 2013. The facility continues to be subject to pre-existing financial covenants. The maximum credit available under the facility is \$90.0 million and the total available draw is based on eligible receivables and inventory.

Line of credit

In September 2013, the Corporation extended the maturity date of the \$20.0 million line of credit to November 29, 2013. This facility is subject to the same financial covenants as the syndicated 364-day revolving-term credit facility.

Other financial liabilities

Canadian \$ millions, as at	Note	2013 September 30	2012 December 31	2012 January 1
Finance lease obligations		\$ 146.4	\$ 155.1	\$ 139.5
Other long-term financial liabilities		6.5	12.4	12.4
Stock compensation liability	20	7.2	11.9	11.2
		160.1	179.4	163.1
Current portion of other financial liabilities		(50.8)	(56.8)	(55.4)
		\$ 109.3	\$ 122.6	\$ 107.7

Finance lease obligations

Canadian \$ millions, as at	2013 September 30					2012 December 31					2012 January 1
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments		
Less than one year	\$ 49.9	\$ 6.0	\$ 43.9	\$ 51.8	\$ 7.0	\$ 44.8	\$ 49.4	\$ 6.5	\$ 42.9		
Between one and five years	109.4	6.9	102.5	119.7	9.4	110.3	105.8	9.2	96.6		
	\$ 159.3	\$ 12.9	\$ 146.4	\$ 171.5	\$ 16.4	\$ 155.1	\$ 155.2	\$ 15.7	\$ 139.5		

Other long-term financial liabilities

Canadian \$ millions, as at	2013 September 30	2012 December 31	2012 January 1
Less than one year	\$ 1.8	\$ 2.4	\$ 3.7
Between one and five years	4.3	5.6	7.0
More than five years	0.4	4.4	1.7
	\$ 6.5	\$ 12.4	\$ 12.4

Other non-financial liabilities

Canadian \$ millions, as at	Note	2013 September 30	2012 December 31	2012 January 1
Pension liability	24	\$ 6.7	\$ 48.9	\$ 45.2
Deferred revenue		23.7	16.8	9.1
		30.4	65.7	54.3
Current portion of other non-financial liabilities		(18.6)	(16.0)	(8.1)
		\$ 11.8	\$ 49.7	\$ 46.2

18. ENVIRONMENTAL REHABILITATION PROVISIONS, CONTINGENCIES AND GUARANTEES

The following is a reconciliation of the environmental rehabilitation provision:

Canadian \$ millions	Note	For the nine months ended	
		2013 September 30	2012 December 31
Balance, beginning of the period		\$ 263.2	\$ 235.3
Additions		10.1	23.3
Change in estimates		(24.7)	22.6
Utilized during the period		(13.6)	(21.2)
Accretion	9	2.8	3.5
Foreign exchange translation		2.1	(0.3)
Balance, end of the period		239.9	263.2
Current portion		(21.2)	(34.4)
		\$ 218.7	\$ 228.8

The 2013 change in estimates, noted in the table above, is primarily the result of discount rates increasing by approximately 0.7% during the period due to higher government bond yields.

Contingencies

On June 4, 2013 Coal Valley Resources Inc. ("CVRI") received a favourable ruling in the first phase of an arbitration process for a contract dispute with a port operator. CVRI will now proceed to the final phase of arbitration where a settlement amount will be determined. At September 30, 2013 management could not reasonably estimate the financial impact of this settlement.

19. SHAREHOLDERS' EQUITY

Capital Stock

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

Canadian \$ millions, except share amounts	Note	Number	For the nine months ended	
			2013 September 30 Capital stock	2012 December 31 Number Capital stock
Balance, beginning of the period		296,490,635	\$ 2,806.1	296,390,692 \$ 2,803.1
Treasury stock - restricted stock plan	20	-	-	(287,400) (1.6)
Restricted stock plan (vested)	20	90,026	0.8	106,848 0.9
Employee share purchase plan	20	358,765	1.6	280,495 3.7
Balance, end of the period		296,939,426	\$ 2,808.5	296,490,635 \$ 2,806.1

The following dividends were paid or were declared but unpaid:

Canadian \$ millions, except per share amounts		For the nine months ended		For the nine months ended	
		2013 September 30 Per share	2013 September 30 Total	2012 September 30 Per share	2012 September 30 Total
Dividends paid during the period	\$	0.124	\$ 36.7	\$ 0.114	\$ 33.9
Dividends declared but unpaid		0.043	12.8	0.038	11.3

Reserves

Canadian \$ millions	Note	For the nine months ended 2013 September 30	For the year ended 2012 December 31
Stated capital reserve			
Balance, beginning and end of the period		\$ 190.3	\$ 190.3
Stock-based compensation reserve⁽¹⁾			
Balance, beginning of the period		\$ 4.6	\$ 4.8
Restricted stock plan (vested)	20	(0.8)	(0.9)
Restricted stock plan amortization	20	0.5	1.3
Employee share purchase plan (vested)	20	(0.2)	(2.4)
Employee share purchase plan expense	20	0.4	0.2
Stock option plan expense	20	1.0	1.6
Balance, end of the period		5.5	4.6
Total reserves, end of the period		\$ 195.8	\$ 194.9

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

Accumulated other comprehensive income (loss)

Canadian \$ millions	Note	For the nine months ended 2013 September 30	For the year ended 2012 December 31
Balance, beginning of the period		\$ (101.2)	\$ (51.4)
Foreign currency translation differences on foreign operations		80.7	(49.8)
Balance, end of the period		\$ (20.5)	\$ (101.2)
Actuarial gains (losses) on defined benefit obligation			
Balance, beginning of the period		\$ (28.4)	\$ (21.7)
Reclassification due to settlement of pension obligation	6	22.9	-
Actuarial gains (losses) on defined benefit obligation	24	3.1	(6.7)
Balance, end of the period		(2.4)	(28.4)
Total accumulated other comprehensive loss		\$ (22.9)	\$ (129.6)

Accumulated foreign currency translation reserve

Accumulated other comprehensive income (loss) includes a reserve pertaining to the accumulated foreign currency translation adjustment which relates to deferred exchange gains and losses arising from the translation of the financial statements of the Corporation's foreign operations which have a foreign dollar functional currency.

Accumulated actuarial gains and losses on defined benefit obligations reserve

Accumulated other comprehensive income (loss) also includes a reserve relating to changes in defined benefit obligations and plan assets.

The Corporation has elected to reclassify actuarial losses, included in accumulated other comprehensive loss, to retained earnings upon settlement of a pension obligation.

20. STOCK-BASED COMPENSATION PLANS

Stock options and options with tandem stock appreciation rights

The following is a summary of stock option activity:

For the three months ended September 30		2013		2012	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price	
Outstanding, beginning of the period	4,964,917	\$ 8.80	4,244,317	\$ 9.49	
Expired	(71,668)	13.46	-	-	
Outstanding, end of the period	4,893,249	\$ 8.73	4,244,317	\$ 9.49	
Options exercisable, end of the period	3,450,280	\$ 9.96	3,001,899	\$ 10.46	

For the nine months ended September 30		2013		2012	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price	
Outstanding, beginning of the period	4,244,317	\$ 9.49	4,976,817	\$ 10.38	
Granted	888,300	5.14	692,500	6.04	
Forfeited	(167,700)	6.92	(1,425,000)	10.92	
Expired	(71,668)	13.46	-	-	
Outstanding, end of the period	4,893,249	\$ 8.73	4,244,317	\$ 9.49	
Options exercisable, end of the period	3,450,280	\$ 9.96	3,001,899	\$ 10.46	

The following table summarizes information on stock options outstanding and exercisable at September 30, 2013:

Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Exercisable number	Exercisable weighted-average exercise price
\$3.05 - \$5.05	40,000	5.1	\$ 3.69	40,000	\$ 3.69
\$5.06 - \$9.77	3,281,582	7.4	6.54	1,838,613	7.14
\$9.78 - \$11.64	521,667	2.3	10.28	521,667	10.27
\$11.65 - \$15.23	1,050,000	4.0	14.99	1,050,000	14.99
Total	4,893,249	6.1	\$ 8.73	3,450,280	\$ 9.96

As at September 30, 2013, 2,897,349 options with tandem SARs (September 30, 2012 - 2,984,017) and 1,995,900 options (September 30, 2012 - 1,260,300) remained outstanding for which the Corporation has recognized a compensation expense of \$0.1 million and a recovery of \$1.6 million for the three and nine months ended September 30, 2013, respectively (compensation expense of \$0.3 million and a recovery of \$1.1 million for the three and nine months ended September 30, 2012, respectively). The carrying amount of liabilities associated with cash-settled compensation arrangements is \$1.5 million at September 30, 2013 (December 31, 2012 - \$4.2 million).

Inputs for measurement of grant date fair values

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

Canadian \$, for the nine months ended September 30	2013	2012
Share price at grant date	\$5.22	\$5.96
Exercise price	\$5.14	\$6.04
Risk-free interest rates (based on 10-year Government of Canada bonds)	1.94%	1.95%
Expected volatility	48.81%	49.00%
Expected dividend yield	2.91%	2.55%
Expected life of options	10 years	10 years
Weighted-average fair value of options granted during the period	\$2.11	\$2.52

Other stock-based compensation

A summary of the Share Purchase Plan units, RSUs, DSUs and RSP units outstanding as at September 30, 2013 and 2012 and changes during the period is as follows:

For the three months ended September 30					2013
	Share				
	Purchase Plan	RSU	DSU	RSP	
Outstanding, beginning of the period	648,256	2,851,629	559,170	360,900	
Issued	405,390	33,930	-	-	
Dividends credited	-	30,514	5,998	-	
Exercised	(358,765)	-	-	-	
Forfeited	(36,533)	(46,438)	-	-	
Adjusted on settlement	154,207	-	-	-	
Vested	-	(5,324)	-	-	
Outstanding, end of the period	812,555	2,864,311	565,168	360,900	
Units exercisable, end of the period	n/a	n/a	565,168	n/a	
Weighted-average exercise price	\$ 7.03	n/a	n/a	n/a	

For the three months ended September 30					2012
	Share				
	Purchase Plan	RSU	DSU	RSP	
Outstanding, beginning of the period	582,346	2,507,730	427,387	537,926	
Issued	495,240	45,650	-	-	
Dividends credited	-	14,983	3,262	-	
Exercised	(280,495)	-	-	-	
Forfeited	(15,158)	-	-	-	
Adjusted on settlement	62,778	-	-	-	
Vested	-	(591,221)	-	-	
Outstanding, end of the period	844,711	1,977,142	430,649	537,926	
Units exercisable, end of the period	n/a	n/a	430,649	n/a	
Weighted-average exercise price	\$ 6.46	n/a	n/a	n/a	

For the nine months ended September 30					2013
	Share				
	Purchase Plan	RSU	DSU	RSP	
Outstanding, beginning of the period	822,491	1,934,701	430,649	450,926	
Issued	405,390	1,556,240	120,900	-	
Dividends credited	-	67,722	13,619	-	
Exercised	(358,765)	-	-	-	
Forfeited	(210,768)	(83,952)	-	-	
Adjusted on settlement	154,207	-	-	-	
Vested	-	(610,400)	-	(90,026)	
Outstanding, end of the period	812,555	2,864,311	565,168	360,900	
Units exercisable, end of the period	n/a	n/a	565,168	n/a	
Weighted-average exercise price	\$ 7.03	n/a	n/a	n/a	

For the nine months ended September 30

2012

	Share			
	Purchase Plan	RSU	DSU	RSP
Outstanding, beginning of the period	769,055	1,754,529	336,160	270,374
Issued	495,240	804,025	85,000	287,400
Dividends credited	-	51,809	9,489	-
Exercised	(280,495)	-	-	-
Forfeited	(201,867)	(42,000)	-	-
Adjusted on settlement	62,778	-	-	-
Vested	-	(591,221)	-	(19,848)
Outstanding, end of the period	844,711	1,977,142	430,649	537,926
Units exercisable, end of the period	n/a	n/a	430,649	n/a
Weighted-average exercise price	\$ 6.46	n/a	n/a	n/a

The Corporation recorded a compensation expense of \$0.8 million and \$2.0 million for the three and nine months ended September 30, 2013, respectively, for other stock-based compensation plans (compensation expense of \$1.2 million and \$4.2 million for the three and nine months ended September 30, 2012, respectively). The carrying amount of liabilities associated with cash-settled compensation arrangements is \$5.7 million at September 30, 2013 (December 31, 2012 - \$7.7 million).

Measurement of fair values at grant date

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

Beginning in 2013, the Corporation began issuing performance based RSUs to certain employees, all of which vest at the end of three years. Under the plan, each unit awarded is equivalent to a common share. A liability is accrued related to the units awarded and a compensation expense is recognized in the Consolidated Statement of Comprehensive Income over the service period required for employees to become fully entitled to the award. At the maturity date, the participant receives cash representing the value of the units. The final number of units that vest will vary from 80% to 120% of the initial number awarded (plus additional units for dividend equivalents) based on the Corporation's total shareholder return relative to a benchmark index comprised of mining and oil and gas companies. The number of units subject to the performance condition outstanding at September 30, 2013 was 1,557,747 (September 30, 2012 - nil).

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

Canadian \$ millions	For the three months ended		For the nine months ended	
	2013 September 30	2012 September 30	2013 September 30	2012 September 30
Employee Share Purchase Plan	\$ 3.90	\$ 4.90	\$ 3.90	\$ 4.90
RSU	3.96	4.87	5.19	5.90
DSU	-	-	5.91	6.15
RSP	-	-	-	5.87

The intrinsic value of cash-settled stock-based compensation awards vested and outstanding as at September 30, 2013 was \$6.0 million (December 31, 2012 - \$8.2 million).

21. CASH FLOWS

Other operating items

Canadian \$ millions	Note	For the three months ended		For the nine months ended	
		2013 September 30	2012 September 30	2013 September 30	2012 September 30
Add (deduct) non-cash items:					
Accretion expense on environmental rehabilitation provisions	9	\$ 1.0	\$ 0.9	\$ 2.8	\$ 2.9
Stock-based compensation expense, net	20	0.9	1.5	0.4	3.1
Other items		2.3	(1.7)	(3.1)	(0.7)
Cash flow arising from changes in:					
Other finance charges		(3.4)	(3.4)	(11.3)	(10.6)
Realized foreign exchange (gain) loss		(0.6)	-	0.3	-
		\$ 0.2	\$ (2.7)	\$ (10.9)	\$ (5.3)

Net change in non-cash working capital

Canadian \$ millions	For the three months ended		For the nine months ended	
	2013 September 30	2012 September 30	2013 September 30	2012 September 30
Trade accounts receivable	\$ 19.6	\$ (5.0)	\$ 33.2	\$ (8.4)
Inventories	0.8	(10.0)	4.8	(35.5)
Prepaid expenses	(11.3)	(6.8)	(19.2)	(18.0)
Trade accounts payable and accrued liabilities	(2.4)	12.1	(16.4)	5.6
Deferred revenue	12.7	21.6	2.4	17.3
	\$ 19.4	\$ 11.9	\$ 4.8	\$ (39.0)

22. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Credit risk

Cuba

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

Canadian \$ millions, as at	2013 September 30	2012 December 31	2012 January 1
Cash	\$ 19.0	\$ 22.2	\$ 14.8
Trade accounts receivable, net	184.6	216.1	218.7
Advances and loans receivable	624.2	574.9	539.4
Cuban certificates of deposit	12.7	31.7	58.2
Total	\$ 840.5	\$ 844.9	\$ 831.1

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

Madagascar

The Corporation has credit risk exposure in Madagascar related to its share (40% basis) of cash and cash equivalents of \$28.1 million and net accounts receivable of \$36.8 million associated with the Ambatovy Joint Venture including value added tax (VAT) receivables of \$23.0 million from the government of Madagascar. A provision on VAT receivables of \$1.9 million and \$29.8 million (40% basis) for the three and nine month period ended September 30, 2013 (2012 \$nil for the three and nine month period ended September 30, 2012) was recognized during the quarter to reflect expected delays in the receipt of these amounts. Total overdue accounts receivable including VAT (net of provision) for the Ambatovy Joint Venture amount to \$18.0 million.

Liquidity risk

Financial obligation maturity analysis

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

Canadian \$ millions, for the period ended September 30, 2013	Total	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	\$ 174.9	\$ 174.9	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes payable	57.1	57.1	-	-	-	-	-
Loans and borrowings ⁽¹⁾	3,215.2	90.9	90.9	455.5	133.5	276.0	2,168.4
Finance leases and other equipment financing	165.7	51.8	42.0	34.2	31.4	6.3	-
Environmental rehabilitation provisions	352.7	22.9	23.7	24.0	17.8	17.7	246.6
Operating leases ⁽²⁾	28.5	6.5	3.1	2.8	2.8	2.9	10.4
Total	\$ 3,994.1	\$ 404.1	\$ 159.7	\$ 516.5	\$ 185.5	\$ 302.9	\$ 2,425.4

- (1) Loans and borrowings is composed primarily of \$1,157.4 million in three public issues of senior unsecured debentures having interest rates of between 7.5% and 8.0% and maturities in 2015, 2018 and 2020, and \$804.4 million and \$96.0 million in loans provided by the Ambatovy Joint Venture partners to finance Sherritt's portion of the funding requirements of the Joint Venture bearing interest of LIBOR plus a margin of 7.0% and 1.125%, respectively. These partner loans are to be repaid from the Corporation's share of cash distributions from the Ambatovy Joint Venture (note 17). The amounts above are based on management's best estimate of future cash flows including estimating assumptions such as commodity prices, production levels, cash costs of production, capital and reclamation costs. These loans are non-recourse to Sherritt unless there is a direct breach of certain restrictions stipulated in the loan documents. The maturity analysis table includes an estimate of interest repayments.
- (2) Operating lease payments recognized as an expense in the consolidated statement of comprehensive income were \$2.6 million and \$8.7 million for the three and nine months ended September 30, 2013, respectively (\$4.5 million and \$13.7 million for the three and nine months ended September 30, 2012, respectively).

As a result of the Corporation's 40% interest in the Ambatovy Joint Venture, its proportionate share of significant undiscounted commitments of the Joint Venture include environmental rehabilitation commitments of \$159.8 million, other contractual commitments of \$30.1 million and senior debt financing of \$969.2 million.

As a result of the Corporation's 50% interest in the Moa Joint Venture, its proportionate share of significant undiscounted commitments of the Joint Venture include advances and loans payable of \$131.9 million, environmental rehabilitation commitments of \$74.1 million and other commitments of \$5.6 million.

Market risk

Foreign exchange risk

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

Based on financial instrument balances as at September 30, 2013, a strengthening or weakening of \$0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have an unfavourable or favourable impact of approximately \$5.0 million, respectively, on net earnings, and \$30.2 million on other comprehensive income.

Interest rate risk

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

Based on the balance of short-term and long-term loans and borrowings, cash equivalents, short-term and long-term investments, and advances and loans receivable as at September 30, 2013, excluding interest capitalized to project costs, a 5% increase or decrease in the market interest rate could increase or decrease the Corporation's annual interest expense by approximately \$5.0 million, respectively. The Corporation does not engage in hedging activities to mitigate its interest rate risk.

Capital risk management

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

Canadian \$ millions, as at	2013		2012			
	September 30	September 30	December 31	January 1		
Capital stock	\$	2,808.5	\$	2,806.1	\$	2,803.1
Retained earnings		726.9		774.5		786.0
Un-drawn credit facilities		581.4		562.1		423.6

23. RELATED PARTY TRANSACTIONS

Canadian \$ millions	For the three months ended		For the nine months ended					
	2013	2012	2013	2012				
	September 30	September 30	September 30	September 30				
Total value of goods and services:								
Provided to joint operations	\$	4.6	\$	4.1	\$	18.9	\$	18.1
Provided to joint venture		37.3		33.0		115.8		98.1
Provided to associate		-		1.0		5.7		3.4
Purchased from joint operations		1.8		-		2.7		-
Purchased from joint venture		22.3		19.4		79.8		68.0
Net financing income from joint operations		6.4		4.9		18.3		13.6
Net financing income from joint venture		1.7		2.0		5.2		6.3

Canadian \$ millions, as at	Note	2013		2012			
		September 30	September 30	December 31	January 1		
Accounts receivable from joint operations	13	\$	-	\$	-	\$	0.1
Accounts receivable from joint venture	13		10.4		5.8		7.8
Accounts receivable from associate	13		78.5		31.1		22.1
Accounts payable to joint operations			0.1		-		-
Accounts payable to joint venture			3.7		0.9		-
Accounts payable to associate			2.4		11.8		0.3
Advances and loans receivable from associate	14		1,433.3		1,279.1		968.9
Advances and loans receivable from joint operations	14		255.4		223.9		166.9
Advances and loans receivable from joint venture entities	14		237.6		235.6		285.6

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

24. POST-EMPLOYMENT BENEFITS

The Corporation sponsors defined benefit and defined contribution pension arrangements covering substantially all employees. The following table summarizes the significant actuarial assumptions used to calculate the pension expense and obligations under the defined benefit pension plans:

As at	2013		2012	
	September 30	September 30	December 31	December 31
Significant Actuarial Assumptions				
Discount rate		4.0%		4.0%
Rate of compensation increases		3.5%		3.5%
Inflation rate		2.5%		2.5%
Expected long-term rate of return on plan assets		4.0% - 6.25%		4.0% - 4.6%
Average Longevity (years)		6.4 - 19.0		6.9 - 19.0

Actuarial reports and updates are prepared by independent actuaries for funding and accounting purposes. Net pension plan expense recognised in total comprehensive income was:

Canadian \$ millions	Note	For the three months ended		For the nine months ended	
		2013	2012	2013	2012
		September 30	September 30	September 30	September 30
Current service cost					
Defined benefit		\$ 0.4	\$ 1.6	\$ 1.5	\$ 5.0
Defined contribution		3.7	3.6	11.4	11.7
Net interest expense		0.7	0.5	2.6	1.5
Settlement gain	6	-	-	(39.3)	-
Net pension plan expense (income)		\$ 4.8	\$ 5.7	\$ (23.8)	\$ 18.2

Canadian \$ millions	Note	For the nine months ended		For the year ended	
		2013	2012	2012	2012
		September 30	September 30	December 31	December 31
Amounts recognized in other comprehensive income					
Actuarial losses, beginning of the period			\$ (28.4)	\$ (21.7)	
Actuarial gains (losses) on pension plans, net of tax			3.1	(6.7)	
Settlement gain	19		22.9	-	
Actuarial losses, end of the period			\$ (2.4)	\$ (28.4)	

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

Canadian \$ millions	Note	For the nine months ended		For the year ended	
		2013	2012	2012	2012
		September 30	September 30	December 31	December 31
Accrued benefit obligations					
Balance, beginning of the period		\$ 174.5	\$ 157.5		
Current service cost		1.6	6.7		
Interest cost		1.7	7.3		
Benefits paid		(4.3)	(11.2)		
Actuarial loss		0.1	14.2		
Settlement gain	6	(111.2)	-		
Balance, end of the period		\$ 62.4	\$ 174.5		

Canadian \$ millions	Note	For the nine months ended		For the year ended	
		2013	2012	2012	2012
		September 30	September 30	December 31	December 31
Plan assets					
Fair value, beginning of the period		\$ 125.6	\$ 112.8		
Employer contributions		3.1	13.7		
Interest on assets		0.7	5.4		
Benefits paid		(4.3)	(11.2)		
Administrative costs		-	(0.1)		
Actuarial gain		2.5	5.0		
Settlement decrease	6	(71.9)	-		
Fair value, end of the period		\$ 55.7	\$ 125.6		

Canadian \$ millions, as at	2013		2012	
	September 30	December 31	December 31	January 1
Accrued benefit obligations	\$ (62.4)	\$ (174.5)	\$ (157.5)	\$ (157.5)
Fair value of plan assets	55.7	125.6	112.8	112.8
Deficit	\$ (6.7)	\$ (48.9)	\$ (44.7)	\$ (44.7)

Total cash payments for post-retirement benefits for the three and nine months ended September 30, 2013, consisting of contributions to defined benefit and defined contribution pension plans, were \$4.5 million and \$14.4 million respectively (\$9.0 million and \$21.8 million for the three and nine months ended September 30, 2012, respectively).

As at September 30, 2013 for pension plans with an accrued benefit obligation in excess of plan assets, the accrued benefit obligation was \$21.3 million (December 31, 2012 - \$160.1 million) and the fair value of the plan assets was \$18.3 million (December 31, 2012 - \$108.5 million).

The measurement date for the plan assets and the accrued benefit obligations for the Corporation's defined benefit pension plans is December 31. Actuarial valuations are performed at least every three years and rendered to date using current salary levels to determine the actuarial present value of the accrued benefit obligation. An actuarial valuation was performed on certain plans as at December 31, 2010. The next required actuarial valuation for funding purposes for certain plans will be December 31, 2013.

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

As at	2013 September 30	2012 December 31
Equity securities	54%	55%
Debt securities	34%	39%
Other	12%	6%

25. NON-CASH TRANSACTIONS

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

Canadian \$ millions	For the three months ended		For the nine months ended	
	2013 September 30	2012 September 30	2013 September 30	2012 September 30
Acquisition of property, plant and equipment under finance leases	\$ 2.2	\$ 14.0	\$ 36.2	\$ 44.3

26. OPERATING LEASE ARRANGEMENTS

Corporation acts as a lessor

The Corporation acts as a lessor in operating leases related to the Power facilities in Madagascar and in Varadero, Cuba. The following table summarizes future minimum lease payments relating to the Madagascar operating lease receivable:

Canadian \$ millions, as at	2013 September 30 ⁽¹⁾		2012 December 31		2012 January 1	
Less than one year	\$ -	\$ -	\$ 5.1	\$ -	\$ 5.1	\$ -
Between one and five years	-	-	4.2	-	9.3	-
	\$ -	\$ -	9.3	\$ -	14.4	\$ -

(1) During 2013, the Corporation recorded an impairment related to its electricity generating facility located in Madagascar. Accordingly, the future minimum lease payments have been determined to be \$nil.

All operating lease payments related to the Varadero facility are contingent on power generation and therefore excluded from the table above. The term of the lease is 20 years ending in February 2018. At the end of the lease term, the leased assets will be sold at fair market value with the Corporation retaining its share of the net proceeds. For the three and nine months ended September 30, 2013, contingent revenue was \$2.6 million and \$9.3 million, respectively (\$3.5 million and \$10.2 million for the three and nine months ended September 30, 2012, respectively).

Corporation acts as a lessee

Operating lease payments recognized as an expense in the consolidated statement of comprehensive (loss) income for the three and nine months ended September 30, 2013 were \$2.6 million and \$8.7 million, respectively (\$4.5 million and \$13.7 million for the three and nine months ended September 30, 2012, respectively).

27. COMMITMENTS FOR EXPENDITURES

Canadian \$ millions, for the period ended September 30

2013

Property, plant and equipment commitments	\$	4.8
Jointly controlled operations:		
Property, plant and equipment commitments		4.6
Construction commitments relating to service concession arrangements (100% basis)		1.3

28. TRANSITION NOTE

Effective January 1, 2013, the Corporation adopted IFRS 11, "Interests in Joint Ventures" ("IFRS 11") which replaces IAS 31, "Interests in Joint Ventures" and SIC 13, "Jointly controlled entities – non-monetary contributions by venturers". The most significant result from the adoption is the change in the method of accounting for the Corporation's investment in the Moa Joint Venture. Under the previous standards, the Moa Joint Venture was proportionately consolidated whereas under IFRS 11, the Corporation is required to account for the investment using the equity method of accounting. In accordance with the transition requirements, the initial equity investment is measured as the aggregate of the carrying amount of the assets and liabilities that the entity had previously proportionately consolidated as at the beginning of the immediately preceding period, that is, January 1, 2012.

Effective January 1, 2013, the Corporation also adopted amendments to IAS 19, "Employee Benefits". The adoption results in all actuarial gains and losses being immediately recognized in other comprehensive income rather than net earnings. The amendments eliminate the use of the "corridor method" which allowed the deferral and amortization of actuarial gains and losses. The adoption of this amendment has been applied retrospectively to the Corporation's consolidated financial statements, effective from January 1, 2012.

In order for users of the consolidated financial statements to better understand the impact of the adoption of these new standards, the Corporation's consolidated Statements of Financial Position, Statements of Comprehensive (Loss) Income, and Statements of Cash Flow have been reconciled to reflect the new standards and amendments. The following reconciliations have been provided:

- i. Reconciliation of consolidated statements of financial position as at:
 - January 1, 2012;
 - September 30, 2012; and
 - December 31, 2012.
- ii. Reconciliation of the change in consolidated shareholders' equity as at:
 - January 1, 2012;
 - September 30, 2012; and
 - December 31, 2012.
- iii. Reconciliation of consolidated statement of comprehensive income (loss) for:
 - Three and nine months ended September 30, 2012; and
 - The year ended December 31, 2012.
- iv. Reconciliation of consolidated statement of cash flow for:
 - Three and nine months ended September 30, 2012; and
 - The year ended December 31, 2012.

Transition date statements

Reconciliation of consolidated statement of financial position as at January 1, 2012

Unaudited, Canadian \$ millions, as at January 1, 2012	As Reported	IFRS 11 Adjustment	IAS 19 Adjustment	Adjusted
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 174.6	\$ (30.0)	\$ -	\$ 144.6
Restricted cash	1.1	-	-	1.1
Short-term investments	456.8	-	-	456.8
Investments	29.1	-	-	29.1
Advances, loans receivable and other financial assets	71.1	50.4	-	121.5
Other non-financial assets	0.2	-	-	0.2
Finance lease receivables	23.3	-	-	23.3
Trade accounts receivable, net	386.5	(38.4)	-	348.1
Income taxes receivable	19.1	-	-	19.1
Inventories	215.1	(86.1)	-	129.0
Prepaid expenses	12.1	(1.0)	-	11.1
	1,389.0	(105.1)	-	1,283.9
Non-current assets				
Advances, loans receivable and other financial assets	1,278.8	89.0	-	1,367.8
Other non-financial assets	17.1	-	3.4	20.5
Finance lease receivables	196.0	-	-	196.0
Property, plant and equipment	1,430.4	(524.1)	-	906.3
Investments	34.7	-	-	34.7
Investment in an associate	1,053.1	-	-	1,053.1
Investment in a joint venture	-	357.5	-	357.5
Goodwill	307.9	-	-	307.9
Intangible assets	786.2	-	-	786.2
Deferred income taxes	2.8	-	0.5	3.3
	5,107.0	(77.6)	3.9	5,033.3
Assets of discontinued operation	1.5	-	-	1.5
Total Assets	\$ 6,497.5	\$ (182.7)	\$ 3.9	\$ 6,318.7
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Loans and borrowings	\$ 56.9	\$ -	\$ -	\$ 56.9
Trade accounts payable and accrued liabilities	179.8	(21.7)	-	158.1
Income taxes payable	25.9	(0.4)	-	25.5
Other financial liabilities	69.8	(14.4)	-	55.4
Other non-financial liabilities	8.0	0.1	-	8.1
Environmental rehabilitation provisions	31.9	-	-	31.9
	372.3	(36.4)	-	335.9
Non-current liabilities				
Loans and borrowings	1,687.8	-	-	1,687.8
Other financial liabilities	205.4	(97.7)	-	107.7
Other non-financial liabilities	15.1	-	31.1	46.2
Intangible liability	9.1	-	-	9.1
Environmental rehabilitation provisions	235.8	(32.4)	-	203.4
Deferred income taxes	232.1	(16.2)	(6.6)	209.3
	2,385.3	(146.3)	24.5	2,263.5
Liabilities of discontinued operation	8.2	-	-	8.2
Total liabilities	2,765.8	(182.7)	24.5	2,607.6
Shareholders' equity				
Capital stock	2,803.1	-	-	2,803.1
Retained earnings	784.9	-	1.1	786.0
Reserves	195.1	-	-	195.1
Accumulated other comprehensive loss	(51.4)	-	(21.7)	(73.1)
	3,731.7	-	(20.6)	3,711.1
Total liabilities and shareholders' equity	\$ 6,497.5	\$ (182.7)	\$ 3.9	\$ 6,318.7

2013 Third Quarter Report
Interim condensed consolidated financial statements (unaudited)

Reconciliation of change in consolidated shareholders' equity as at January 1, 2012

Unaudited, Canadian \$ millions, as at January 1, 2012

Shareholders' equity reported	\$	3,731.7
Post-employment benefits		(20.6)
Total shareholders' equity adjusted	\$	3,711.1

Reconciliation of consolidated statement of financial position as at September 30, 2012

Unaudited, Canadian \$ millions, as at September 30, 2012	As Reported	IFRS 11 Adjustment	IAS 19 Adjustment	Adjusted
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 708.8	\$ (53.0)	\$ -	\$ 655.8
Restricted cash	1.1	-	-	1.1
Short-term investments	225.4	-	-	225.4
Investments	26.9	-	-	26.9
Advances, loans receivable and other financial assets	59.6	38.0	-	97.6
Finance lease receivables	25.0	-	-	25.0
Trade accounts receivable, net	385.4	(26.9)	-	358.5
Income taxes receivable	3.3	-	-	3.3
Inventories	243.3	(84.2)	-	159.1
Prepaid expenses	21.5	(1.3)	-	20.2
	1,700.3	(127.4)	-	1,572.9
Non-current assets				
Advances, loans receivable and other financial assets	1,429.1	79.8	-	1,508.9
Other non-financial assets	10.9	-	3.8	14.7
Finance lease receivables	186.7	-	-	186.7
Property, plant and equipment	1,412.0	(504.4)	-	907.6
Investments	16.5	-	-	16.5
Investment in an associate	1,098.4	-	-	1,098.4
Investment in joint venture	-	375.6	-	375.6
Goodwill	307.9	-	-	307.9
Intangible assets	790.1	-	-	790.1
Deferred income taxes	19.1	-	0.4	19.5
	5,270.7	(49.0)	4.2	5,225.9
Total Assets	\$ 6,971.0	\$ (176.4)	\$ 4.2	\$ 6,798.8
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Loans and borrowings	\$ 212.9	\$ -	\$ -	\$ 212.9
Trade accounts payable and accrued liabilities	237.7	(25.6)	-	212.1
Income taxes payable	17.2	(3.0)	-	14.2
Other financial liabilities	64.8	(11.7)	-	53.1
Other non-financial liabilities	25.4	0.1	-	25.5
Environmental rehabilitation provisions	31.5	-	-	31.5
	589.5	(40.2)	-	549.3
Non-current liabilities				
Loans and borrowings	2,007.5	-	-	2,007.5
Other financial liabilities	203.7	(87.0)	-	116.7
Other non-financial liabilities	11.5	-	28.3	39.8
Intangible liability	5.7	-	-	5.7
Environmental rehabilitation provisions	257.5	(32.9)	-	224.6
Deferred income taxes	221.6	(16.3)	(5.9)	199.4
	2,707.5	(136.2)	22.4	2,593.7
Total Liabilities	3,297.0	(176.4)	22.4	3,143.0
Shareholders' equity				
Capital stock	2,803.0	-	-	2,803.0
Retained earnings	801.5	-	1.2	802.7
Reserves	197.2	-	-	197.2
Accumulated other comprehensive loss	(127.7)	-	(19.4)	(147.1)
	3,674.0	-	(18.2)	3,655.8
Total liabilities and shareholder's equity	\$ 6,971.0	\$ (176.4)	\$ 4.2	\$ 6,798.8

2013 Third Quarter Report
Interim condensed consolidated financial statements (unaudited)

Reconciliation of change in consolidated shareholders' equity as at September 30, 2012

Unaudited, Canadian \$ millions, as at September 30, 2012

Shareholders' equity reported	\$	3,674.0
Post-employment benefits		(18.2)
Total shareholders' equity adjusted	\$	3,655.8

Reconciliation of consolidated statement of comprehensive income (loss) for the three and nine months ended September 30, 2012

Unaudited, Canadian \$ millions, except per share amounts, for the three months ended September 30, 2012	As Reported	IFRS 11 Adjustment	IAS 19 Adjustment	Adjusted
Revenue	\$ 422.2	\$ (80.7)	\$ -	\$ 341.5
Cost of sales	355.6	(71.9)	-	283.7
Gross profit	66.6	(8.8)	-	57.8
Administrative expenses	18.7	(0.9)	-	17.8
Operating profit	47.9	(7.9)	-	40.0
Share of loss of an associate, net of tax	(0.1)	-	-	(0.1)
Share of earnings of a joint venture, net of tax	-	5.2	-	5.2
Earnings from operations, associate and joint venture	47.8	(2.7)	-	45.1
Financing income	(6.0)	0.1	-	(5.9)
Financing expense	74.8	(0.9)	-	73.9
Net finance expense	68.8	(0.8)	-	68.0
(Loss) earnings before tax	(21.0)	(1.9)	-	(22.9)
Income tax expense	1.6	(1.9)	-	(0.3)
Net (loss) earnings from continuing operations	(22.6)	-	-	(22.6)
Earnings from discontinued operation, net of tax	-	-	-	-
Net loss for the year	\$ (22.6)	\$ -	\$ -	\$ (22.6)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences on foreign operations	(82.4)	-	-	(82.4)
Items that will not be subsequently reclassified to profit or loss:				
Actuarial gains on pension plans, net of tax	-	-	1.9	1.9
Other comprehensive (loss) income	(82.4)	-	1.9	(80.5)
Total comprehensive (loss) income	\$ (105.0)	\$ -	\$ 1.9	\$ (103.1)
Net loss from continuing operations per common share, basic and diluted	\$ (0.08)	\$ -	\$ -	\$ (0.08)
Net loss per common share, basic and diluted	\$ (0.08)	\$ -	\$ -	\$ (0.08)

Unaudited, Canadian \$ millions, except per share amounts, for the nine months ended September 30, 2012	As Reported	IFRS 11 Adjustment	IAS 19 Adjustment	Adjusted
Revenue	\$ 1,372.3	\$ (294.3)	\$ -	\$ 1,078.0
Cost of sales	1,095.6	(238.0)	-	857.6
Gross profit	276.7	(56.3)	-	220.4
Administrative expenses	60.4	(2.6)	(0.1)	57.7
Operating profit	216.3	(53.7)	0.1	162.7
Share of loss of an associate, net of tax	(1.3)	-	-	(1.3)
Share of earnings of a joint venture, net of tax	-	42.3	-	42.3
Earnings from operations, associate and joint venture	215.0	(11.4)	0.1	203.7
Financing income	(12.0)	0.3	-	(11.7)
Financing expense	159.0	(5.6)	-	153.4
Net finance expense	147.0	(5.3)	-	141.7
Earnings before tax	68.0	(6.1)	0.1	62.0
Income tax expense	21.9	(6.1)	-	15.8
Net earnings from continuing operations	46.1	-	0.1	46.2
Earnings from discontinued operation, net of tax	4.4	-	-	4.4
Net earnings for the period	\$ 50.5	\$ -	\$ 0.1	\$ 50.6
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences on foreign operations	(76.3)	-	-	(76.3)
Items that will not be subsequently reclassified to profit or loss:				
Actuarial gains on pension plans, net of tax	-	-	2.3	2.3
Other comprehensive (loss) income	(76.3)	-	2.3	(74.0)
Total comprehensive (loss) income	\$ (25.8)	\$ -	\$ 2.4	\$ (23.4)
Net earnings from continuing operations per common share, basic and diluted	0.16	-	-	0.16
Net earnings per common share, basic and diluted	0.17	-	-	0.17

Reconciliation of consolidated statement of cash flow for the three and nine months ended September 30, 2012

Unaudited, Canadian \$ millions, for the three months ended September 30, 2012	As Reported	IFRS 11 Adjustments	IAS 19 Adjustments	As Adjusted
Operating activities				
Net earnings for the period	\$ (22.6)	\$ -	\$ -	\$ (22.6)
Add (deduct):				
Depletion, depreciation and amortization	68.0	(6.4)	-	61.6
Share of loss of an associate, net of tax	0.1	-	-	0.1
Share of earnings of a joint venture, net of tax	-	(5.2)	-	(5.2)
Finance costs (less accretion expenses)	67.6	(0.5)	-	67.1
Income tax expense (recovery)	1.6	(1.9)	-	(0.3)
Loss on settlement of environmental rehabilitation provisions	1.9	(0.1)	-	1.8
Service concession arrangement	(9.7)	-	-	(9.7)
Net change in non-cash working capital	21.6	(9.7)	-	11.9
Interest received	8.8	1.8	-	10.6
Interest paid	(12.8)	1.7	-	(11.1)
Income tax paid	(2.0)	-	-	(2.0)
Dividends received from joint venture	-	7.8	-	7.8
Liabilities settled for environmental rehabilitation provisions	(6.4)	0.2	-	(6.2)
Other operating items	(2.3)	(0.4)	-	(2.7)
Cash provided by operating activities	113.8	(12.7)	-	101.1
Investing activities				
Property, plant and equipment expenditures	(34.6)	0.9	-	(33.7)
Intangible expenditures	(1.8)	-	-	(1.8)
Increase in advances, loans receivable and other financial assets	(17.4)	-	-	(17.4)
Repayment of advances, loans receivable and other financial assets	5.2	9.0	-	14.2
Investments	6.8	-	-	6.8
Loans to an associate	(54.5)	-	-	(54.5)
Investment in an associate	(13.2)	-	-	(13.2)
Restricted cash	0.1	(0.1)	-	-
Net proceeds from sale of property, plant and equipment	0.5	-	-	0.5
Short-term investments	(38.9)	-	-	(38.9)
Cash used in investing activities	(147.8)	9.8	-	(138.0)
Financing activities				
Repayment of loans and borrowings and other financial liabilities	(67.9)	0.7	-	(67.2)
Increase in loans and borrowings and other financial liabilities	58.9	-	-	58.9
Issuance of senior unsecured debentures, net of financing costs	489.6	-	-	489.6
Repayment of senior unsecured debentures	(21.1)	-	-	(21.1)
Increase in finance lease receivables	(3.1)	-	-	(3.1)
Issuance of common shares	1.5	-	-	1.5
Repayment of finance lease receivables	6.1	-	-	6.1
Dividends paid on common shares	(11.3)	-	-	(11.3)
Cash provided by financing activities	452.7	0.7	-	453.4
Effect of exchange rate changes on cash and cash equivalents	(2.0)	1.5	-	(0.5)
Increase in cash and cash equivalents	416.7	(0.7)	-	416.0
Cash and cash equivalents at beginning of the period	292.1	(52.3)	-	239.8
Cash and cash equivalents at end of the period	\$ 708.8	\$ (53.0)	\$ -	\$ 655.8
Cash and cash equivalents consist of:				
Cash on hand and balances with banks	\$ 116.4	\$ (15.5)	\$ -	\$ 100.9
Cash equivalents	592.4	(37.5)	-	554.9

Unaudited, Canadian \$ millions, for the nine months ended September 30, 2012	As Reported	IFRS 11 Adjustments	IAS 19 Adjustments	As Adjusted
Operating activities				
Net earnings for the period	\$ 50.5	\$ -	\$ 0.1	\$ 50.6
Add (deduct):				
Depletion, depreciation and amortization	185.4	(19.4)	-	166.0
Share of loss of an associate, net of tax	1.3	-	-	1.3
Share of earnings of a joint venture, net of tax	-	(42.3)	-	(42.3)
Loss on impairment of assets	7.0	(0.1)	-	6.9
Finance costs (less accretion expenses)	143.3	(4.5)	-	138.8
Income tax expense	21.9	(6.1)	-	15.8
Loss on settlement of environmental rehabilitation provisions	4.8	(0.4)	-	4.4
Service concession arrangement	(24.6)	-	-	(24.6)
Gain on sale of discontinued operation	(4.7)	-	-	(4.7)
Net change in non-cash working capital	(25.9)	(13.1)	-	(39.0)
Interest received	27.2	7.4	-	34.6
Interest paid	(56.2)	5.2	-	(51.0)
Income tax paid	(39.3)	3.3	-	(36.0)
Dividends received from joint venture	-	7.8	-	7.8
Liabilities settled for environmental rehabilitation provisions	(21.1)	0.5	-	(20.6)
Other operating items	(5.2)	-	(0.1)	(5.3)
Cash provided by operating activities	264.4	(61.7)	-	202.7
Investing activities				
Property, plant and equipment expenditures	(94.6)	13.1	-	(81.5)
Intangible expenditures	(7.6)	-	-	(7.6)
Increase in advances, loans receivable and other financial assets	(46.7)	-	-	(46.7)
Repayment of advances, loans receivable and other financial assets	27.2	22.9	-	50.1
Investments	20.5	-	-	20.5
Loans to an associate	(136.5)	-	-	(136.5)
Investment in an associate	(135.6)	-	-	(135.6)
Net proceeds from sale of property, plant and equipment	2.7	(0.2)	-	2.5
Short-term investments	231.4	-	-	231.4
Cash used in investing activities	(139.2)	35.8	-	(103.4)
Financing activities				
Repayment of loans and borrowings and other financial liabilities	(150.2)	2.2	-	(148.0)
Increase in loans and borrowings and other financial liabilities	113.1	-	-	113.1
Issuance of senior unsecured debentures, net of financing costs	489.6	-	-	489.6
Repayment of senior unsecured debentures	(21.1)	-	-	(21.1)
Increase in finance lease receivables	(5.7)	-	-	(5.7)
Issuance of common shares	1.5	-	-	1.5
Repayment of finance lease receivables	18.5	-	-	18.5
Treasury stock - restricted stock plan	(1.6)	-	-	(1.6)
Dividends paid on common shares	(33.9)	-	-	(33.9)
Cash provided by financing activities	410.2	2.2	-	412.4
Effect of exchange rate changes on cash and cash equivalents	(1.2)	0.7	-	(0.5)
Increase in cash and cash equivalents	534.2	(23.0)	-	511.2
Cash and cash equivalents at beginning of the period	174.6	(30.0)	-	144.6
Cash and cash equivalents at end of the period	\$ 708.8	\$ (53.0)	\$ -	\$ 655.8
Cash and cash equivalents consist of:				
Cash on hand and balances with banks	\$ 116.4	\$ (15.5)	\$ -	\$ 100.9
Cash equivalents	592.4	(37.5)	-	554.9

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Reconciliation of consolidated statement of financial position as at December 31, 2012

Unaudited, Canadian \$ millions, as at December 31, 2012	As Reported	IFRS 11 Adjustments	IAS 19 Adjustments	As Adjusted
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 170.7	\$ (23.6)	\$ -	\$ 147.1
Restricted cash	1.1	-	-	1.1
Short-term investments	356.1	-	-	356.1
Investments	26.8	-	-	26.8
Advances, loans receivable and other financial assets	57.8	35.9	-	93.7
Other non-financial assets	0.8	-	-	0.8
Finance lease receivables	24.8	-	-	24.8
Trade accounts receivable, net	405.9	(34.0)	-	371.9
Income taxes receivable	7.7	(2.7)	-	5.0
Inventories	248.2	(84.4)	-	163.8
Prepaid expenses	14.1	(1.4)	-	12.7
	<u>1,314.0</u>	<u>(110.2)</u>	<u>-</u>	<u>1,203.8</u>
Non-current assets				
Advances, loans receivable and other financial assets	1,616.8	78.4	-	1,695.2
Other non-financial assets	7.2	-	3.6	10.8
Finance lease receivables	182.2	-	-	182.2
Property, plant and equipment	1,417.5	(508.6)	-	908.9
Investments	4.9	-	-	4.9
Investment in an associate	1,089.5	-	-	1,089.5
Investment in a joint venture	-	365.8	-	365.8
Goodwill	307.9	-	-	307.9
Intangible assets	790.1	-	-	790.1
Deferred income taxes	28.2	-	0.5	28.7
	<u>5,444.3</u>	<u>(64.4)</u>	<u>4.1</u>	<u>5,384.0</u>
Assets of discontinued operation	-	-	-	-
Total assets	<u>\$ 6,758.3</u>	<u>\$ (174.6)</u>	<u>\$ 4.1</u>	<u>\$ 6,587.8</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade accounts payable and accrued liabilities	\$ 196.6	\$ (25.2)	\$ -	\$ 171.4
Income taxes payable	18.3	(1.5)	-	16.8
Other financial liabilities	69.7	(12.9)	-	56.8
Other non-financial liabilities	15.9	0.1	-	16.0
Environmental rehabilitation provisions	34.4	-	-	34.4
	<u>334.9</u>	<u>(39.5)</u>	<u>-</u>	<u>295.4</u>
Non-current liabilities				
Loans and borrowings	2,039.8	-	-	2,039.8
Other financial liabilities	208.1	(85.5)	-	122.6
Other non-financial liabilities	9.9	-	39.8	49.7
Intangible liability	4.6	-	-	4.6
Environmental rehabilitation provisions	261.8	(33.0)	-	228.8
Deferred income taxes	226.5	(16.6)	(8.9)	201.0
	<u>2,750.7</u>	<u>(135.1)</u>	<u>30.9</u>	<u>2,646.5</u>
Liabilities of discontinued operation	-	-	-	-
Total liabilities	<u>3,085.6</u>	<u>(174.6)</u>	<u>30.9</u>	<u>2,941.9</u>
Shareholders' equity				
Capital stock	2,806.1	-	-	2,806.1
Retained earnings	772.9	-	1.6	774.5
Reserves	194.9	-	-	194.9
Accumulated other comprehensive loss	(101.2)	-	(28.4)	(129.6)
	<u>3,672.7</u>	<u>-</u>	<u>(26.8)</u>	<u>3,645.9</u>
Total liabilities and shareholders' equity	<u>\$ 6,758.3</u>	<u>\$ (174.6)</u>	<u>\$ 4.1</u>	<u>\$ 6,587.8</u>

Reconciliation of change in consolidated shareholders' equity as at December 31, 2012

Unaudited, Canadian \$ millions, as at December 31, 2012

Shareholders' equity reported	\$	3,672.7
Post-employment benefits		(26.8)
Total shareholders' equity adjusted	\$	3,645.9

Reconciliation of consolidated statement of comprehensive income (loss) for the year ended December 31, 2012

Unaudited, Canadian \$ millions, except per share amounts, for the year ended December 31, 2012

	As Reported	IFRS 11 Adjustments	IAS 19 Adjustments	As Adjusted
Revenue	\$ 1,840.2	\$ (389.9)	\$ -	\$ 1,450.3
Cost of sales	1,506.0	(321.2)	-	1,184.8
Gross profit	334.2	(68.7)	-	265.5
Administrative expenses	84.7	(4.0)	(0.6)	80.1
Operating profit	249.5	(64.7)	0.6	185.4
Loss on impairment of investment	(5.6)	-	-	(5.6)
Share of loss of an associate, net of tax	(2.1)	-	-	(2.1)
Share of earnings of a joint venture, net of tax	-	52.8	-	52.8
Earnings from operations, associate and joint venture	241.8	(11.9)	0.6	230.5
Financing income	(21.2)	0.4	-	(20.8)
Financing expense	204.3	(8.3)	-	196.0
Net finance expense	183.1	(7.9)	-	175.2
Earnings before tax	58.7	(4.0)	0.6	55.3
Income tax expense	29.9	(4.0)	0.1	26.0
Net earnings from continuing operations	28.8	-	0.5	29.3
Earnings from discontinued operation, net of tax	4.4	-	-	4.4
Net earnings for the year	\$ 33.2	\$ -	\$ 0.5	\$ 33.7
Other comprehensive loss				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences on foreign operations	(49.8)	-	-	(49.8)
Items that will not be subsequently reclassified to profit or loss:				
Actuarial losses on pension plans, net of tax	-	-	(6.7)	(6.7)
Other comprehensive loss	(49.8)	-	(6.7)	(56.5)
Total comprehensive loss	\$ (16.6)	\$ -	\$ (6.2)	\$ (22.8)
Net earnings from continuing operations per common share, basic and diluted	\$ 0.10	\$ -	\$ -	\$ 0.10
Net earnings per common share, basic and diluted	\$ 0.11	\$ -	\$ -	\$ 0.11

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Reconciliation of consolidated statement of cash flow for the year ended December 31, 2012

Unaudited, Canadian \$ millions, for the year ended December 31, 2012	As Reported	IFRS 11 Adjustments	IAS 19 Adjustments	As Adjusted
Operating activities				
Net earnings for the year	\$ 33.2	\$ -	\$ 0.5	\$ 33.7
Add (deduct):				
Depletion, depreciation and amortization	252.9	(26.7)	-	226.2
Share of loss of an associate, net of tax	2.1	-	-	2.1
Share of earnings of a joint venture, net of tax	-	(52.8)	-	(52.8)
Loss on impairment of assets	20.3	(0.2)	-	20.1
Loss on impairment of investments	5.6	-	-	5.6
Finance costs (less accretion expenses)	178.6	(6.9)	-	171.7
Income tax expense	29.9	(4.0)	0.1	26.0
Loss on settlement of environmental rehabilitation provisions	4.6	(0.5)	-	4.1
Service concession arrangement	(32.0)	-	-	(32.0)
Net change in non-cash working capital	(59.9)	(6.7)	-	(66.6)
Interest received	34.0	8.9	-	42.9
Interest paid	(86.3)	6.6	-	(79.7)
Income tax paid	(55.4)	5.2	-	(50.2)
Dividends received from joint venture	-	29.6	-	29.6
Liabilities settled for environmental rehabilitation provisions	(26.0)	0.7	-	(25.3)
Other operating items	(31.7)	-	(0.6)	(32.3)
Cash provided by operating activities	269.9	(46.8)	-	223.1
Investing activities				
Property, plant and equipment expenditures	(137.5)	20.9	-	(116.6)
Intangible expenditures	(9.8)	-	-	(9.8)
Increase in advances, loans receivable and other financial assets	(66.5)	-	-	(66.5)
Repayment of advances, loans receivable and other financial assets	36.4	28.7	-	65.1
Investments	27.2	-	-	27.2
Loans to an associate	(260.4)	-	-	(260.4)
Investment in an associate	(135.6)	-	-	(135.6)
Net proceeds from sale of property, plant and equipment	3.3	(0.2)	-	3.1
Short-term investments	100.7	-	-	100.7
Cash used for investing activities	(442.2)	49.4	-	(392.8)
Financing activities				
Repayment of loans and borrowings and other financial liabilities	(158.4)	2.6	-	(155.8)
Increase in loans and borrowings and other financial liabilities	90.6	-	-	90.6
Issuance of senior unsecured debentures, net of financing cost	489.6	-	-	489.6
Repayment of senior unsecured debentures	(225.0)	-	-	(225.0)
Increase in finance lease receivables	(6.9)	-	-	(6.9)
Repayment of finance lease receivables	25.5	-	-	25.5
Issuance of common shares	1.3	-	-	1.3
Treasury stock - restricted stock plan	(1.6)	-	-	(1.6)
Dividends paid on common shares	(45.2)	-	-	(45.2)
Cash provided by financing activities	169.9	2.6	-	172.5
Effect of exchange rate changes on cash and cash equivalents	(1.5)	1.2	-	(0.3)
Increase (decrease) in cash and cash equivalents	(3.9)	6.4	-	2.5
Cash and cash equivalents at beginning of the year	174.6	(30.0)	-	144.6
Cash and cash equivalents at end of the year	\$ 170.7	\$ (23.6)	\$ -	\$ 147.1
Cash and cash equivalents consist of:				
Cash on hand and balances with banks	\$ 48.4	\$ (9.6)	\$ -	\$ 38.8
Cash equivalents	122.3	(14.0)	-	108.3



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