sherritt

Q3

2014 THIRD QUARTER REPORT

Sherritt International Corporation

For the three months ended September 30, 2014

PRESS RELEASE

Sherritt Reports Third Quarter 2014 Results

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

IN THIS SECTION

All amounts are Canadian dollars unless otherwise indicated.

For immediate release

Sherritt's Third Quarter Achieves Record Quarterly Production In Its Metals Business

Comprehensive debt refinancing continues to reduce debt and extends maturities

Toronto, Ontario – October 29, 2014 – Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S), a world leader in the mining and refining of nickel from lateritic ores and the largest independent energy producer in Cuba, today reported its financial results for the third quarter ended September 30, 2014.

"We have well-defined 2014 priorities and are making clear advancements towards achieving them," said David Pathe, President and CEO. "Moa had an outstanding quarter following the completion of activities relating to its move into a new mining area in the first quarter. Ambatovy is making steady progress and is demonstrating improved mechanical reliability."

"Strengthening our balance sheet and enhancing our liquidity have been key priorities for Sherritt," added Mr. Pathe. "Upon completion of our refinancing initiative, I am pleased to report that we will have reduced our total debt by an additional $425 million and extended the maturity profile of our debt structure. This puts us in a stronger financial position and better enables us to weather the current volatility of the global capital and resource markets."

HIGHLIGHTS

- During the quarter, the Moa Joint Venture and Ambatovy Joint Venture both established quarterly production records, producing 18,584 tonnes of finished nickel (8,357 tonnes, Sherritt's attributable share), representing a 27% increase compared to the prior year period.

- In early October, the Corporation initiated a series of transactions that consisted of redeeming $400 million of the senior unsecured public debentures due in 2018 and 2020, a new issue of $250 million principal amount of 7.875% senior unsecured notes due October 11, 2022 and the announced redemption of the entire $275 million principal amount of the October 15, 2015 senior unsecured debentures. The completion of these transactions will reduce the Corporation's outstanding debt by $425 million, extend its debt maturity profile and result in its debt profile having principal maturities of $250 million in each of 2018, 2020, and 2022.

- Market prices for nickel for the quarter were similar to the second quarter, however nickel markets saw a pullback in pricing during the month of September largely due to stronger than anticipated nickel pig iron production data from China and continued gains in LME inventories.

The average reference price for cobalt continued to increase during the third quarter as it has throughout 2014 reflecting continued strength in cobalt demand.

- On August 1, 2014, the Corporation received a favourable arbitration settlement decision of $12.8 million related to a contract dispute with a port operator that arose during the time the Corporation operated Coal Valley Resources Inc.

- Adjusted EBITDA for the three months ended September 30, 2014 increased by 54% to $91.7 million from $59.4 million in the same period in the prior year, primarily as a result of higher nickel and cobalt production and higher realized prices in the Metals business, and the $12.8 million gain on the arbitration settlement.

- Net loss for the three months ended September 30, 2014, was $51.3 million ($0.17 per share) compared to earnings of $1.1 million ($0.00 per share) in the same period in the prior year mainly due to depreciation now recognized at the Ambatovy Joint venture ($41.0 million, Sherritt's attributable share) and higher income tax expense. The net loss for the third quarter 2014 ($0.17 per share) is similar to the net loss from continuing operations in the second quarter 2014 ($0.16 per share). The loss from operations, associate and joint venture of $1.5 million during the third quarter was lower than the loss of $19.2 million in the second quarter 2014, however an increase in net finance expense and income tax expense offset this decrease when compared to the second quarter 2014. There were no earnings from discontinued operations in the third quarter 2014.

- On September 29, 2014, Sherritt filed an updated National Instrument 43-101 compliant technical report regarding the Ambatovy operation which found proven and probable mineral reserves have increased by an aggregate 20.5 million tonnes and measured and indicated mineral resources have increased by an aggregate 75.4 million tonnes. Overall grades for proven and probable mineral reserves have decreased from 0.94% to 0.85% nickel and 0.08% to 0.07% cobalt, respectively, and overall grades for measured and indicated mineral resources have decreased from 0.96% to 0.85% nickel and from 0.09% to 0.08% cobalt, respectively. Estimates for operating costs were also provided in the report that were in line with the guidance the Corporation has provided at various levels of output for the operation.

- Adjusted continuing operating cash flow per share was $0.15 for the three months ended September 30, 2014 compared to $0.12 in the same period in the prior year. The slight increase for the quarter was due to the timing of income tax paid at Oil and Gas offset by lower net cash interest paid and payments for work performed related to the Obed incident.

- Subsequent to the quarter on October 28, 2014, Sherritt initiated a restructuring plan that impacted approximately 10% of its salaried workforce, excluding Ambatovy. These reductions occurred in Sherritt's Toronto head office, where the number of employees has been reduced by approximately 25%, and in Sherritt's other divisions. The restructuring is in line with

Sherritt's near-term priorities announced earlier this year that includes a focus on cost reduction, and it also achieves a greater integrated organization that is best positioned for future growth. Ambatovy continues to be our top priority and has been excluded from this restructuring given where it is on the ramp up curve today. Furthermore, Sherritt commenced the sale process for some non-operating assets that were identified earlier this year, including the sale of its Toronto office building. The restructuring will result in a one-time charge in the fourth quarter of approximately $9 million and an estimated annual savings of approximately $10 million.

Q3 FINANCIAL HIGHLIGHTS

	For the three months ended			For the nine months ended		
	2014	2013		**2014**	2013	
$ millions, unless otherwise noted	**Sept 30**	Sept 30	Change	**Sept 30**	Sept 30	Change
Adjusted Revenue [(1)]	302.7	195.3	55%	858.0	594.3	44%
Adjusted EBITDA[(1)]	91.7	59.4	54%	222.0	173.9	28%
Net (loss) earnings from continuing operations per share	(0.17)	0.00	–	(0.57)	(0.05)	(1,040%)
Adjusted continuing operating cash flow per share[(1)]	0.15	0.12	20%	0.25	0.31	(19%)

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

	2014	2013	
$ millions, except as noted, as at	September 30	December 31	Change
Cash, cash equivalents and short term investments	980.3	651.8	50%
Total loans and borrowings	2,214.0	2,489.8	(11%)
Long-term debt to total assets	39%	39%	–

CORPORATE AND OTHER

At the end of the third quarter, total cash, cash equivalents and short term investments was $980.3 million and total debt was $2,214.0 million. By treating the series of debt transactions as if they had closed effective September 30, 2014, pro-forma cash, cash equivalents and short term investments would be $504.0 million and pro-forma total debt would be $1,785.0 million.

REVIEW OF OPERATIONS

METALS

$ millions, unless otherwise noted	For the three months ended 2014 September 30			For the three months ended 2013 September 30			Change
	Moa[1] (50%)	Ambatovy (40%)	Metals[2]	Moa[1] (50%)	Ambatovy (40%)	Metals[2]	
Production volumes (Sherritt's share)							
Mixed sulphides (tonnes)	4,733	4,187	8,920	4,957	2,622	7,579	18%
Finished nickel (tonnes)	4,614	3,743	8,357	4,573	2,183	6,756	24%
Finished cobalt (tonnes)	438	327	765	446	161	607	26%
Sales volumes (Sherritt's share)							
Nickel, finished (tonnes)	4,588	3,813	8,401	4,579	–	4,579	83%
Cobalt, finished (tonnes)	433	361	794	470	–	470	69%
Nickel Recovery (%)	86	88		88	85		
Average realized prices[3]							
Nickel ($/lb)	9.03	8.94	8.99	6.42	–	6.42	40%
Cobalt ($/lb)	15.66	15.56	15.60	13.26	–	13.26	18%
Unit operating costs[3]							
Nickel – net direct cash cost (US$/lb)	5.25	7.26		4.76	–		
Revenue	116.8	89.8	221.2	92.7	–	104.8	111%
Adjusted EBITDA [3]	27.9	4.3	32.2	7.9	(0.4)	8.9	262%
Spending on capital	10.9	12.8	23.7	7.1	5.1	12.2	94%

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

$ millions, unless otherwise noted	For the nine months ended 2014 September 30			For the nine months ended 2013 September 30			Change
	Moa(1) (50%)	Ambatovy (40%)	Metals(2)	Moa(1) (50%)	Ambatovy (40%)	Metals(2)	
Production volumes (Sherritt's share)							
Mixed sulphides (tonnes)	13,616	11,795	25,411	13,693	8,055	21,748	17%
Finished nickel (tonnes)	12,123	10,857	22,980	12,343	7,369	19,712	17%
Finished cobalt (tonnes)	1,169	889	2,058	1,225	627	1,852	11%
Sales volumes (Sherritt's share)							
Nickel, finished (tonnes)	12,203	9,901	22,104	12,401	–	12,401	78%
Cobalt, finished (tonnes)	1,188	814	2,002	1,260	–	1,260	59%
Nickel recovery (%)	88	85		84	n/a		
Average realized prices(3)							
Nickel ($/lb)	8.34	8.56	8.44	7.01	–	7.01	20%
Cobalt ($/lb)	15.10	14.93	15.02	12.56	–	12.56	20%
Unit operating costs(3)							
Nickel – net direct cash cost (US$/lb)	5.18	7.11		4.83	–		
Revenue	330.1	218.4	597.3	304.5	–	329.1	81%
Adjusted EBITDA(3)	56.9	2.0	59.7	41.7	(1.2)	43.1	39%
Spending on capital	21.2	25.1	46.3	21.6	19.1	40.7	14%

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

Metal markets

Average nickel prices for the quarter were similar to the second quarter, however, markets saw a pullback in pricing during the month of September largely due to stronger than anticipated nickel pig iron production data from China and continued gains in LME inventories. The average reference price for cobalt continued to perform well during the third quarter as it has throughout 2014, reflecting continued strength in cobalt demand.

Moa Joint Venture (50% interest) and Fort Site

Adjusted EBITDA increased 253% ($20.0 million) during the third quarter compared to the prior year period primarily due to both higher nickel and cobalt prices and a weaker Canadian dollar relative to the U.S. dollar, partially offset by higher operating costs.

Finished nickel production of 4,614 tonnes (9,227 tonnes, 100% basis) for the third quarter 2014 was 41 tonnes higher than the prior year period and established a quarterly production record reflecting stable refinery operations including a rescheduling of planned maintenance activities to earlier in the year when mixed sulphide availability was restricted. Finished cobalt production of 438 tonnes (875 tonnes, 100% basis) for the third quarter 2014 was in line with the prior year period. Nickel recoveries of ore sent to the autoclaves was approximately 86% for the quarter which was a decrease from approximately 88% in the prior year period.

Net direct cash cost of US$5.25 per pound of nickel represented an increase of 10% (US$0.49 per pound) in the third quarter 2014 compared to the prior year period primarily due to lower fertilizer profitability and higher third party feed costs. Lower fertilizer profitability largely reflected higher natural gas prices and lower sales volumes.

Capital spending increased 54% ($3.8 million) during the third quarter compared to the prior year period primarily due to the timing of planned expenditures. Expansion capital for the quarter included further mobilization of resources for the construction of the 2,000 tonne per day acid plant at Moa. During the quarter, the contract with the technology supplier for the third acid plant at Moa Nickel was approved and mobilization activities with the construction contractor progressed. Construction commencement remains on target for Q1 2015.

Ambatovy Joint Venture (40% interest)

Adjusted EBITDA increased to $4.3 million during the quarter ($10.8 million on a 100% basis).

During the quarter, finished nickel production was 3,743 tonnes (9,357 tonnes, 100% basis) resulting in a 4% improvement compared to the second quarter. Cobalt production of 327 tonnes (818 tonnes, 100% basis) was 15% higher than the second quarter.

The average third quarter ore throughput in the PAL circuit was approximately 974,775 tonnes, or 66% of nameplate capacity and autoclave operating hours during the third quarter 2014 increased to 6,988 hours, compared to 6,911 in the second quarter, reflecting increased mechanical reliability of the autoclaves, partly offset by autoclave maintenance in September. Nickel recoveries of ore sent to the autoclaves improved during the third quarter to 88% compared to 85% during the prior year period.

Further production increases during the quarter were limited due to annual scheduled maintenance for two PAL autoclaves and one acid plant as well as process limitations primarily in the counter current decantation wash circuit and the raw liquor neutralization circuit. Both areas are being addressed and progress was achieved during the quarter on improving performance in the raw liquor neutralization circuit.

Production for the fourth quarter 2014 is targeted to increase above third quarter 2014 levels. This targeted production takes into account planned maintenance activity in November that is similar to the September maintenance for two other autoclaves and one acid plant turnaround. A key milestone for the project is reaching a production rate equivalent to 54,000 tonnes of nickel on an annualized basis (approximately 90% of nameplate capacity). The production rate is measured over 90 days in a 100 day contiguous period and management is targeting mid 2015 for achieving this. This milestone is part of a series of 10 completion certificates that the operation must obtain by September 2015 under the Ambatovy project financing agreements. Five are currently completed. Additional technical staff with metallurgical and operational expertise are now in place to support the completion of Ambatovy's ramp up. Upon achieving the production milestone and the other remaining completion certificates, the project financing will become non-recourse to the partners.

Net direct cash cost of nickel was US$7.26 per pound in the third quarter 2014 and US$7.11 per pound for the nine months ended September 30, 2014, consistent with expectation for the facility when operating at its current ore throughput levels. Mining, processing and refining costs per pound in the quarter were higher than the prior quarter due largely to both unanticipated and scheduled maintenance activities mainly in September.

Capital spending for Ambatovy is focused on sustaining activities and construction of Phase II of the Tailings Management Facility. For the three months ended September 30, 2014, the Joint Venture partners were not required to provide additional funding to the Joint Venture.

OIL AND GAS

	For the three months ended			For the nine months ended		
	2014	2013		**2014**	2013	
$ millions, unless otherwise noted	**September 30**	September 30	Change	**September 30**	September 30	Change
Production and sales (boepd)						
Gross working-interest - Cuba	**19,412**	20,445	(5%)	**19,710**	20,144	(2%)
Total net working interest	**10,607**	11,403	(7%)	**11,160**	11,255	(1%)
Average-realized price[1,2]						
Cuba ($ per barrel)	**69.18**	70.27	(2%)	**71.31**	69.66	2%
Average unit operating costs[1]						
Cuba ($ per barrel)	**9.98**	6.59	51%	**8.12**	6.58	23%
Revenue	**68.1**	74.2	(8%)	**219.7**	216.5	1%
Adjusted EBITDA [1]	**47.7**	58.4	(18%)	**165.6**	171.5	(3%)
Spending on capital	**14.0**	14.5	(3%)	**45.2**	37.8	20%

(1) Average unit operating costs are calculated by dividing operating costs by gross production. Previous disclosure reported average unit operating costs by dividing operating costs by net production.

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

Adjusted EBITDA was 18% ($10.7 million) lower in the third quarter compared to the prior year period, as a result of lower realized oil and gas prices, lower net working interest volumes and higher operating costs.

Gross working interest ("GWI") oil production in Cuba decreased 5% (1,033 bopd) in the third quarter compared to the prior year period. This was primarily caused by a mechanical failure at a well in the

Yumuri area which occurred in the second quarter 2014. The mechanical failure accounted for a decrease of 571 bopd in the third quarter. Following the completion of the quarter, a workover was completed and the well was placed into production in October and is currently being evaluated.

The average-realized price for oil produced in Cuba decreased by $1.09 per barrel in the third quarter compared to the prior year period, primarily a result of a lower Gulf Coast Fuel Oil No.6 reference price partly offset by a weaker Canadian dollar relative to the U.S. dollar. Further weakness in the oil markets occurred in October due to concerns over potential softening in global demand and the addition of more supply from shale oil in the United States and other countries.

Unit operating costs in Cuba increased 51% ($3.39 per barrel) in the third quarter compared to the prior year period. The increase was primarily a result of the higher workover costs incurred in an attempt to re-establish production from the Yumuri well discussed above, which accounted for an increase of $2.98 per barrel.

Spending on capital in the third quarter 2014 was similar to the prior year period and was composed primarily of equipment purchases, and development drilling activities. During the third quarter 2014, one development well was drilled and completed in Cuba, which is currently being tested. A second development well was completed in October 2014.

Sherritt continues to wait for final approval by Cuban ministries with respect to four new exploration blocks.

During the third quarter the Corporation commenced reporting average unit operating costs for Cuba on a gross barrel basis. The Corporation believes this approach is more relevant as the operating costs reported by the Corporation represent costs incurred to produce gross volumes. Therefore, average unit operating costs for Cuba are now determined by dividing operating costs incurred by gross production instead of net production.

POWER

$ millions, unless otherwise noted 33 1/3% basis	For the three months ended **2014** **September 30**	 2013 September 30	 Change	For the nine months ended **2014** **September 30**	 2013 September 30	 Change
Production and sales						
Electricity (GWh)	**223**	130	72%	**633**	443	43%
Average-realized price (1)						
Electricity ($/MWh)	**46.39**	43.47	7%	**46.28**	42.48	9%
Total unit operating costs						
Electricity ($/MWh)	**13.39**	26.01	(49%)	**15.37**	24.97	(38%)
Net capacity factor (%)	**68%**	56%	21%	**64**	64	–
Revenue	**12.7**	14.7	(14%)	**37.3**	44.2	(16%)
Adjusted EBITDA (1)	**8.0**	3.7	116%	**19.4**	1.7	1,041%
Spending on capital (2)	**1.0**	10.1	(90%)	**4.2**	24.2	(83%)

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

Adjusted EBITDA increased 116% ($4.3 million) in the third quarter when compared with the year prior as a result of higher electricity volumes.

Electricity production increased 72% (93 GWh) in the third quarter compared to the prior year period. These increases were primarily due to increased production from the Boca de Jaruco Combined Cycle Project and a decrease in scheduled maintenance activities.

The average-realized price of electricity was 7% higher ($2.92 per MWh) in the third quarter compared to the prior year period, primarily due to a weaker Canadian dollar relative to the U.S. dollar.

Unit operating costs decreased by 49% ($12.62 per MWh) in the third quarter compared to the prior year period primarily due to lower scheduled turbine maintenance costs and the effect of higher production on fixed costs.

Capital spending, including service concession arrangements, declined by 90% ($9.1 million) for the third quarter 2014 as compared to the prior year period.

NEAR-TERM PRIORITIES

Sherritt continues to execute against its stated strategy to focus on its core competencies, improve its liquidity position and streamline its operations, consisting of the following near-term priorities:

1. **Nickel focus:** Production for the Metals business increased 24% during the quarter compared to the prior year period. The ramp up of production at Ambatovy and the upcoming start of construction of a third acid plant in the first quarter of 2015 are our immediate priorities to support our objective of being a leading low cost nickel operator and to continue to reduce costs.

2. **Ambatovy:** A key milestone for the project is reaching a production rate equivalent to 54,000 tonnes of nickel on an annualized basis (approximately 90% of nameplate capacity). The production rate is measured over 90 days in a 100 day contiguous period and management is targeting mid 2015 for achieving this. This milestone is part of a series of 10 completion certificates that the operation must obtain by September 2015 under the Ambatovy project financing agreements. Five are currently completed. Additional technical staff with metallurgical and operational expertise are now in place to support the completion of Ambatovy's ramp up. Upon achieving the production milestone and the other remaining completion certificates, the project financing will become non-recourse to the partners.

3. **Oil and Gas**: Sherritt continues to work towards extending the life of the Cuban Oil and Gas business. During the quarter, development drilling operations commenced in the area for the recently extended Puerto Escondido/Yumuri production sharing contract that is applicable to March 2028. Sherritt continues to await final approval by Cuban ministries with respect to four new exploration blocks.

4. **Financial discipline:** In early October, the Corporation initiated a series of debt refinancing transactions that reduces the Corporation's outstanding debt by $425 million, extends its debt maturity profile and results in its debt profile having principal maturities of $250 million in each of 2018, 2020, and 2022. The Corporation has also strengthened its liquidity with cash balances of approximately $504 million, when assuming the completion of the above transactions on September 30, 2014.

5. **Cost reduction**: Subsequent to the quarter on October 28, 2014, Sherritt initiated a restructuring plan that impacted approximately 10% of its salaried workforce, excluding Ambatovy. These reductions occurred in Sherritt's Toronto head office, where the number of employees has been reduced by approximately 25%, and in Sherritt's other divisions. The restructuring is in line with Sherritt's near-term priorities announced earlier this year that includes a focus on cost reduction, and it also achieves a greater integrated organization that is best positioned for future growth. Ambatovy continues to be our top priority and has been excluded from this restructuring given where it is on the ramp up curve today. Furthermore,

Sherritt commenced the sale process for some non-operating assets that were identified earlier this year, including the sale of its Toronto office building. The restructuring will result in a one-time charge in the fourth quarter of approximately $9 million and an estimated annual savings of approximately $10 million.

OUTLOOK

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

The update to the full-year 2014 outlook consists of revised projected production volumes for the Moa Joint Venture's mixed sulphides and nickel production reflecting actual production for the first nine months of the year.

(units as noted)	Original Projection for the year ending December 31, 2014	**Projected for the year ending December 31, 2014**
Production volumes		
Mixed sulphides (tonnes, Ni+Co contained, 100% basis)		
Moa Joint Venture	38,000	**37,000**
Ambatovy Joint Venture	44,000 – 50,000	**39,000 – 44,000**
Total	82,000 – 88,000	**76,000 – 81,000**
Nickel, finished (tonnes, 100% basis)		
Moa Joint Venture	34,000	**33,500**
Ambatovy Joint Venture	40,000 – 45,000	**37,000 – 41,000**
Total	74,000 – 79,000	**70,500 – 74,500**
Cobalt, finished (tonnes, 100% basis)		
Moa Joint Venture	3,350	**3,350**
Ambatovy Joint Venture	3,300 – 3,800	**2,700 – 3,100**
Total	6,650 – 7,150	**6,050 – 6,450**
Oil – Cuba (gross working-interest, bopd)	19,000	**19,000**
Oil and Gas – All operations (net working-interest, boepd)	11,200	**11,200**
Electricity (GWh, 33 1/3% basis)	750	**750**
Spending on capital ($ millions)		
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis)	70	**55**
Metals – Ambatovy Joint Venture (40% basis)	34	**34**
Oil and Gas	73	**94**
Power (33 1/3% basis)	4	**4**
Spending on capital (excluding Corporate)	181	**187**

NON-GAAP MEASURES

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

CONFERENCE CALL AND WEBCAST

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

Conference Call and Webcast:	October 29, 2014, 2:00 p.m. ET
Speakers:	David Pathe, President and CEO
	Dean Chambers, EVP and CFO
North American callers, please dial:	1-866-530-1553
International callers, please dial:	416-847-6330
Live webcast:	http://www.sherritt.com/

An archive of the webcast will also be available on the website. The conference call will be available for replay until November 28, 2014 by calling 647-436-0148 or 1-888-203-1112, access code 6766659#.

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

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

ABOUT SHERRITT

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2014

This Management's Discussion and Analysis (MD&A) is intended to help the reader understand Sherritt International Corporation's operations, financial performance and the present and future business environment. This MD&A, which has been prepared as of October 28, 2014, should be read in conjunction with Sherritt's interim condensed consolidated financial statements for the three and nine months ended September 30, 2014 and the MD&A for the year ended December 31, 2013. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's website at www.sherritt.com.

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

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

Key financial and operational data

$ millions, except as otherwise noted		For the three months ended **2014** **September 30**		2013 September 30	Change		For the nine months ended **2014** **September 30**		2013 September 30	Change
FINANCIAL HIGHLIGHTS[1]										
Revenue	**$**	**102.9**	$	111.2	(7%)	**$**	**354.0**	$	339.9	4%
Adjusted Revenue[2]		**302.7**		195.3	55%		**858.0**		594.3	44%
Adjusted EBITDA[2]		**91.7**		59.4	54%		**222.0**		173.9	28%
(Loss) earnings from operations, associate and joint venture		**(1.5)**		30.5	(105%)		**(37.0)**		72.2	(151%)
(Loss) earnings from continuing operations		**(51.3)**		1.9	(2,800%)		**(170.8)**		(15.9)	(974%)
(Loss) earnings from discontinued operations, net of tax		**–**		(0.8)	100%		**41.2**		29.4	40%
Net (loss) earnings for the period		**(51.3)**		1.1	(4,764%)		**(129.6)**		13.5	(1,060%)
(Loss) earnings per common share (basic and diluted)($ per share):										
Net (loss) earnings from continuing operations		**(0.17)**		0.00	-		**(0.57)**		(0.05)	(1,040%)
Net (loss) earnings		**(0.17)**		0.00	-		**(0.43)**		0.05	(960%)
CASH FLOW										
Cash provided by continuing operating activities	**$**	**35.4**	$	39.8	(11%)	**$**	**46.1**	$	72.9	(37%)
Adjusted continuing operating cash flow per share ($ per share)[2]		**0.15**		0.12	20%		**0.25**		0.31	(19%)
OPERATIONAL DATA										
SPENDING ON CAPITAL AND INTANGIBLE ASSETS[3]	**$**	**38.8**	$	29.8	30%	**$**	**94.4**	$	86.2	10%
PRODUCTION VOLUMES[1]										
Finished nickel (tonnes)										
Moa Joint Venture (50% basis)		**4,614**		4,573	1%		**12,123**		12,343	(2%)
Ambatovy Joint Venture (40% basis)		**3,743**		2,183	71%		**10,857**		7,369	47%
Finished cobalt (tonnes)										
Moa Joint Venture (50% basis)		**438**		446	(2%)		**1,169**		1,225	(5%)
Ambatovy Joint Venture (40% basis)		**327**		161	103%		**889**		627	42%
Oil (boepd, net working-interest production)[4]		**10,607**		11,403	(7%)		**11,160**		11,255	(1%)
Electricity (gigawatt hours) (33⅓% basis)		**223**		130	72%		**633**		443	43%
AVERAGE-REALIZED PRICES[1][2]										
Nickel ($ per pound)	**$**	**8.99**	$	6.42	40%	**$**	**8.44**	$	7.01	20%
Cobalt ($ per pound)		**15.60**		13.26	18%		**15.02**		12.56	20%
Oil ($ per net boe)[4]		**68.37**		69.63	(2%)		**70.74**		68.96	3%
Electricity ($ per megawatt hour)		**46.39**		43.47	7%		**46.28**		42.48	9%
UNIT OPERATING COSTS[1][2]										
Nickel (US$ per pound)[5]										
Moa Joint Venture	**$**	**5.25**	$	4.76	10%	**$**	**5.18**	$	4.83	7%
Ambatovy Joint Venture		**7.26**		-	-		**7.11**		-	-
Oil ($ per gross boe)[4]		**10.32**		6.96	48%		**8.55**		6.84	25%
Electricity ($ per megawatt hour)		**13.39**		26.01	(49%)		**15.37**		24.97	(38%)

$ millions, except as noted, as at	**2014** **September 30**		Adjusted[7] 2014 September 30		2013 December 31	Change
FINANCIAL CONDITION						
Current ratio	**7.56:1**		5.01:1		1.87:1	304%
Net working capital balance	**$ 1,226.0**	$	749.7	$	481.8	154%
Cash, cash equivalents and short-term investments	**980.3**		504.0		651.8	50%
Total assets	**5,692.3**		5,216.0		6,457.8	(12%)
Total loans and borrowings	**2,214.0**		1,785.0		2,489.8	(11%)
Shareholders' equity	**3,128.6**		3,081.3		3,107.2	1%
Long-term debt to total assets[6]	**39%**		34%		39%	-

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

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

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

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

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

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

(7) Amounts at September 30, 2014 have been adjusted to reflect the purchase of $275 million of 7.75% debentures due October 15, 2015, $150 million of 8.00% debentures due November 15, 2018, and $250 million 7.50% debentures due September 24, 2020, issuance of $250 million of 7.875% Senior Unsecured Notes due October 11, 2022, and related fees. These transactions will be completed in the fourth quarter.

Executive summary

Q3 2014 HIGHLIGHTS

Debt refinancing

- In early October 2014, the Corporation undertook a series of transactions that consisted of redeeming $400 million of the senior unsecured public debentures due in 2018 and 2020, a new issue of $250 million principal amount of 7.875% senior unsecured notes due October 11, 2022 and the announced redemption of the entire $275 million principal amount of the October 15, 2015 senior unsecured debentures. The completion of these transactions will reduce the Corporation's outstanding debt by $425 million, extend its debt maturity profile and result in its debt profile having principal maturities of $250 million in each of 2018, 2020, and 2022.

Nickel production

- During the quarter, the Moa Joint Venture and Ambatovy Joint Venture both established quarterly production records, producing 18,584 tonnes of finished nickel (8,357 tonnes, Sherritt's attributable share), an increase of 1,840 tonnes compared to the second quarter of 2014.

Gain on arbitration settlement

- On August 1, 2014, the Corporation received a favourable arbitration settlement decision related to a contract dispute with a port operator that arose during the time the Corporation operated Coal Valley Resources Inc. As a result of the decision, the Corporation recognized a gain on settlement of $12.8 million. The funds were received by the Corporation in October 2014.

Restructuring Plan

- On October 28, 2014 the Corporation initiated a restructuring plan that impacted approximately 10% of its salaried workforce, excluding Ambatovy. As a result, in the fourth quarter of 2014, the Corporation will recognize a restructuring charge of approximately $9 million and expects to achieve estimated annual savings of approximately $10 million.

Results

- Adjusted Revenue for the three months ended September 30, 2014, was $302.7 million compared to $195.3 million in the same period in the prior year. The increase in Adjusted Revenue was primarily due to $89.8 million of revenue recognized at Ambatovy and higher Metals realized prices;
- Adjusted EBITDA for the three months ended September 30, 2014 was $91.7 million compared to $59.4 million in the same period in the prior year. The higher Adjusted EBITDA was primarily a result of higher Adjusted Revenue and a gain on arbitration settlement partly offset by lower production and workover costs at Oil and Gas;
- Net loss for the three months ended September 30, 2014, was $51.3 million compared to net earnings of $1.1 million in the same period in the prior year mainly due to depreciation now recognized at the Ambatovy Joint venture and higher income tax expense;
- Operating cash flow provided by continuing operations for the three months ended September 30, 2014 was $35.4 million compared to $39.8 million in the same period in the prior year. Higher income tax paid at Oil and Gas, payments for work performed related to the Obed incident, and timing of the collection of receivables were partly offset by lower net cash interest paid.

Financial Position

- At September 30, 2014, total available liquidity was $1.1 billion. Total debt at September 30, 2014, was $2.2 billion, including $944.2 million related to non-recourse Ambatovy Partner Loans. The Corporation's liquidity profile includes a 7.56:1 current ratio; a net working capital balance of $1.2 billion; and cash, cash equivalents and short-term investments of $980.3 million. The Corporation's long-term debt to total assets ratio was 39%;

- On October 10, 2014, the Corporation used approximately $424 million of cash and cash equivalents to pay down a portion of the 2018 and 2020 debentures (including financing fees) and recognized net proceeds of approximately $239 million related to the issuance of the 2022 notes. Proceeds from the 2022 notes as well as cash on hand will be used to redeem all $275 million of the 2015 debentures. Giving effect to these transactions at September 30, 2014, the Corporation would have total available liquidity of approximately $576 million, total debt of $1.8 billion, a net working capital balance of $749.7 million, a current ratio of 5.01:1, cash and cash equivalents and short term investments of $504.0 million, and long term debt to total assets ratio of 34%.

Consolidated financial results

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

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

	For the three months ended			For the nine months ended		
	2014	2013		**2014**	2013	
$ millions, except per share amounts	**September 30**	September 30	Change	**September 30**	September 30	Change
Revenue by segment						
Metals[1]	**$ 221.2**	$ 104.8	111%	**$ 597.3**	$ 329.1	81%
Oil and Gas	**68.1**	74.2	(8%)	**219.7**	216.5	1%
Power	**12.7**	14.7	(14%)	**37.3**	44.2	(16%)
Corporate and Other	**0.7**	1.6	(56%)	**3.7**	4.5	(18%)
Adjusted Revenue[2]	**302.7**	195.3	55%	**858.0**	594.3	44%
Adjust joint venture and associate revenue	**(199.8)**	(84.1)		**(504.0)**	(254.4)	
Financial statement revenue	**102.9**	111.2	(7%)	**354.0**	339.9	4%
Adjusted EBITDA[2] by segment						
Metals[1]	**$ 32.2**	$ 8.9	262%	**$ 59.7**	$ 43.1	39%
Oil and Gas	**47.7**	58.4	(18%)	**165.6**	171.5	(3%)
Power	**8.0**	3.7	116%	**19.4**	1.7	1,041%
Corporate and Other	**3.8**	(11.6)	133%	**(22.7)**	(42.4)	46%
	91.7	59.4	54%	**222.0**	173.9	28%
(Loss) earnings from operations by segment						
Metals[1]	**$ (17.4)**	$ (0.7)	(2,386%)	**$ (76.9)**	$ 13.0	(692%)
Oil and Gas	**32.1**	40.9	(22%)	**115.6**	120.1	(4%)
Power	**2.7**	1.4	93%	**4.4**	(13.2)	133%
Corporate and Other	**3.0**	(12.1)	125%	**(25.4)**	(45.1)	44%
	20.4	29.5	(31%)	**17.7**	74.8	(76%)
Adjust earnings from joint venture and associate	**(21.9)**	1.0		**(54.7)**	(2.6)	
Financial statement (loss) earnings from operations, associate and joint venture	**(1.5)**	30.5	(105%)	**(37.0)**	72.2	(151%)
Net finance expense	**31.5**	30.0	5%	**89.3**	78.3	14%
Income tax expense	**18.3**	(1.4)	1,407%	**44.5**	9.8	354%
(Loss) earnings from continuing operations	**(51.3)**	1.9	(2,800%)	**(170.8)**	(15.9)	(974%)
(Loss) earnings from discontinued operations, net of tax	**–**	(0.8)	100%	**41.2**	29.4	40%
Net (loss) earnings	**$ (51.3)**	$ 1.1	(4,764%)	**$ (129.6)**	$ 13.5	(1,060%)
Net (loss) earnings per share (basic and diluted)						
Net loss from continuing operations	**$ (0.17)**	$ 0.00	-	**$ (0.57)**	$ (0.05)	(1,040%)
Net (loss) earnings	**(0.17)**	0.00	-	**(0.43)**	0.05	(960%)

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

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

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

- Metals' loss from operations was $17.4 million and $76.9 million for the three and nine months ended September 30, 2014 compared to a loss of $0.7 million and earnings of $13.0 million in the same periods in the prior year, respectively. Adjusted EBITDA was higher compared to the same period in the prior year primarily as a result of the addition of sales volume from Ambatovy, since declaring commercial production, as well as higher nickel prices across Metals compared to the prior-year periods. Higher Adjusted EBITDA, however, was more than offset by depletion, depreciation and amortization, at Ambatovy consistent with the continued ramp-up of operations;
- Oil and Gas' earnings from operations of $32.1 million and $115.6 million for the three and nine months ended September 30, 2014 compared to earnings of $40.9 million and $120.1 million in the same periods in the prior year, respectively. Lower earnings were primarily the result of lower production and workover costs at a well in the Yumuri area following a mechanical failure in the second quarter of 2014;
- Power's earnings from operations were $2.7 million and $4.4 million for the three and nine months ended September 30, 2014 compared to earnings of $1.4 million and loss of $13.2 million in the same periods in the prior year, respectively. Higher earnings in the current periods were primarily due to higher electricity volumes and realized prices partly offset by higher depletion, depreciation, and amortization. In addition, earnings for the nine months ended September 30, 2014 increased due to the recognition of a provision on receivables and an impairment on an electricity generation facility related to Madagascar assets recognized in the second quarter of 2013;
- Net finance expense was $31.5 million and $89.3 million for the three and nine months ended September 30, 2014 compared to $30.0 million and $78.3 million in the same periods in the prior year. Net Finance expense, for the three and nine months ended, was higher primarily due to higher interest expense on loans and borrowings and a decrease in the fair value of the Ambatovy call option partly offset by higher interest income on advances and loans receivable. In addition, net finance expense for the nine months ended September 30, 2014 was impacted by higher foreign exchange losses;
- Income tax expense relates primarily to Oil and Gas and Power earnings. For the three and nine months ended September 30, 2014, the tax expense was higher as the tax benefit of losses incurred by the Corporate head office were not recognized in the financial statements; whereas, in the same periods in the prior year, the benefit of tax losses at the Corporate head office were recognized. With the reclassification of Coal as a discontinued operation in the fourth quarter of 2013, the tax benefit that had been previously set up for the Corporate head office was reversed.

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

Review of operations

METALS

Financial Results

$ millions, for the three months ended September 30	2014				2013				
	Moa JV and Fort Site	Ambatovy JV	Other[2]	Total	Moa JV and Fort Site	Ambatovy JV	Other[2]	Total	Change
FINANCIAL HIGHLIGHTS[1]									
Revenue	$ 116.8	$ 89.8	$ 14.6	$ 221.2	$ 92.7	$ -	$ 12.1	$ 104.8	111%
Cost of sales[3]	87.0	79.3	14.3	180.6	82.8	-	10.9	93.7	93%
	29.8	10.5	0.3	40.6	9.9	-	1.2	11.1	266%
Administrative expenses[3]	1.9	6.2	0.3	8.4	2.0	0.4	(0.2)	2.2	282%
Depletion, depreciation and amortization	8.6	41.0	–	49.6	8.9	-	0.7	9.6	417%
(Loss) earnings from operations	19.3	(36.7)	–	(17.4)	(1.0)	(0.4)	0.7	(0.7)	(2,386%)
Adjusted EBITDA[4]	$ 27.9	$ 4.3	$ –	$ 32.2	$ 7.9	$ (0.4)	$ 1.4	$ 8.9	262%
PRODUCTION VOLUMES[1] (tonnes)									
Mixed Sulphides	4,733	4,187	–	8,920	4,957	2,622	-	7,579	18%
Finished Nickel	4,614	3,743	–	8,357	4,573	2,183	-	6,756	24%
Finished Cobalt	438	327	–	765	446	161	-	607	26%
Fertilizer	64,670	9,961	–	74,631	64,452	6,027	-	70,479	6%
NICKEL RECOVERY (%)	86%	88%			88%	85%			
SALES VOLUMES[1] (tonnes)									
Finished Nickel	4,588	3,813	–	8,401	4,579	-	-	4,579	83%
Finished Cobalt	433	361	–	794	470	-	-	470	69%
Fertilizer	17,325	12,412	–	29,737	28,124	-	-	28,124	6%
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel	$ 8.43	$ 8.43			$ 6.31	$ -			
Cobalt[5]	14.74	14.74			13.42	-			
AVERAGE-REALIZED PRICES[4] ($ per pound)									
Nickel	$ 9.03	$ 8.94		$ 8.99	$ 6.42	$ -		$ 6.42	40%
Cobalt	15.66	15.56		15.60	13.26	-		13.26	18%
Fertilizer	353	158		272	338	-		338	(19%)
UNIT OPERATING COSTS[4] (US$ per pound)									
Nickel - net direct cash cost	$ 5.25	$ 7.26			$ 4.76	$ -			
SPENDING ON CAPITAL[1]	$ 10.9	$ 12.8	$ –	$ 23.7	$ 7.1	$ 5.1	$ -	$ 12.2	94%

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

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

(3) Excludes depletion, depreciation and amortization.

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

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

$ millions, for the nine months ended September 30	2014				2013				
	Moa JV and Fort Site	**Ambatovy JV[2]**	**Other[3]**	**Total**	Moa JV and Fort Site	Ambatovy JV	Other[3]	Total	Change
FINANCIAL HIGHLIGHTS[1]									
Revenue	**$ 330.1**	**$ 218.4**	**$ 48.8**	**$ 597.3**	$ 304.5	$ -	$ 24.6	$ 329.1	81%
Cost of sales[4]	**267.1**	**199.1**	**47.1**	**513.3**	257.0	-	22.6	279.6	84%
	63.0	**19.3**	**1.7**	**84.0**	47.5	-	2.0	49.5	70%
Administrative expenses[4]	**6.1**	**17.3**	**0.9**	**24.3**	5.8	1.2	(0.6)	6.4	280%
Depletion, depreciation and amortization	**27.8**	**108.8**	**–**	**136.6**	28.1	-	2.0	30.1	354%
(Loss) earnings from operations	**29.1**	**(106.8)**	**0.8**	**(76.9)**	13.6	(1.2)	0.6	13.0	(692%)
Adjusted EBITDA[5]	**56.9**	**2.0**	**0.8**	**59.7**	41.7	(1.2)	2.6	43.1	39%
PRODUCTION VOLUMES[1] (tonnes)									
Mixed Sulphides	**13,616**	**11,795**	**–**	**25,411**	13,693	8,055	-	21,748	17%
Finished Nickel	**12,123**	**10,857**	**–**	**22,980**	12,343	7,369	-	19,712	17%
Finished Cobalt	**1,169**	**889**	**–**	**2,058**	1,225	627	-	1,852	11%
Fertilizer	**193,427**	**28,170**	**–**	**221,597**	191,079	21,159	-	212,238	4%
NICKEL RECOVERY (%)	**88%**	**85%**			84%	n/a			
SALES VOLUMES[1] (tonnes)									
Finished Nickel	**12,203**	**9,901**	**–**	**22,104**	12,401	-	-	12,401	78%
Finished Cobalt	**1,188**	**814**	**–**	**2,002**	1,260	-	-	1,260	59%
Fertilizer	**136,137**	**27,761**	**–**	**163,898**	129,567	-	-	129,567	26%
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel	**$ 7.81**	**$ 8.00**			$ 6.97	$ -			
Cobalt[6]	**14.20**	**14.36**			12.82	-			
AVERAGE-REALIZED PRICES[5] ($ per pound)									
Nickel	**$ 8.34**	**$ 8.56**		**$ 8.44**	$ 7.01	$ -		$ 7.01	20%
Cobalt	**15.10**	**14.93**		**15.02**	12.56	-		12.56	20%
Fertilizer	**392**	**162**		**353**	481	-		481	(27%)
UNIT OPERATING COSTS[5] (US$ per pound)									
Nickel - net direct cash cost	**$ 5.18**	**$ 7.11**			$ 4.83	$ -			
SPENDING ON CAPITAL[1]	**$ 21.2**	**$ 25.1**	**$ –**	**$ 46.3**	$ 21.6	$ 19.1	$ -	$ 40.7	14%

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

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

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

(4) Excludes depletion, depreciation and amortization.

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

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

Metals Reference Prices

Market prices for nickel for the quarter were similar to the second quarter, however nickel markets saw a pullback in pricing during the month of September largely due to stronger than anticipated nickel pig iron production data from China and continued gains in LME inventories. The average reference price for cobalt continued to increase during the third quarter as it has throughout 2014 reflecting continued strength in cobalt demand.

Moa Joint Venture and Fort Site

Revenue is composed of the following:

	For the three months ended			For the nine months ended		
	2014	2013		**2014**	2013	
$ millions	**September 30**	September 30	Change	**September 30**	September 30	Change
Nickel	**$ 91.3**	$ 64.8	41%	**$ 224.4**	$ 191.5	17%
Cobalt	**14.9**	13.7	9%	**39.5**	34.9	13%
Fertilizers	**8.9**	12.5	(29%)	**62.1**	72.1	(14%)
Other	**1.7**	1.7	-	**4.1**	6.0	(32%)
	$ 116.8	$ 92.7	26%	**$ 330.1**	$ 304.5	8%

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

$ millions	For the three months ended **2014 September 30**	For the nine months ended **2014 September 30**
Higher U.S. dollar denominated realized nickel prices	**$ 21.9**	**$ 21.7**
Higher U.S. dollar denominated realized cobalt prices	**1.6**	**4.3**
Lower fertilizer prices	**(0.3)**	**(13.9)**
Lower metals sales volumes	**(0.9)**	**(1.9)**
(Lower) higher fertilizer sales volumes	**(1.0)**	**1.2**
(Higher) lower mining, processing and refining, third-party feed and fertilizer costs	**(2.8)**	**1.1**
Weaker Canadian dollar relative to the U.S. dollar	**2.0**	**5.5**
Other	**(0.2)**	**(2.5)**
Change in earnings from operations, compared to 2013	**$ 20.3**	**$ 15.5**

The average-realized nickel price increased $2.61 per pound in the third quarter and $1.33 per pound in the first nine months of 2014 compared to the same periods in the prior year while the average-realized cobalt price increased $2.40 per pound in the third quarter and $2.54 in the first nine months of 2014 compared to the same periods in the prior year. Higher reference prices and the weaker Canadian dollar relative to the U.S. dollar had a positive impact on average-realized prices.

Production of 9,465 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides for the third quarter of 2014 was 449 tonnes (100% basis) lower than the same period in the prior year primarily reflecting delays experienced in the start up of the processing plant following planned maintenance near the end of the quarter. Finished nickel production of 9,227 tonnes (100% basis) for the third quarter of 2014 was 80 tonnes higher than the same period in the prior year and established a quarterly production record, primarily reflecting stable refinery operation and rescheduling of planned maintenance activities to earlier in the year when mixed sulphide availability was restricted. Finished cobalt production of 875 tonnes (100% basis) for the third quarter of 2014 was in line with the same period in the prior year. Nickel recoveries of ore sent to the autoclaves was approximately 86% for the quarter, which decreased from 88% in the prior year period.

Finished nickel sales volumes were higher in the third quarter and lower for the first nine months of 2014 compared to the same periods in the prior year in line with production. Finished cobalt sales volumes were lower in 2014 compared to the same periods in the prior year reflecting lower production. Fertilizer sales volumes decreased 10,799 tonnes in the third quarter and increased 6,570 tonnes in the first nine months of 2014 compared to the same periods in the prior year reflecting timing of fall season sales and strong spring season sales.

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

$ millions		For the three months ended 2014 September 30		2013 September 30	Change		For the nine months ended 2014 September 30		2013 September 30	Change
Mining, processing and refining	**$**	**67.6**	$	66.8	1%	**$**	**188.7**	$	189.8	(1%)
Third-party feed costs		**4.6**		1.8	156%		**11.2**		5.0	124%
Fertilizers		**7.1**		8.3	(14%)		**45.3**		43.0	5%
Selling costs		**3.9**		3.4	15%		**12.5**		11.8	6%
Other		**3.8**		2.5	52%		**9.4**		7.4	27%
	$	**87.0**	$	82.8	5%	**$**	**267.1**	$	257.0	4%

(1) Excludes depletion, depreciation and amortization

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

		For the three months ended 2014 September 30		2013 September 30	Change		For the nine months ended 2014 September 30		2013 September 30	Change
Mining, processing and refining costs	**$**	**6.10**	$	6.10	-	**$**	**6.33**	$	6.70	(6%)
Third-party feed costs		**0.40**		0.18	122%		**0.38**		0.18	111%
Cobalt by-product credits		**(1.35)**		(1.31)	(3%)		**(1.34)**		(1.24)	(8%)
Other[2]		**0.10**		(0.21)	148%		**(0.19)**		(0.81)	77%
Net direct cash cost (US$ per pound of nickel)	**$**	**5.25**	$	4.76	10%	**$**	**5.18**	$	4.83	7%
Natural gas costs ($ per gigajoule)		**4.01**		2.48	62%		**4.75**		3.07	55%
Fuel oil (US$ per tonne)		**595**		618	(4%)		**602**		626	(4%)
Sulphur (US$ per tonne)		**202**		201	-		**171**		222	(23%)
Sulphuric acid (US$ per tonne)		**133**		144	(8%)		**128**		150	(15%)

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

(2) Includes the Moa Joint Venture and Fort Site refinery fertilizer by-product profit or loss and marketing costs, discounts, and other by-product credits. Fort Site refinery by-product fertilizer profit was US$0.20 and US$0.46 for the three and nine months ended September 30, 2014 (2013 – US$0.36 and US$0.75, respectively). The Corporation commenced including Fort Site refinery by-product fertilizer profit or loss in net direct cash cost effective January 1, 2014. The comparative periods have been adjusted accordingly.

Net direct cash cost of nickel increased 10% (US$0.49 per pound) in the third quarter of 2014 compared to the same period in the prior year primarily due to lower fertilizer profitability and higher third party feed costs. Lower fertilizer profitability largely reflected higher natural gas prices and lower sales volumes. Net direct cash cost of nickel increased 7% (US$0.35 per pound) in the first nine months of 2014 compared to the same period in the prior year reflecting lower fertilizer profitability and higher third party feed costs, partly offset by lower mining and processing costs. Lower fertilizer profitability largely reflected lower fertilizer prices in Western Canada and higher natural gas prices. Lower mining and processing costs largely reflected lower sulphuric acid and sulphur prices.

Mining, processing and refining costs[1] are composed of the following:

	For the three months ended 2014 September 30	2013 September 30	For the nine months ended 2014 September 30	2013 September 30
Fixed costs	**26%**	24%	**25%**	23%
Sulphur	**8%**	8%	**6%**	8%
Sulphuric acid	**15%**	15%	**14%**	16%
Fuel oil	**20%**	20%	**21%**	20%
Maintenance	**13%**	12%	**15%**	14%
Other variable	**18%**	21%	**19%**	19%
	100%	100%	**100%**	100%

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

Capital spending is composed of the following:

	For the three months ended			For the nine months ended		
	2014	2013		**2014**	2013	
$ millions	**September 30**	September 30	Change	**September 30**	September 30	Change
Sustaining[1]	**$ 9.4**	$ 7.1	32%	**$ 18.0**	$ 21.1	(15%)
Expansion	**1.5**	-	-	**3.2**	0.5	540%
	$ 10.9	$ 7.1	54%	**$ 21.2**	$ 21.6	(2%)

(1) Includes assets acquired under finance leases of $nil for the three and nine months ended September 30, 2014 (2013 - $0.1 million and $4.5 million respectively).

Capital spending for the Moa Joint Venture was higher in the third quarter of 2014 than in the prior-year period primarily reflecting timing of planned expenditures. Expansion capital for the three and nine months ended September 30, 2014 included the mobilization of resources for the construction of the 2,000 tonne per day acid plant at Moa. During the quarter, the contract with the technology supplier for the third acid plant at Moa Nickel was approved and mobilization activities with the construction contractor progressed. Construction commencement remains on target for the first quarter of 2015.

Ambatovy

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

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

The Corporation's share of loss of an associate was $49.4 million and $140.4 million, respectively for the three and nine months ended September 30, 2014, which primarily consisted of its share of Ambatovy's loss from operations of $36.7 million and $106.8 million, respectively, and net financing expenses for each period.

Revenue is composed of the following:

	For the three months ended	For the nine months ended
	2014	**2014**
$ millions	**September 30**	**September 30**[1]
Nickel	**$ 75.2**	**$ 186.7**
Cobalt	**12.4**	**26.8**
Fertilizers	**2.0**	**4.5**
Other	**0.2**	**0.4**
	$ 89.8	**$ 218.4**

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

The average-realized nickel price for the three and nine months ended September 30, 2014 were $8.94 per pound (US$8.21 per pound) and $8.56 per pound (US$7.82 per pound), respectively.

During the third quarter of 2014, Ambatovy sold 9,532 tonnes (100% basis) of finished nickel and 902 tonnes (100% basis) of finished cobalt; an increase of 3,420 tonnes and 460 tonnes of nickel and cobalt, respectively, compared to the same period in the prior year. For the nine months ended September 30, 2014, Ambatovy sold 26,978 tonnes (100% basis) of finished nickel and 2,265 tonnes (100% basis) of finished cobalt; an increase of 8,300 tonnes and 696 tonnes of nickel and cobalt, respectively, compared to the same period in the prior year. Year-to-date, for the commercial production period ending September 30, 2014, Ambatovy sold 24,753 tonnes (100% basis) of finished nickel and sold 2,034 tonnes (100% basis) of finished cobalt.

In the third quarter of 2014, Ambatovy produced 10,467 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides, 9,357 tonnes (100% basis) of finished nickel, and 818 tonnes (100% basis) of finished cobalt; an increase of 3,913 tonnes, 3,898 tonnes, and 414 tonnes, respectively, compared to the same period in the prior year. For the nine months ended, September 30, 2014, Ambatovy produced 29,488 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides, 27,143 tonnes (100% basis) of finished nickel, and 2,223 tonnes (100% basis) of finished cobalt; an increase of 9,351 tonnes, 8,720 tonnes, and 655 tonnes, respectively, compared to the same period in the prior year. Overall, production was higher due to continued ramp-up of operations with both finished nickel and cobalt production volumes in the third quarter establishing quarterly production records, despite scheduled PAL autoclave maintenance turnarounds and an acid plant turnaround in September 2014. In addition to the planned maintenance activities, process limitations primarily in the Counter Current Decantation ("CCD") wash circuit and Raw Liquor Neutralization circuit limited production volumes. The key technical issues in Raw Liquor Neutralization have largely been resolved, and efforts are currently focused on addressing CCD limitations to increase plant throughput.

The average third quarter ore throughput in the PAL circuit was approximately 66% of nameplate capacity. Relative to the second quarter of 2014, ore throughput was higher primarily due to higher autoclave feed slurry density and higher volumetric throughput, largely due to an increased focus on improving downstream process control, metal recovery and product quality. Autoclave operating hours during the third quarter of 2014 were 6,988 hours, compared to 6,911 in the second quarter, reflecting increased mechanical reliability of the autoclaves, partly offset by autoclave maintenance turnarounds in September. Nickel recoveries improved during the third quarter to 88% compared to 85% during the prior period. Additional technical staff with metallurgical and operational expertise are now in place to support the completion of Ambatovy's ramp up.

Cost of sales(1)(2) is composed of the following:

$ millions	For the three months ended 2014 September 30	For the nine months ended 2014 September 30(1)
Mining, processing and refining	$ 74.7	$ 187.3
Selling costs	2.7	8.0
Other	1.9	3.8
	$ 79.3	$ 199.1

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

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

	For the three months ended 2014 September 30	For the nine months ended 2014 September 30
Mining, processing and refining costs	$ 8.33	$ 8.14
Cobalt by-product credits	(1.34)	(1.14)
Other(2)	0.27	0.11
Net direct cash cost (US$ per pound of nickel)	$ 7.26	$ 7.11
Sulphur (US$ per tonne)	189	189
Limestone (US$ per tonne)	19	19
Coal (US$ per tonne)	89	91

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

Net direct cash cost of nickel was US$7.26 per pound in the third quarter of 2014 and US$7.11 per pound for the nine months ended September 30, 2014 consistent with expectation for the facility when operating at its current ore throughput levels. Mining, processing and refining costs per pound in the quarter were higher than the prior quarter due largely to both unanticipated and scheduled mechanical activities mainly in September.

Post-commercial production mining, processing and refining costs[1] are composed of the following:

	For the three months ended 2014 September 30	For the nine months ended 2014 September 30
Sulphur	**13%**	**13%**
Limestone	**3%**	**4%**
Coal	**6%**	**7%**
Other Commodities	**17%**	**18%**
Maintenance	**35%**	**33%**
Other	**26%**	**25%**
	100%	**100%**

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

Capital spending is composed of the following:

	For the three months ended			For the nine months ended		
	2014	2013		**2014**	2013	
$ millions	**September 30**	September 30	Change	**September 30**	September 30	Change
Sustaining	**$ 12.8**	$ 5.1	151%	**$ 25.1**	$ 19.1	31%

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

For the three months ended September 30, 2014, the Joint Venture partners were not required to provide additional funding to the Joint Venture. For the year to date, a total of US$269.0 million (100% basis) in funding was provided by the Joint Venture partners. Sherritt's 40% share of funding for the nine months ended September 30, 2014 was US$107.6 million ($118.0 million) sourced from cash on hand.

Outlook for 2014

Production volumes and spending on capital for the nine and twelve months ended	**Actual 2014 September 30**	Projected 2014 December 31
PRODUCTION		
Mixed sulphides (tonnes, 100% basis):		
Moa Joint Venture	**27,232**	37,000
Ambatovy Joint Venture	**29,488**	39,000 – 44,000
	56,720	76,000 – 81,000
Finished nickel (tonnes, 100% basis):		
Moa Joint Venture	**24,245**	33,500
Ambatovy Joint Venture	**27,143**	37,000 – 41,000
	51,388	70,500 - 74,500
Finished cobalt (tonnes, 100% basis):		
Moa Joint Venture	**2,338**	3,350
Ambatovy Joint Venture	**2,223**	2,700 – 3,100
	4,561	6,050 – 6,450
SPENDING ON CAPITAL ($ millions):		
Moa Joint Venture (50% basis), Fort Site[1]	**21**	55
Ambatovy Joint Venture (40% basis)	**25**	34

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

Projected production volumes for the Moa Joint Venture have been revised for mixed sulphides and nickel due to the production for the first nine months of the year.

Production at Ambatovy for the fourth quarter 2014 is targeted to increase above third quarter 2014 levels. This targeted production takes into account planned maintenance activity in November that is similar to the September maintenance for two other autoclaves and one acid plant turnaround.

A key milestone for Ambatovy is reaching a production rate equivalent to 54,000 tonnes of nickel on an annualized basis (approximately 90% of nameplate capacity). The production rate is measured over ninety days in a one hundred day contiguous period and management is targeting mid 2015 for achieving this. This milestone is part of a series of ten completion certificates that the operation must obtain by September 2015 under the Ambatovy project financing agreements. Five are currently completed. Additional technical staff with metallurgical and operational expertise are now in place to support the completion of Ambatovy's ramp up. Upon achieving the production milestone and the other remaining completion certificates, the project financing will become non-recourse to the partners.

OIL AND GAS

Financial review

$ millions, except as otherwise noted	For the three months ended 2014 September 30	2013 September 30	Change	For the nine months ended 2014 September 30	2013 September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 68.1**	$ 74.2	(8%)	**$ 219.7**	$ 216.5	1%
Cost of sales[1]	**18.7**	13.5	39%	**48.3**	38.8	24%
	49.4	60.7	(19%)	**171.4**	177.7	(4%)
Administrative expenses[1]	**1.7**	2.3	(26%)	**6.8**	6.2	10%
Depletion, depreciation and amortization	**15.6**	17.5	(11%)	**49.0**	51.4	(5%)
Earnings from operations	**32.1**	40.9	(22%)	**115.6**	120.1	(4%)
Adjusted EBITDA[2]	**47.7**	58.4	(18%)	**165.6**	171.5	(3%)
PRODUCTION AND SALES[3]						
Gross working-interest - Cuba	**19,412**	20,445	(5%)	**19,710**	20,144	(2%)
Total net working-interest	**10,607**	11,403	(7%)	**11,160**	11,255	(1%)
AVERAGE REFERENCE PRICES (US$ per barrel)						
Gulf Coast Fuel Oil No. 6	**$ 87.57**	$ 92.94	(6%)	**$ 89.56**	$ 93.59	(4%)
Brent	**101.86**	111.61	(9%)	**106.99**	109.43	(2%)
AVERAGE-REALIZED PRICES[2]						
Cuba ($ per barrel)	**$ 69.18**	$ 70.27	(2%)	**$ 71.31**	$ 69.66	2%
Spain ($ per barrel)	**109.99**	114.91	(4%)	**116.43**	110.41	5%
Pakistan ($ per boe)[4]	**9.02**	8.35	8%	**8.94**	8.30	8%
Weighted-average	**68.37**	69.63	(2%)	**70.74**	68.96	3%
UNIT OPERATING COSTS[2][5] ($ per gross boe)						
Cuba[6]	**$ 9.98**	$ 6.59	51%	**$ 8.12**	$ 6.58	23%
Spain[7]	**39.30**	33.88	16%	**38.89**	24.70	57%
Pakistan[7]	**7.69**	4.68	64%	**6.49**	5.54	17%
Weighted-average	**10.32**	6.96	48%	**8.55**	6.84	25%
SPENDING ON CAPITAL	**$ 14.0**	$ 14.5	(3%)	**$ 45.2**	$ 37.8	20%

(1) Excludes depletion, depreciation and amortization.
(2) For additional information see the Non-GAAP measures section.
(3) Oil production is stated in barrels of oil per day (bopd). Natural gas production is stated in barrels of oil equivalent per day (boepd), which is converted at 6,000 cubic feet per barrel.
(4) Average-realized price for natural gas production is stated in barrels of oil equivalent (boe), which is converted at 6,000 cubic feet per barrel.
(5) Excludes the impact of impairment of property, plant and equipment.
(6) Average unit operating costs are calculated by dividing operating costs incurred by gross production. Previous disclosure reported average unit operating costs by dividing operating costs incurred by net production. Comparative periods have been adjusted accordingly.
(7) Gross working-interest production represents the Corporation's share of net working-interest production.

Oil and Gas revenue is composed of the following:

$ millions	For the three months ended 2014 September 30	2013 September 30	Change	For the nine months ended 2014 September 30	2013 September 30	Change
Cuba	**$ 64.1**	$ 69.7	(8%)	**$ 205.6**	$ 201.9	2%
Spain	**2.4**	3.1	(23%)	**9.2**	9.2	-
Pakistan	**0.3**	0.3	-	**0.8**	0.8	-
Processing	**1.3**	1.1	18%	**4.1**	4.6	(11%)
	$ 68.1	$ 74.2	(8%)	**$ 219.7**	$ 216.5	1%

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

$ millions	For the three months ended 2014 September 30	For the nine months ended 2014 September 30
Lower realized oil and gas prices, denominated in U.S. dollars	**$ (3.4)**	**$ (7.1)**
Lower gross working-interest volumes	**(3.6)**	**(4.2)**
(Lower) higher cost recovery revenue	**(2.2)**	**1.2**
Higher operating costs	**(5.0)**	**(7.6)**
Lower (higher) administrative costs	**0.6**	**(0.6)**
Lower depletion, depreciation and amortization	**2.7**	**5.7**
Weaker Canadian dollar relative to the U.S. dollar	**1.7**	**9.2**
Other	**0.4**	**(1.1)**
Change in earnings from operations, compared to 2013	**$ (8.8)**	**$ (4.5)**

The average-realized price for oil produced in Cuba decreased by $1.09 per barrel in the third quarter and increased by $1.65 per barrel in the first nine months of 2014 compared to the same periods in the prior year. The decrease in the third quarter of 2014 was primarily a result of a lower Gulf Coast Fuel Oil No.6 reference price partly offset by a weaker Canadian dollar relative to the U.S. dollar compared to the same period in the prior year. The increase in the first nine months of 2014 was primarily the result of a weaker Canadian dollar relative to the U.S. dollar, which was partly offset by a lower Gulf Coast Fuel Oil No. 6 reference price compared to the same period in the prior year.

The average-realized price for oil produced in Spain decreased by $4.92 per barrel in the third quarter and increased by $6.02 per barrel in the first nine months of 2014 compared to the same periods in the period year. The decrease in the third quarter of 2014 was primarily a result of a lower Brent reference price, which was partly offset by a weaker Canadian dollar relative to the U.S. dollar when compared to the same period in the prior year. The increase in the first nine months of 2014 was primarily as a result of a weaker Canadian dollar relative to the U.S. dollar, which was partly offset by a lower Brent reference price when compared to the same period in the prior year.

Further weakness in the oil markets occurred in October 2014 due to concerns over potential softening in global demand and the addition of more supply from shale oil in the US and other countries.

Production and sales volumes were as follows:

	For the three months ended			For the nine months ended		
	2014	2013		**2014**	2013	
Daily production volumes[1]	**September 30**	September 30	Change	**September 30**	September 30	Change
Gross working–interest oil production in Cuba[2][3]	**19,412**	20,445	(5%)	**19,710**	20,144	(2%)
Net working–interest oil production[4]						
Cuba (heavy oil)						
Cost recovery	**2,428**	2,870	(15%)	**3,087**	2,825	9%
Profit oil	**7,643**	7,909	(3%)	**7,475**	7,793	(4%)
Total	**10,071**	10,779	(7%)	**10,562**	10,618	(1%)
Spain (light oil)[4]	**235**	294	(20%)	**288**	305	(6%)
Pakistan (natural gas)[4]	**301**	330	(9%)	**310**	332	(7%)
	10,607	11,403	(7%)	**11,160**	11,255	(1%)

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

(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 2013 annual report.

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

Gross working interest (GWI) oil production in Cuba decreased 1,033 bopd in the third quarter and by 434 bopd in the first nine months of 2014 compared to the same periods in the prior year. The decreases were primarily caused by a mechanical failure at a well in the Yumuri area which occurred in the second quarter of 2014. The mechanical failure accounted for a decrease of 571 bopd in the third quarter and of 368 bopd in the first nine months of 2014 compared to the same periods in the prior year. Following the completion of the quarter, a workover was completed and the well placed into production. Results are currently being evaluated. The remaining decrease in production in the third quarter and the first nine months of 2014 compared to the same periods in the prior year was due to natural reservoir declines.

Cost-recovery oil production in Cuba decreased by 442 bopd in the third quarter and increased by 262 bopd in the first nine months of 2014. The decrease in the third quarter of 2014 compared to the same period in the prior year was primarily due to limitations on the amount of eligible expenditures that can be claimed on a quarterly basis for cost recovery purposes under the terms of the Puerto Escondido/Yumuri production-sharing contract. Any eligible expenditures not recovered in the current quarter remain eligible for the allocation of cost recovery oil in subsequent quarters. The increase in the first nine months of 2014 was primarily due to higher recoverable spending, partly offset by higher oil prices. Profit oil production, which represents Sherritt's share of production after cost recovery volumes are deducted from GWI volumes, decreased by 266 bopd in the third quarter and by 318 bopd in the first nine months of 2014.

Production in Spain decreased in the third quarter and in the first nine months of 2014 compared to the same periods in the prior year due to a pump failure at Boqueron and a temporary shutdown of the platform in order to perform maintenance activities. The decrease in production from these events were partly offset by an increase in production from a successful workover performed in the Casablanca area in the first half of 2014.

Unit operating cost for Cuba is composed of the following:

	For the three months ended		For the nine months ended	
	2014 September 30	2013 September 30	**2014 September 30**	2013 September 30
Labour	**18%**	21%	**20%**	22%
Maintenance	**31%**	15%	**21%**	12%
Treatment and transportation	**13%**	18%	**15%**	18%
Fuel and electricity	**9%**	9%	**9%**	9%
Production chemicals	**7%**	7%	**7%**	8%
Freight and duty	**7%**	7%	**7%**	6%
Insurance	**2%**	4%	**3%**	4%
Other	**13%**	19%	**18%**	21%
	100%	100%	**100%**	100%

During the quarter the Corporation commenced reporting average unit operating costs for Cuba on a gross barrel basis. The Corporation believes this approach is more relevant as the operating costs reported by the Corporation represent costs incurred to produce gross volumes. Therefore, average unit operating costs for Cuba are now determined by dividing operating costs incurred by gross production instead of net production.

Unit operating cost in Cuba increased $3.39 per barrel in the third quarter and by $1.54 per barrel in the first nine months of 2014 compared to the same periods in the prior year. The increases were primarily the result of workover costs incurred during the third quarter of 2014 an attempt to re-establish production from the Yumuri well discussed previously, as well as lower production volumes. Workover costs accounted for an increase of $2.98 per barrel in the third quarter of 2014 and $1.18 per barrel in the first nine months of 2014.

Unit operating cost in Spain increased by $5.42 per barrel in the third quarter and by $14.19 per barrel in the first nine months of 2014 when compared to the same periods in the prior year. The increase in the third quarter of 2014 was primarily due to the effect of a weaker Canadian dollar relative to the Euro, a workover and platform maintenance. The increase in the first nine months of 2014 was primarily due to the effect of a weaker Canadian dollar relative to the Euro, two workovers, platform maintenance, and an adjustment in the first quarter of 2013 related to 2012 costs. Lower production also contributed to the increase in unit operating cost in each of the current year periods.

Spending on capital is composed of the following:

	For the three months ended			For the nine months ended		
$ millions	**2014 September 30**	2013 September 30	Change	2014 **September 30**	2013 September 30	Change
Development, facilities and other	$ **14.0**	$ 10.4	35%	$ **44.6**	$ 32.8	36%
Exploration	**–**	4.1	(100%)	**0.6**	5.0	(88%)
	$ **14.0**	$ 14.5	(3%)	$ **45.2**	$ 37.8	20%

Spending on capital in the third quarter of 2014 was composed primarily of $6.1 million related to equipment purchases, $4.7 million related to development drilling activities, and $1.3 million related to facility improvements. The increase in spending compared to the prior-year period is the result of increased equipment purchases in Cuba, which included purchases related to both drilling rigs and transportation equipment. During the third quarter of 2014, one development well was drilled and completed in Cuba, which is currently being tested. A second development well was completed in October 2014.

In the first nine months of 2014, capital spending was composed primarily of $19.2 million related to development drilling activities, $15.9 million related to equipment purchases, and $4.3 million related to facility improvements. The increase in spending compared to the prior year period is primarily the result of increased equipment purchases in Cuba, which include purchases related to the start-up of the second drilling rig and a related camp, the purchase of a service rig as well as the same major purchases as outlined above. During the first nine months of 2014, three development wells were drilled and completed in Cuba, one of which is currently producing oil. The second well is suspended pending a second workover, and the third well is being tested. A fourth development well was completed in October 2014, as previously noted.

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

Outlook for 2014

Production volumes and spending on capital for the nine and twelve months ended	**Actual 2014 September 30**	Projected 2014 December 31
Production		
Gross working-interest oil (Cuba) (bopd)	**19,710**	19,000
Net working-interest production, all operations (boepd)	**11,160**	11,200
Spending on capital ($ millions)	**45**	94

Sherritt continues to wait for final approval by Cuban ministries with respect to four new exploration blocks.

POWER

Financial review

$ millions (33⅓% basis), except as otherwise noted	For the three months ended 2014 September 30	2013 September 30	Change	For the nine months ended 2014 September 30	2013 September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 12.7**	$ 14.7	(14%)	**$ 37.3**	$ 44.2	(16%)
Cost of sales[1]	**3.4**	9.9	(66%)	**11.9**	46.1	(74%)
	9.3	4.8	94%	**25.4**	(1.9)	1,437%
Administrative expenses[1]	**1.3**	1.1	18%	**6.0**	3.7	62%
Depletion, depreciation and amortization	**5.3**	2.3	130%	**15.0**	7.6	97%
Earnings (loss) from operations	**2.7**	1.4	93%	**4.4**	(13.2)	133%
Adjusted EBITDA[2]	**8.0**	3.7	116%	**19.4**	1.7	1,041%
PRODUCTION AND SALES						
Electricity (GWh[3])	**223**	130	72%	**633**	443	43%
AVERAGE-REALIZED PRICES[2]						
Electricity (per MWh[3])	**$ 46.39**	$ 43.47	7%	**$ 46.28**	$ 42.48	9%
UNIT OPERATING COSTS[2] (per MWh)						
Base[4]	**$ 12.39**	$ 20.59	(40%)	**$ 13.82**	$ 18.41	(25%)
Non-base[5]	**1.00**	5.42	(82%)	**1.55**	6.56	(76%)
	13.39	26.01	(49%)	**15.37**	24.97	(38%)
SPENDING ON CAPITAL AND SERVICE CONCESSION ARRANGEMENTS						
Capital	**$ 0.6**	$ 2.6	(77%)	**$ 2.1**	$ 6.4	(67%)
Service concession arrangements	**0.4**	7.5	(95%)	**2.1**	17.8	(88%)
	1.0	10.1	(90%)	**4.2**	24.2	(83%)

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

Power revenue is composed of the following:

$ millions (33⅓% basis)	For the three months ended 2014 September 30	2013 September 30	Change	For the nine months ended 2014 September 30	2013 September 30	Change
Electricity sales	**$ 10.3**	$ 5.6	84%	**$ 29.3**	$ 18.8	56%
By-products and other	**2.0**	1.6	25%	**5.9**	7.6	(22%)
Construction activity[1]	**0.4**	7.5	(95%)	**2.1**	17.8	(88%)
	$ 12.7	$ 14.7	(14%)	**$ 37.3**	$ 44.2	(16%)

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

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

$ millions (33⅓% basis)	For the three months ended 2014 September 30	For the nine months ended 2014 September 30
Higher electricity volumes	$ 4.4	$ 9.2
Higher realized by-product prices	–	0.2
2013 provision on receivables and impairment on Madagascar assets	–	17.2
Higher administrative expenses	(0.2)	(2.3)
Higher depletion, depreciation and amortization	(3.0)	(7.4)
Weaker Canadian dollar relative to the U.S. dollar	0.3	1.6
Other	(0.2)	(0.9)
Change in earnings from operations, compared to 2013	$ 1.3	$ 17.6

Production increased 93 GWh in the third quarter and 190 GWh in the first nine months of 2014 compared to the same periods in the prior year. These increases were primarily due to increased production from the Boca de Jaruco Combined Cycle Project and a decrease in scheduled maintenance activities.

The average-realized price of electricity was $2.92 per MWh higher in the third quarter and $3.80 per MWh higher in the first nine months of 2014 compared to the same periods in the prior year primarily due to a weaker Canadian dollar relative to the U.S. dollar.

Administrative expenses were higher in the third quarter and the first nine months of 2014 compared to the same periods in the prior year primarily related to the absence of overhead recoveries due to the construction of the Boca de Jaruco Combined Cycle Project being completed in early 2014. Depletion, depreciation and amortization were higher in the third quarter and the first nine months of 2014 compared to the same periods in the prior year due to Phase 8 becoming operational on February 2, 2014.

Unit operating cost is composed of the following:

	For the three months ended		For the nine months ended	
	2014 September 30	2013 September 30	**2014 September 30**	2013 September 30
Labour	**36%**	27%	**34%**	25%
Maintenance	**16%**	22%	**20%**	32%
Freight and duty	**8%**	7%	**6%**	9%
Insurance	**10%**	10%	**10%**	8%
Other	**30%**	34%	**30%**	26%
	100%	100%	**100%**	100%

Overall, unit operating cost decreased by $12.62 per MWh in the third quarter and by $9.60 per MWh in the first nine months of 2014 compared to the same periods in the prior year. Base unit operating cost decreased by $8.20 per MWh in the third quarter and by $4.59 per MWh in the first nine months of 2014 primarily due to lower scheduled turbine maintenance costs and the effect of higher production on fixed costs. Non-base unit operating costs decreased by $4.42 per MWh in the third quarter and by $5.01 per MWh in the first nine months of 2014 compared to the same periods in the prior year. Lower non-base unit operating costs were primarily due to the absence of scheduled maintenance in 2014, which accounted for $3.21 per MWh in the third quarter of 2013, as well as the absence of scheduled major turbine inspections at Boca de Jaruco, which accounted for $4.35 per MWh in the first nine months of 2013.

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

	For the three months ended			For the nine months ended		
$ millions (33⅓% basis)	**2014 September 30**	2013 September 30	Change	**2014 September 30**	2013 September 30	Change
Sustaining	**$ 0.6**	$ 0.6	-	**$ 1.4**	$ 0.9	56%
Growth	**–**	2.0	(100%)	**0.7**	5.5	(87%)
	$ 0.6	$ 2.6	(77%)	**$ 2.1**	$ 6.4	(67%)

Sustaining capital expenditures were primarily related to routine maintenance and the purchase of equipment.

$ millions (33⅓% basis)	For the three months ended 2014 September 30	2013 September 30	Change	For the nine months ended 2014 September 30	2013 September 30	Change
Service concession arrangements	$ **0.4**	$ 7.5	(95%)	$ **2.1**	$ 17.8	(88%)

Service concession arrangement expenditures are primarily related to the 150 MW Boca de Jaruco Combined Cycle Project, which was fully operational on February 2, 2014.

Outlook for 2014

Production volumes and spending on capital for the nine and twelve months ended	**Actual 2014 September 30**	Projected 2014 December 31
Production		
Electricity (GWh)	**633**	750
Spending on capital ($ millions)		
Cuba	**2**	4

Liquidity and capital resources

Total available liquidity at September 30, 2014 was $1.1 billion which includes cash and cash equivalent and short term investments of $980.3 million and available credit facilities of $71.5 million.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

Canadian $ millions, as at September 30, 2014	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	$ 135.5	$ 135.5	$ -	$ -	$ -	$ -	$ -
Income taxes payable	14.7	14.7	-	-	-	-	-
Loans and borrowings[(1)]	3,357.2	92.1	365.9	192.1	220.2	658.9	1,828.0
Provisions	152.4	0.2	1.3	0.4	0.6	0.8	149.1
Operating leases	12.4	2.0	2.0	1.9	2.0	2.0	2.5
Capital commitments	39.4	37.3	2.1	-	-	-	-
Total	$ 3,711.6	$ 281.8	$ 371.3	$ 194.4	$ 222.8	$ 661.7	$ 1,979.6

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

OTHER COMMITMENTS

The following commitments are not reflected in the table above:

Moa Joint Venture

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

- Environmental rehabilitation commitments of $66.9 million, with no significant repayments due in the next four years;
- Advances and loans payable of $145.9 million; and
- Other commitments of $1.8 million.

Ambatovy Joint Venture

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

- Environmental rehabilitation commitments of $194.3 million, with no significant repayments due in the next four years;
- Other contractual commitments of $31.1 million; and
- Ambatovy Joint Venture senior debt financing of US$753.5 million ($844.5 million). On an undiscounted basis, principal and interest repayments are $960.5 million.

INVESTMENT LIQUIDITY

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

$ millions, as at September 30, 2014	Cash	Cash equivalents and Short-term investments	Total
Canada	$ 16.1	$ 943.4	$ 959.5
Cuba	12.0	-	12.0
Other	8.8	-	8.8
	$ 36.9	$ 943.4	$ 980.3

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, 2014 cash equivalents included $69.9 million in Government of Canada treasury bills having original maturity dates of less than three months and short-term investments included $873.5 million in Government of Canada treasury bills having original maturity dates of greater than three months and less than one year.

The table above does not include cash and cash equivalents of $41.0 million (100% basis) held by the Moa Joint Venture, nor $46.3 million (100% basis) held by the Ambatovy Joint Venture. The Corporation's share is included as part of the investment in a joint venture and associate balances in the consolidated statement of financial position. The cash and short-term investments amounts are deposited with or issued by financial institutions whose parent company is rated A- or higher by Standard & Poor's.

Loans and Borrowings

On October 10, 2014 the Corporation completed the purchase of $150.0 million of 8.00% Senior Unsecured Debentures due November 15, 2018 (2018 Debentures) and $250.0 million of 7.50% Senior Unsecured Debentures due September 24, 2020 (2020 Debentures) related to the previously announced offers of solicitation. Net of deferred financing costs, the Corporation's outstanding 2018 Debentures decreased by $147.8 million and the outstanding 2020 Debentures decreased by $245.8 million. The tender of the 2018 Debentures and 2020 Debentures and the receipt of consents required the Corporation to pay tender, consent and dealer fees of $24.3 million in October 2014. These amounts will be recognized within net financing expense in the fourth quarter of 2014.

Additionally, on October 10, 2014, the Corporation completed an issuance of $250.0 million of 7.875% Senior Unsecured Notes due in 2022. The net proceeds of approximately $239 million (after the deduction of expenses and discounts) will be used with cash on hand to fund the repurchase and redemption of the Corporation's outstanding 7.75% Senior Unsecured Debentures due October 15, 2015 (2015 Debentures). In connection with the repurchase and redemption of the 2015 Debentures, the Corporation will be required to pay an early redemption premium on the principal amount plus accrued interest to the date of repurchase, totaling $16.0 million. These amounts will be recognized within net financing expense in the fourth quarter of 2014.

AVAILABLE CREDIT FACILITIES

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

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

$ millions, as at	2014 September 30 Maximum	2014 September 30 Undrawn	2014 September 30 Available[(1)]	2013 December 31 Maximum	2013 December 31 Undrawn	2013 December 31 Available[(1)]
Short-term						
Syndicated 364-day revolving-term credit facility[(2)]	$ **90**	$ **52**	$ **52**	$ 90	$ 9	$ -
Line of credit[(3)]	**20**	**20**	**20**	20	-	-
Long-term						
Ambatovy Joint Venture partner loans (US$)[(4)]	**85**	**–**	**–**	213	127	-
Coal revolving credit facility[(5)]	**–**	**–**	**–**	525	66	-
Total Canadian equivalent	$ **206**	$ **72**	$ **72**	$ 862	$ 211	$ -

(1) The Corporation's credit facilities are available to the extent amounts are undrawn and financial covenants or restrictions have not been exceeded.
(2) Established for general corporate purposes. Total available draw is based on eligible receivables and inventory. At September 30, 2014, the Corporation had $38.5 million of letters of credit outstanding on this facility. The change in the undrawn amount at September 30, 2014 from December 31, 2013 is due to repayment of $45.0 million in principal amounts outstanding in the second quarter of 2014 and foreign exchange translation on outstanding letters of credit.
(3) The change in the undrawn amount at September 30, 2014 from December 31, 2013 is due to repayment of $20.0 million in principal amounts outstanding in the second quarter of 2014.
(4) Established to fund Sherritt's contributions to the Ambatovy Joint Venture. The Corporation's ability to draw on the facility expired on August 22, 2014.
(5) As a result of completing the sale of the Coal's operations, the Coal revolving credit facility was fully repaid and terminated on April 28, 2014.

Covenants

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

At September 30, 2014 the Corporation and its divisions were in compliance with all of their financial covenants.

During the third quarter the Corporation received consent to amend the Corporation's indentures. Under the new indenture agreement the Corporation is subject to certain covenants, including financial covenants which if exceeded limit or prohibit the incurrence of indebtedness and the ability to make certain distributions. The financial covenants are as follows; EBITDA-to-interest expense ratio of no less than 2:1 and total indebtedness-to-EBITDA ratio not to exceed 3:1. The amendments were adopted for all outstanding debentures of the Corporation on October 10, 2014.

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.

	For the three months ended			For the nine months ended		
	2014	2013		**2014**	2013	
$ millions	**September 30**	September 30	Change	**September 30**	September 30	Change
Cash provided by operating activities						
Cash provided by continuing operating activities before change in non-cash working capital	**$ 43**	$ 36	19%	**$ 75**	$ 92	(18%)
Change in non-cash working capital	**(8)**	4	(300%)	**(29)**	(19)	(53%)
Cash provided by continuing operations	**35**	40	(11%)	**46**	73	(37%)
Cash provided by discontinued operations	**–**	37	(100%)	**43**	101	(57%)
	$ 35	$ 77	(55%)	**$ 89**	$ 174	(49%)
Cash (used) provided by investing and financing						
Property, plant, equipment and intangible expenditures	**(19)**	(22)	14%	**(57)**	(58)	2%
Net repayment of loans, borrowings and other financial liabilities	**–**	(10)	100%	**(365)**	(38)	(861%)
Loans to an associate	**–**	-	-	**(118)**	(65)	(82%)
Investment in an associate	**–**	(64)	100%	**–**	(77)	100%
Reciept from investments	**–**	7	(100%)	**6**	21	(71%)
Dividends paid on common shares	**(3)**	(13)	77%	**(19)**	(37)	49%
Cash used by discontinued operations	**–**	(13)	100%	**(23)**	(40)	43%
Net proceeds from sale of Coal (net of cash disposed)	**–**	-	-	**804**	-	-
Other	**1**	3	(67%)	**11**	(12)	192%
	$ (21)	$ (112)	81%	**$ 239**	$ (306)	178%
	14	(35)	140%	**328**	(132)	348%
Cash, cash equivalents and short-term investments:						
Beginning of the period	**966**	406	138%	**652**	503	30%
End of the period	**$ 980**	$ 371	164%	**$ 980**	$ 371	164%

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

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

- Cash from continuing operating activities before change in non-cash working capital for the three months ended September 30, 2014 was relatively consistent with the same period in the prior year as lower cash interest paid was mostly offset by the timing of income tax paid at Oil and Gas and payments for work performed related to the Obed incident. For the nine months ended September 30, 2014, cash from continuing operating activities before change in non-cash working capital was lower than the same period in the prior year primarily as a result of timing of income tax paid at Oil and Gas and a decrease in provisions due to work performed related to the Obed incident partly offset by lower cash interest paid;
- The change in non-cash working capital in the three and nine months ended September 30, 2014 is unfavourable compared to the prior-year period primarily as a result of timing related to the collection of receivables at Metals and the gain on arbitration settlement offset by increased accounts payable. Additionally, for the nine months ended September 30, 2014, the change in non-cash working capital was impacted by the reduction in deferred revenue due to spring fertilizer sales;
- The net repayment of loans and borrowings for the nine months ended September 30, 2014 relates primarily to the repayment of the Coal revolving credit facility ($300.0 million), the syndicated 364-day revolving-term credit facility ($45.0 million) and the line of credit ($20.0 million) during the second quarter of 2014;
- A total of $118.0 million (US$107.6 million) was provided in cash to the Ambatovy Joint Venture as Sherritt's share of the joint venture funding requirements in the nine months ended September 30, 2014, respectively. This funding was provided as a loan; and,
- In the second quarter, net proceeds from the sale of Coal included the proceeds of $814.4 million (including closing adjustments) offset by the cash disposed on the sale of $10.1 million.

COMMON SHARES

As at October 28, 2014, the Corporation had 297,231,491 common shares outstanding. An additional 5,518,752 common shares are issuable upon exercise of outstanding stock options granted to employees pursuant to the Corporation's stock option plan.

On September 19, 2014, the Corporation's Board of Directors approved a quarterly dividend of $0.01 per common share, paid on October 14, 2014 to shareholders of record as of the close of business on September 30, 2014.

Normal course issuer bid

On October 27, 2014 the Corporation announced its intention to commence a normal course issuer bid (NCIB) to purchase for cancellation up to 5% of its issued and outstanding common shares over a twelve month period. The commencement of the NCIB is subject to Toronto Stock Exchange approval.

Managing risk

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

Accounting Pronouncements

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

IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

IFRS 15 - Revenue from Contracts and Customers

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

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

Summary of quarterly results

The following table presents a summary of the segment revenue and consolidated operating results for each of the eight quarters ended December 31, 2012 to September 30, 2014[(1)(2)]

$ millions, except per share amounts, for the three months ended	2014 Sept 30	2014 June 30	2014 Mar 31	2013 Dec 31	2013 Sept 30	2013 June 30	2013 Mar 31	2012 Dec 31
Revenue								
Metals	$ **221.2**	$ 216.0	$ 160.1	$ 101.6	$ 104.8	$ 120.6	$ 103.7	$ 138.4
Oil and Gas	**68.1**	74.7	76.9	74.9	74.2	71.2	71.1	68.2
Power	**12.7**	12.7	11.9	10.6	14.7	13.5	16.0	17.0
Corporate and Other	**0.7**	1.2	1.8	2.0	1.6	1.7	1.2	2.3
Adjusted Revenue[(3)]	$ **302.7**	$ 304.6	$ 250.7	$ 189.1	$ 195.3	$ 207.0	$ 192.0	$ 225.9
Adjust joint venture and associate revenue	**(199.8)**	(174.4)	(129.8)	(80.5)	(84.1)	(85.3)	(85.0)	(95.6)
Financial statement revenue	$ **102.9**	$ 130.2	$ 120.9	$ 108.6	$ 111.2	$ 121.7	$ 107.0	$ 130.3
Net (loss) earnings from continuing operations	**(51.3)**	(49.0)	(70.5)	(134.8)	1.9	(15.2)	(2.6)	7.2
(Loss) earnings from discontinued operations, net of tax	**–**	18.9	22.3	(539.0)	(0.8)	4.5	25.7	(24.1)
Net (loss) earnings	$ **(51.3)**	$ (30.1)	$ (48.2)	$ (673.8)	$ 1.1	$ (10.7)	$ 23.1	$ (16.9)
Net (loss) earnings per share, basic and diluted ($ per share)								
Net (loss) earnings from continuing operations	$ **(0.17)**	$ (0.16)	$ (0.24)	$ (0.45)	$ 0.01	$ (0.05)	$ (0.01)	$ 0.02
Net (loss) earnings	**(0.17)**	(0.10)	(0.16)	(2.27)	0.00	(0.04)	0.08	(0.06)

(1) On April 28, 2014, the Corporation completed the sale of its Coal operations. Results for Coal prior to the date of sale have been reported in (loss) earnings from discontinued operations.

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

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

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

- the third quarter of 2014 includes the Corporation's share of losses of the Ambatovy Joint Venture of $49.4 million partly offset by a $12.8 million gain on arbitration settlement.
- the second quarter of 2014 includes the Corporation's share of losses of the Ambatovy Joint Venture of $50.9 million partly offset by a $13.0 million gain recognized on the sale of the Coal operations;
- the first quarter of 2014 includes the Corporation's share of losses of the Ambatovy Joint Venture of $40.1 million partly offset by a reduction in depletion, depreciation, and amortization as a result of classifying Coal as a discontinued operation;
- the fourth quarter of 2013 included total impairments of $577.7 million recognized in Coal (discontinued operation), Metals and Power. Net finance expense includes a $13.6 million non-cash downward adjustment in the fair value of the Ambatovy call option;
- the third quarter of 2013 included a $12.4 million non-cash upward adjustment in the fair value of the Ambatovy call option;
- the second quarter of 2013 included a non-cash provision on accounts receivable and impairment on Madagascar assets of $17.2 million;
- the first quarter of 2013 included a non-cash gain on termination of the Highvale mining contract of $22.0 million (in earnings of discontinued operations); and
- the fourth quarter of 2012 included the recognition of total impairments of $18.7 million.

Off-balance sheet arrangements

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

Transactions with related parties

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

	For the three months ended		For the nine months ended	
Canadian $ millions	**2014 September 30**	2013 September 30	**2014 September 30**	2013 September 30
Total value of goods and services:				
Provided to joint operations	**$ 4.1**	$ 4.6	**$ 12.6**	$ 18.9
Provided to joint venture	**41.4**	37.5	**126.7**	115.8
Provided to associate	**0.6**	-	**2.5**	5.7
Purchased from joint operations	**–**	1.8	**1.0**	2.7
Purchased from joint venture	**40.4**	22.3	**130.4**	79.8
Purchased from associate	**13.8**	10.4	**44.4**	20.5
Net financing income from joint operations	**4.5**	6.4	**14.0**	18.3
Net financing income from associate	**12.6**	-	**32.0**	-
Net financing income from joint venture	**1.8**	1.7	**5.4**	5.2

Canadian $ millions, as at	**2014 September 30**	2013 December 31
Accounts receivable from joint operations	**$ 0.3**	$ 0.2
Accounts receivable from joint venture	**20.7**	23.2
Accounts receivable from associate	**58.1**	36.2
Accounts payable to joint operations	**0.4**	-
Accounts payable to joint venture	**25.3**	1.9
Accounts payable to associate	**4.8**	4.5
Advances and loans receivable from associate	**1,324.4**	1,106.9
Advances and loans receivable from joint operations	**249.4**	251.7
Advances and loans receivable from joint venture	**241.5**	241.7

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

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

Supplementary information

SENSITIVITY ANALYSIS

The following table shows the approximate impact on the Corporation's net earnings and earnings per share from continuing operations for the three months ended three and nine 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		Increase	Approximate change in quarterly net earnings ($ millions) Increase/(decrease)	Approximate change in quarterly basic EPS Increase/(decrease)
Prices				
Nickel - LME price per pound[1]	US$	0.50	$ 8	$ 0.03
Cobalt - Metal Bulletin price per pound[1]	US$	5.00	7	0.02
Oil -U.S. Gulf Coast Fuel Oil No. 6 price per barrel	US$	5.00	2	0.01
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	US$	0.05	(19)	(0.07)
Operating costs[1]				
Natural gas - per gigajoule (Moa Joint Venture)	$	1.00	(1)	-
Sulphur - per tonne (Moa Joint Venture and Ambatovy)	US$	25.00	(2)	(0.01)
Sulphuric acid - per tonne (Moa Joint Venture)	US$	25.00	(1)	-
Coal - per tonne (Ambatovy)	US$	20.00	(1)	-
Limestone - per tonne (Ambatovy)	US$	5.00	(1)	-

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

NON-GAAP MEASURES

Management uses Adjusted Revenue, 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.

On January 22, 2014, Ambatovy achieved the requirements for commercial production. As a result, effective February 1, 2014, Ambatovy ceased capitalizing project costs and commenced recognizing revenues and costs within the statement of comprehensive income. Consistent with the Corporation's financial statement results, the following non-GAAP measures reflect financial results, including sales volumes, for the post-commercial production periods.

Adjusted Revenue

The Corporation defines Adjusted Revenue as the sum of revenue from the Corporation's consolidated financial statements, the Corporation's 50% share of revenue from the Moa Joint Venture and 40% share of revenue from the Ambatovy Joint venture both of which are accounted for using the equity method for accounting purposes. This measure reflects all revenue recognized across the Corporation's business units prior to the application of equity accounting. Management believes that Adjusted Revenue is an important indicator of revenue recognized across the Corporation and uses the measure to assess financial performance. Refer to page 4 for the reconciliation of Adjusted Revenue.

Adjusted EBITDA

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

$ millions, for the three months ended September 30									**2014**
	Metals								
	Moa JV and Fort Site	Ambatovy JV	Other	Total	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)	$ **19.3**	$ **(36.7)**	$ **–**	$ **(17.4)**	$ **32.1**	$ **2.7**	$ **3.0**	$ **(21.9)**	$ **(1.5)**
Add (deduct):									
Depletion, depreciation and amortization	**2.1**	**–**	**–**	**2.1**	**15.6**	**5.3**	**0.8**		**23.8**
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	**6.5**	**41.0**	**–**	**47.5**	**–**	**–**	**–**	**–**	**47.5**
Net finance expense	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22.2**	**22.2**
Income tax recovery	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Adjusted EBITDA	$ **27.9**	$ **4.3**	$ **–**	$ **32.2**	$ **47.7**	$ **8.0**	$ **3.8**	$ **–**	$ **91.7**

$ millions, for the three months ended September 30									2013
	Metals								
	Moa JV and Fort Site	Ambatovy JV	Other	Total	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)	$ (1.0)	$ (0.4)	$ 0.7	$ (0.7)	$ 40.9	$ 1.4	$ (12.1)	$ 1.0	$ 30.5
Add (deduct):									
Depletion, depreciation and amortization	2.3	-	(0.1)	2.2	17.5	2.3	0.5		22.5
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	6.6	-	0.8	7.4	-	-	-	-	7.4
Net finance expense	-	-	-	-	-	-	-	0.8	0.8
Income tax recovery	-	-	-	-	-	-	-	(1.8)	(1.8)
Adjusted EBITDA	$ 7.9	$ (0.4)	$ 1.4	$ 8.9	$ 58.4	$ 3.7	$ (11.6)	$ -	$ 59.4

$ millions, for the nine months ended September 30									**2014**
	Metals								
	Moa JV and Fort Site	Ambatovy JV	Other	Total	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)	$ **29.1**	$ **(106.8)**	$ **0.8**	$ **(76.9)**	$ **115.6**	$ **4.4**	$ **(25.4)**	$ **(54.7)**	$ **(37.0)**
Add (deduct):									
Depletion, depreciation and amortization	**7.3**	**–**	**–**	**7.3**	**49.0**	**15.0**	**2.7**		**74.0**
Impairment of property, plant and equipment	**–**	**–**	**–**	**–**	**1.0**	**–**	**–**	**–**	**1.0**
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	**20.5**	**108.8**	**–**	**129.3**	**–**	**–**	**–**		**129.3**
Net finance expense	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**57.5**	**57.5**
Income tax recovery	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2.8)**	**(2.8)**
Adjusted EBITDA	$ **56.9**	$ **2.0**	$ **0.8**	$ **59.7**	$ **165.6**	$ **19.4**	$ **(22.7)**	$ **–**	$ **222.0**

$ millions, for the nine months ended September 30									2013
	Metals							Adjustment for Joint Venture and Associate	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other		Total
Earnings (loss) from operations, associate and joint venture per financial statements (note 4)	$ 13.6	$ (1.2)	$ 0.6	$ 13.0	$ 120.1	$ (13.2)	$ (45.1)	$ (2.6)	$ 72.2
Add (deduct):									
Depletion, depreciation and amortization	7.4	-	(0.4)	7.0	51.4	7.6	2.7		68.7
Impairment of property, plant and equipment	-	-	-	-	-	7.3	-	-	7.3
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	20.7	-	2.4	23.1	-	-	-	-	23.1
Net finance expense	-	-	-	-	-	-	-	8.8	8.8
Income tax recovery	-	-	-	-	-	-	-	(6.2)	(6.2)
Adjusted EBITDA	$ 41.7	$ (1.2)	$ 2.6	$ 43.1	$ 171.5	$ 1.7	$ (42.4)	$ -	$ 173.9

Average-realized price

Average-realized price is generally calculated by dividing revenue by sales volume for the given product in a given division. The average-realized price for nickel, cobalt, and fertilizer excludes the impact of by-product revenue and the metals marketing company. The table below reconciles average-realized price to revenue as per the financial statements:

$ millions, except average-realized price and sales volume, for the three months ended September 30							**2014**
	Metals						
	Nickel	Cobalt	Fertilzer	Other Revenue	Total	Oil and Gas	Power
Revenue per financial statements (note 4)	$ **166.5**	$ **27.3**	$ **10.9**	$ **16.5**	$ **221.2**	$ **68.1**	$ **12.7**
Adjustments to revenue:							
By-product revenue	**–**	**–**	**(2.8)**			**–**	**(2.0)**
Processing revenue	**–**	**–**	**–**			**(1.3)**	**–**
Service concession arrangement revenue	**–**	**–**	**–**			**–**	**(0.4)**
Revenue for purposes of average-realized price calculation	**166.5**	**27.3**	**8.1**			**66.8**	**10.3**
Sales volume for the period	**18.5**	**1.8**	**29.7**			**1.0**	**223**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ **8.99**	$ **15.60**	$ **272**			$ **68.37**	$ **46.39**

$ millions, except average-realized price and sales volume, for the three months ended September 30							2013
	Metals						
	Nickel	Cobalt	Fertilzer	Other Revenue	Total	Oil and Gas	Power
Revenue per financial statements (note 4)	$ 64.8	$ 13.7	$ 12.5	$ 13.8	$ 104.8	$ 74.2	$ 14.7
Adjustments to revenue:							
By-product revenue	-	-	(3.0)			-	(1.6)
Processing revenue	-	-	-			(1.1)	-
Service concession arrangement revenue	-	-	-			-	(7.5)
Revenue for purposes of average-realized price calculation	64.8	13.7	9.5			73.1	5.6
Sales volume for the period	10.1	1.0	28.1			1.0	130
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ 6.42	$ 13.26	$ 338			$ 69.63	$ 43.47

(1) Net working-interest oil production.
(2) Average-realized price may not calculate based on amounts presented due to rounding.
(3) Power, average-realized price per MWh.

$ millions, except average-realized price and sales volume, for the nine months ended September 30							**2014**
	Metals						
	Nickel	Cobalt	Fertilzer	Other Revenue	Total	Oil and Gas	Power
Revenue per financial statements (note 4)	$ **411.1**	$ **66.3**	$ **66.6**	$ **53.3**	$ **597.3**	$ **219.7**	$ **37.3**
Adjustments to revenue:							
By-product revenue	**–**	**–**	**(8.7)**			**–**	**(5.9)**
Processing revenue	**–**	**–**	**–**			**(4.1)**	**–**
Service concession arrangement revenue	**–**	**–**	**–**			**–**	**(2.1)**
Revenue for purposes of average-realized price calculation	**411.1**	**66.3**	**57.9**			**215.6**	**29.3**
Sales volume for the period	**48.7**	**4.4**	**163.9**			**3.0**	**633**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ **8.44**	$ **15.02**	$ **353**			$ **70.74**	$ **46.28**

$ millions, except average-realized price and sales volume, for the nine months ended September 30							2013
	Metals						
	Nickel	Cobalt	Fertilzer	Other Revenue	Total	Oil and Gas	Power
Revenue per financial statements (note 4)	$ 191.5	$ 34.9	$ 72.1	$ 30.6	$ 329.1	$ 216.5	$ 44.2
Adjustments to revenue:							
By-product revenue	-	-	(9.8)			-	(7.6)
Processing revenue	-	-	-			(4.6)	-
Service concession arrangement revenue	-	-	-			-	(17.8)
Revenue for purposes of average-realized price calculation	191.5	34.9	62.3			211.9	18.8
Sales volume for the period	27.3	2.8	129.6			3.1	443
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ 7.01	$ 12.56	$ 481			$ 68.96	$ 42.48

(1) Net working-interest oil production.
(2) Average-realized price may not calculate based on amounts presented due to rounding.
(3) Power, average-realized price per MWh.

Unit operating cost

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

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

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

$ millions, except unit cost and sales volume, for the three months ended September 30						**2014**
	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements (note 4)	$ **95.6**	$ **120.3**	$ **14.3**	$ **230.2**	$ **34.2**	$ **8.6**
Less:						
Depletion, depreciation and amortization in cost of sales	**(8.6)**	**(41.0)**	**–**	**(49.6)**	**(15.5)**	**(5.2)**
Cost of sales per MD&A Review of operations	**87.0**	**79.3**	**14.3**	**180.6**	**18.7**	**3.4**
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(25.4)**	**(12.3)**			**–**	**–**
Impact of opening/closing inventory and other	**(5.4)**	**(1.1)**			**–**	**–**
Service concession arrangements – Cost of construction	**–**	**–**			**–**	**(0.4)**
Cost of sales for purposes of unit cost calculation	**56.2**	**65.9**			**18.7**	**3.0**
Sales volume for the period	**10.1**	**8.4**			**1.8**	**223**
Volume units	Millions of pounds	Millions of pounds			Millions of barrels[1]	Gigawatts
Unit operating cost[2][3]	$ **5.56**	$ **7.84**			$ **10.32**	$ **13.39**
Unit operating cost (U.S. dollars)	$ **5.25**	$ **7.26**				

$ millions, except unit cost and sales volume, for the three months ended September 30						2013
	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements (note 4)	$ 91.7	$ -	$ 11.6	$ 103.3	$ 30.9	$ 12.1
Less:						
Depletion, depreciation and amortization in cost of sales	(8.9)	-	(0.7)	(9.6)	(17.4)	(2.2)
Cost of sales per MD&A Review of operations	82.8	-	10.9	93.7	13.5	9.9
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(27.9)				-	-
Impact of opening/closing inventory and other	(4.7)				-	-
Service concession arrangements – Cost of construction	-				-	(7.5)
Other	-				-	0.9
Cost of sales for purposes of unit cost calculation	50.2				13.5	3.3
Sales volume for the period	10.1				1.9	130
Volume units	Millions of pounds				Millions of barrels[1]	Gigawatts
Unit operating cost[2][3]	$ 4.97				$ 6.96	$ 26.01
Unit operating cost (U.S. dollars)	$ 4.76					

(1) Gross working-interest oil production.
(2) Unit operating costs may not calculate based on amounts presented due to rounding.
(3) Power, unit operating cost per MWh.

$ millions, except unit cost and sales volume, for the nine months ended September 30						**2014**
	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements (note 4)	**$ 294.8**	**$ 307.9**	**$ 47.1**	**$ 649.8**	**$ 97.1**	**$ 26.8**
Less:						
Depletion, depreciation and amortization in cost of sales	**(27.7)**	**(108.8)**	**–**	**(136.5)**	**(48.8)**	**(14.9)**
Cost of sales per MD&A Review of operations	**267.1**	**199.1**	**47.1**	**513.3**	**48.3**	**11.9**
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(105.7)**	**(27.1)**			**–**	**–**
Impact of opening/closing inventory and other	**(9.4)**	**(2.6)**			**–**	**–**
Service concession arrangements – Cost of construction	**–**	**–**			**–**	**(2.1)**
Other	**–**	**–**			**(1.0)**	**–**
Cost of sales for purposes of unit cost calculation	**152.0**	**169.4**			**47.3**	**9.8**
Sales volume for the period	**26.9**	**21.8**			**5.5**	**633**
Volume units	Millions of pounds	Millions of pounds			Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	**$ 5.65**	**$ 7.76**			**$ 8.55**	**$ 15.37**
Unit operating cost (U.S. dollars)	**$ 5.18**	**$ 7.11**				

$ millions, except unit cost and sales volume, for the nine months ended September 30						2013
	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements (note 4)	$ 285.0	$ -	$ 24.6	$ 309.6	$ 89.9	$ 53.6
Less:						
Depletion, depreciation and amortization in cost of sales	(28.0)	-	(2.0)	(30.0)	(51.1)	(7.5)
Cost of sales per MD&A Review of operations	257.0	-	22.6	279.6	38.8	46.1
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(113.0)				-	-
Impact of opening/closing inventory and other	(9.4)				-	-
Service concession arrangements – Cost of construction	-				-	(17.8)
Other	-				-	(17.2)
Cost of sales for purposes of unit cost calculation	134.6				38.8	11.1
Sales volume for the period	27.3				5.7	443
Volume units	Millions of pounds				Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	$ 4.92				$ 6.84	$ 24.97
Unit operating cost (U.S. dollars)	$ 4.83					

(1) Gross working-interest oil production.
(2) Unit operating costs may not calculate based on amounts presented due to rounding.
(3) 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 during the period.

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

	For the three months ended		For the nine months ended	
	2014	2013	**2014**	2013
$ millions, except weighted average shares outstanding and per share amounts	**September 30**	September 30	**September 30**	September 30
Cash provided by continuing operations	**$ 35.4**	$ 39.8	**$ 46.1**	$ 72.9
Adjust: net change in non-cash working capital	**7.9**	(3.7)	**28.6**	18.8
Adjusted continuing operating cash flow	**$ 43.3**	$ 36.1	**$ 74.7**	$ 91.7
Weighted-average number of common shares - basic	**297.2**	297.3	**297.1**	297.1
Adjusted continuing operating cash flow per share	**$ 0.15**	$ 0.12	**$ 0.25**	$ 0.31

FORWARD-LOOKING STATEMENTS

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

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

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

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2014

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated statements of comprehensive income (loss)

Unaudited, Canadian $ millions, except per share amounts	Note	For the three months ended 2014 September 30	2013 September 30	For the nine months ended 2014 September 30	2013 September 30
Revenue		**$ 102.9**	$ 111.2	**$ 354.0**	$ 339.9
Cost of sales	5	**65.4**	63.2	**217.9**	223.4
Gross profit		**37.5**	48.0	**136.1**	116.5
Administrative expenses		**13.2**	16.4	**50.4**	43.3
Operating profit		**24.3**	31.6	**85.7**	73.2
Gain on arbitration settlement	8	**12.8**	-	**12.8**	-
Share of loss of an associate, net of tax	6	**(49.4)**	(0.7)	**(140.4)**	(1.4)
Share of earnings (loss) of joint venture, net of tax	7	**10.8**	(0.4)	**4.9**	0.4
(Loss) earnings from operations, associate and joint venture		**(1.5)**	30.5	**(37.0)**	72.2
Financing income	9	**(14.7)**	(14.4)	**(39.1)**	(23.3)
Financing expense	9	**46.2**	44.4	**128.4**	101.6
Net finance expense		**31.5**	30.0	**89.3**	78.3
(Loss) earnings before tax		**(33.0)**	0.5	**(126.3)**	(6.1)
Income tax expense (recovery)	10	**18.3**	(1.4)	**44.5**	9.8
Net (loss) earnings from continuing operations		**(51.3)**	1.9	**(170.8)**	(15.9)
(Loss) earnings from discontinued operation, net of tax	11	**–**	(0.8)	**41.2**	29.4
Net (loss) earnings for the period		**$ (51.3)**	$ 1.1	**$ (129.6)**	$ 13.5
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	19	**143.4**	(52.3)	**156.1**	80.7
Items that will not be subsequently reclassified to profit or loss:					
Actuarial gains on pension plans, net of tax					
Continuing operations	19	**0.1**	0.1	**0.7**	-
Discontinued operations	19	**–**	0.5	**0.6**	3.1
Other comprehensive income (loss)		**143.5**	(51.7)	**157.4**	83.8
Total comprehensive income (loss)		**$ 92.2**	$ (50.6)	**$ 27.8**	$ 97.3
Net (loss) earnings from continuing operations per common share, basic and diluted	12	**$ (0.17)**	$ 0.00	**$ (0.57)**	$ (0.05)
Net (loss) earnings per common share, basic and diluted	12	**$ (0.17)**	$ 0.00	**$ (0.43)**	$ 0.05

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

Condensed consolidated statements of financial position

Unaudited, Canadian $ millions, as at	Note	2014 September 30	2013 December 31
ASSETS			
Current assets			
Cash and cash equivalents	13	$ **106.8**	$ 324.2
Restricted cash		**1.0**	1.0
Short-term investments	13	**873.5**	327.6
Investments		**–**	6.0
Advances, loans receivable and other financial assets	14	**69.1**	76.7
Trade accounts receivable, net	13	**313.1**	253.9
Income taxes receivable		**–**	1.2
Inventories	15	**34.0**	35.5
Prepaid expenses		**15.3**	10.1
		1,412.8	1,036.2
Non-current assets			
Advances, loans receivable and other financial assets	14	**1,769.8**	1,549.2
Other non-financial assets	14	**2.3**	2.2
Property, plant and equipment	16	**406.0**	392.8
Investment in an associate	6	**1,569.3**	1,652.5
Investment in a joint venture	7	**367.0**	352.0
Intangible assets		**162.2**	163.7
Deferred income taxes		**2.9**	3.7
		4,279.5	4,116.1
Assets of discontinued operations	11	**–**	1,305.5
Total assets		$ **5,692.3**	$ 6,457.8
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Loans and borrowings	17	$ **1.2**	$ 365.2
Trade accounts payable and accrued liabilities		**135.5**	104.7
Income taxes payable		**14.7**	15.8
Other financial liabilities	17	**4.1**	4.4
Other non-financial liabilities	17	**15.2**	27.6
Provisions	18	**16.1**	36.7
		186.8	554.4
Non-current liabilities			
Loans and borrowings	17	**2,212.8**	2,124.6
Other financial liabilities	17	**3.8**	2.8
Other non-financial liabilities	17	**4.1**	4.2
Provisions	18	**96.5**	88.2
Deferred income taxes		**59.7**	51.7
		2,376.9	**2,271.5**
Liabilities of discontinued operations	11	**–**	**524.7**
Total liabilities		**2,563.7**	**3,350.6**
Shareholders' equity			
Capital stock	19	**2,810.4**	2,808.5
Retained (deficit) earnings		**(96.5)**	40.2
Reserves	19	**197.1**	196.5
Accumulated other comprehensive income	19	**217.6**	62.0
		3,128.6	3,107.2
Total liabilities and shareholders' equity		$ **5,692.3**	$ 6,457.8

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 2014 September 30	2013 September 30	For the nine months ended 2014 September 30	2013 September 30
Operating activities					
Net (loss) earnings from continuing operations		$ **(51.3)**	$ 1.9	$ **(170.8)**	$ (15.9)
Add (deduct):					
Depletion, depreciation and amortization		**23.8**	22.5	**74.0**	68.7
Share of loss of an associate, net of tax	6	**49.4**	0.7	**140.4**	1.4
Share of (earnings) loss of a joint venture, net of tax	7	**(10.8)**	0.4	**(4.9)**	(0.4)
Loss on impairment of assets		**–**	-	**1.0**	17.3
Finance costs (less accretion expenses)	9	**31.3**	29.7	**88.7**	77.4
Income tax expense (recovery)	10	**18.3**	(1.4)	**44.5**	9.8
Service concession arrangement		**(0.5)**	(7.5)	**(2.2)**	(17.8)
Net change in non-cash working capital	21	**(7.9)**	3.7	**(28.6)**	(18.8)
Decrease in provisions	18	**(5.6)**	-	**(24.1)**	-
Interest received		**8.8**	6.5	**15.5**	13.4
Interest paid		**(6.0)**	(17.4)	**(50.3)**	(62.1)
Income tax paid		**(14.1)**	(0.3)	**(41.2)**	(1.6)
Dividends received from joint venture		**–**	-	**–**	2.3
Other operating items	21	**–**	1.0	**4.1**	(0.8)
Cash provided by continuing operations		**35.4**	39.8	**46.1**	72.9
Cash provided by discontinued operations	11	**–**	37.5	**42.8**	101.4
Cash provided by operating activities		**35.4**	77.3	**88.9**	174.3
Investing activities					
Property, plant and equipment expenditures	4	**(18.9)**	(17.0)	**(55.6)**	(48.0)
Intangible expenditures	4	**–**	(6.0)	**(1.3)**	(10.5)
Increase in advances, loans receivable and other financial assets		**(0.9)**	(12.5)	**(2.2)**	(35.0)
Repayment of advances, loans receivable and other financial assets		**0.1**	15.0	**10.3**	20.9
Investments		**–**	7.1	**6.2**	20.9
Loans to an associate		**–**	-	**(118.0)**	(65.3)
Investment in an associate		**–**	(63.8)	**–**	(77.0)
Net proceeds from sale of property, plant and equipment		**–**	-	**0.4**	-
Net proceeds from sale of Coal operations, net of cash disposed	11	**–**	-	**804.3**	-
Short-term investments		**(373.6)**	(176.4)	**(545.9)**	130.4
Cash (used) provided by continuing operations		**(393.3)**	(253.6)	**98.2**	(63.6)
Cash used by discontinued operations	11	**–**	(5.9)	**(13.5)**	(26.0)
Cash (used) provided by investing activities		**(393.3)**	(259.5)	**84.7**	(89.6)
Financing activities					
Repayment of loans and borrowings and other financial liabilities		**(0.1)**	(10.0)	**(364.9)**	(38.0)
Issuance of common shares		**1.0**	1.4	**1.0**	1.4
Dividends paid on common shares	19	**(3.0)**	(12.7)	**(18.9)**	(36.7)
Cash used by continuing operations		**(2.1)**	(21.3)	**(382.8)**	(73.3)
Cash used by discontinued operations	11	**–**	(7.7)	**(9.5)**	(14.3)
Cash used by financing activities		**(2.1)**	(29.0)	**(392.3)**	(87.6)
Effect of exchange rate changes on cash and cash equivalents		**0.8**	(0.4)	**1.3**	0.9
Decrease in cash and cash equivalents		**(359.2)**	(211.6)	**(217.4)**	(2.0)
Cash and cash equivalents at beginning of the period		**466.0**	356.7	**324.2**	147.1
Cash and cash equivalents at end of the period		$ **106.8**	$ 145.1	$ **106.8**	$ 145.1

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

Condensed consolidated statements of changes in shareholders' equity

Unaudited, Canadian $ millions

	Note	Capital stock	Retained earnings (deficit)	Reserves	Accumulated other comprehensive (loss) income	Total
Balance as at January 1, 2013		**$ 2,806.1**	**$ 774.5**	**$ 194.9**	**$ (129.6)**	**$ 3,645.9**
Total comprehensive (loss) income:						
Net earnings for the period		-	13.5	-	-	13.5
Foreign currency translation differences on foreign operations	19	-	-	-	80.7	80.7
Actuarial gains on defined benefit obligation, net of tax	19	-	-	-	3.1	3.1
Reclassification on settlement of pension obligation	19	-	(22.9)	-	22.9	-
		-	(9.4)	-	106.7	97.3
Shares issued for:						
Restricted stock plan (vested)	19	0.8	-	(0.8)	-	-
Employee share purchase plan (vested)	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**
Total comprehensive (loss) income:						
Net loss for the period		-	(673.8)	-	-	(673.8)
Foreign currency translation differences on foreign operations	19	-	-	-	83.5	83.5
Actuarial gains on defined benefit obligation, net of tax	19	-	-	-	1.4	1.4
		-	(673.8)	-	84.9	(588.9)
Restricted stock plan expense	20	-	-	0.1	-	0.1
Stock option plan expense	20	-	-	0.6	-	0.6
Dividends declared to common shareholders		-	(12.9)	-	-	(12.9)
Balance as at December 31, 2013		**$ 2,808.5**	**$ 40.2**	**$ 196.5**	**$ 62.0**	**$ 3,107.2**
Total comprehensive (loss) income:						
Net loss for the period		-	(129.6)	-	-	(129.6)
Foreign currency translation differences on foreign operations	19	-	-	-	156.1	156.1
Actuarial gains on defined benefit obligation, net of tax	19	-	-	-	1.3	1.3
Reclassification on settlement of pension obligation	19	-	1.8	-	(1.8)	-
		-	(127.8)	-	155.6	27.8
Shares issued for:						
Restricted stock plan (vested)	19	0.7	-	(0.7)	-	-
Employee share purchase plan (vested)	19	1.2	-	(0.2)	-	1.0
Restricted stock plan expense	20	-	-	0.5	-	0.5
Employee share purchase plan expense	20	-	-	0.1	-	0.1
Stock option plan expense	20	-	-	0.9	-	0.9
Dividends declared to common shareholders		-	(8.9)	-	-	(8.9)
Balance as at September 30, 2014		**$ 2,810.4**	**$ (96.5)**	**$ 197.1**	**$ 217.6**	**$ 3,128.6**

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

Notes to the interim condensed consolidated financial statements

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Sherritt International Corporation (the "Corporation" or "Sherritt") is a diversified Canadian natural resource company that operates principally in Canada, Cuba and Madagascar. The Corporation, either directly or through its subsidiaries, has significant interests in nickel and cobalt mining, processing and refining, oil and gas exploration, development and production and, electricity generation. The Corporation had an interest in thermal coal technology and production up to April 28, 2014, the date of the Coal sale (Note 11). 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 28, 2014. The Corporation is listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

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

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

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

IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

IFRS 15 - Revenue from Contracts and Customers

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

4. SEGMENTED INFORMATION

Business segments

Canadian $ millions, for the three months ended September 30	Metals[1]	Oil and Gas	Power	Corporate and Other[2]	Discontinued operations (note 11)	Adjustments for Joint Venture and Associate[3]	Total 2014
Revenue	$ 221.2	$ 68.1	$ 12.7	$ 0.7	$ –	$ (199.8)	$ 102.9
Cost of sales	230.2	34.2	8.6	1.4	–	(209.0)	65.4
Gross (loss) profit	(9.0)	33.9	4.1	(0.7)	–	9.2	37.5
Administrative expenses	8.4	1.8	1.4	9.1	–	(7.5)	13.2
Operating (loss) profit	(17.4)	32.1	2.7	(9.8)	–	16.7	24.3
Gain on arbitration settlement	–	–	–	12.8	–	–	12.8
Share of loss of associate, net of tax	–	–	–	–	–	(49.4)	(49.4)
Share of earnings of a joint venture, net of tax	–	–	–	–	–	10.8	10.8
(Loss) earnings from operations, associate and joint venture	(17.4)	32.1	2.7	3.0	–	(21.9)	(1.5)
Financing income	1.5	–	(0.2)	(16.1)	–	0.1	(14.7)
Financing expense	24.3	40.2	(12.8)	16.8	–	(22.3)	46.2
Net finance expense (income)	25.8	40.2	(13.0)	0.7	–	(22.2)	31.5
(Loss) earnings before tax	(43.2)	(8.1)	15.7	2.3	–	0.3	(33.0)
Income tax (recovery) expense	(0.3)	13.2	0.8	4.3	–	0.3	18.3
Net (loss) earnings from continuing operations	(42.9)	(21.3)	14.9	(2.0)	–	–	(51.3)
Earnings from discontinued operations, net of tax	–	–	–	–	–	–	–
(Loss) earnings for the period	$ (42.9)	(21.3)	14.9	(2.0)	–	–	(51.3)
Supplementary information							
Depletion, depreciation and amortization	$ 49.6	$ 15.6	$ 5.3	$ 0.8	$ –	$ (47.5)	$ 23.8
Property, plant and equipment expenditures	20.8	14.5	0.6	0.5	–	(17.5)	18.9
Intangible asset expenditures	–	–	–	–	–	–	–

Canadian $ millions, as at September 30	Metals	Oil and Gas	Power	Corporate and Other	Discontinued operations	Adjustments for Joint Venture and Associate	Total 2014
Non-current assets[4]	$ 4,466.5	$ 216.7	$ 197.0	$ 14.0	$ –	$ (4,326.0)	$ 568.2
Total assets	6,368.7	1,248.2	472.2	399.7	–	(2,796.5)	5,692.3

Canadian $ millions, for the three months ended September 30	Metals[1]	Oil and Gas	Power	Corporate and Other[2]	Discontinued operations (note 11)	Adjustments for Joint Venture and Associate[3]	Total 2013
Revenue	$ 104.8	$ 74.2	$ 14.7	$ 1.6	$ -	$ (84.1)	$ 111.2
Cost of sales	103.3	30.9	12.1	2.0	-	(85.1)	63.2
Gross profit (loss)	1.5	43.3	2.6	(0.4)	-	1.0	48.0
Administrative expenses	2.2	2.4	1.2	11.7	-	(1.1)	16.4
Operating (loss) profit	(0.7)	40.9	1.4	(12.1)	-	2.1	31.6
Share of loss of an associate, net of tax	-	-	-	-	-	(0.7)	(0.7)
Share of loss of a joint venture, net of tax	-	-	-	-	-	(0.4)	(0.4)
(Loss) earnings from operations, associate and joint venture	(0.7)	40.9	1.4	(12.1)	-	1.0	30.5
Financing income	(11.7)	(0.3)	-	(2.9)	-	0.5	(14.4)
Financing expense	34.4	(12.9)	(3.0)	27.2	-	(1.3)	44.4
Net finance expense (income)	22.7	(13.2)	(3.0)	24.3	-	(0.8)	30.0
(Loss) earnings before tax	(23.4)	54.1	4.4	(36.4)	-	1.8	0.5
Income tax (recovery) expense	(1.8)	13.2	(0.1)	(14.5)	-	1.8	(1.4)
Net (loss) earnings from continuing operations	(21.6)	40.9	4.5	(21.9)	-	-	1.9
Loss from discontinued operations, net of tax	-	-	-	-	(0.8)	-	(0.8)
Net (loss) earnings for the period	$ (21.6)	40.9	4.5	(21.9)	(0.8)	-	1.1
Supplementary information							
Depletion, depreciation and amortization	$ 9.6	$ 17.5	$ 2.3	$ 0.5	$ -	$ (7.4)	$ 22.5
Property, plant and equipment expenditures	16.8	11.9	0.5	0.5	-	(12.7)	17.0
Intangible asset expenditures	-	4.1	1.9	-	-	-	6.0
Canadian $ millions, as at December 31							2013
Non-current assets[4]	$ 4,293.0	$ 206.8	$ 199.6	$ 15.9	$ -	$ (4,158.8)	$ 556.5
Total assets	5,896.6	1,148.6	449.2	170.3	1,305.5	(2,512.4)	6,457.8

Canadian $ millions, for the nine months ended September 30	**Metals[1]**	**Oil and Gas**	**Power**	**Corporate and Other[2]**	**Discontinued operations (note 11)**	**Adjustments for Joint Venture and Associate[3]**	**Total 2014**
Revenue	**$ 597.3**	**$ 219.7**	**$ 37.3**	**$ 3.7**	**$ –**	**$ (504.0)**	**$ 354.0**
Cost of sales	**649.8**	**97.1**	**26.8**	**8.0**	**–**	**(563.8)**	**217.9**
Gross (loss) profit	**(52.5)**	**122.6**	**10.5**	**(4.3)**	**–**	**59.8**	**136.1**
Administrative expenses	**24.4**	**7.0**	**6.1**	**33.9**	**–**	**(21.0)**	**50.4**
Operating (loss) profit	**(76.9)**	**115.6**	**4.4**	**(38.2)**	**–**	**80.8**	**85.7**
Gain on arbitration settlement	**–**	**–**	**–**	**12.8**	**–**	**–**	**12.8**
Share of loss of associate, net of tax	**–**	**–**	**–**	**–**	**–**	**(140.4)**	**(140.4)**
Share of earnings of a joint venture, net of tax	**–**	**–**	**–**	**–**	**–**	**4.9**	**4.9**
(Loss) earnings from operations, associate and joint venture	**(76.9)**	**115.6**	**4.4**	**(25.4)**	**–**	**(54.7)**	**(37.0)**
Financing income	**3.5**	**–**	**(1.1)**	**(41.7)**	**–**	**0.2**	**(39.1)**
Financing expense	**101.7**	**43.1**	**(22.1)**	**63.4**	**–**	**(57.7)**	**128.4**
Net finance expense (income)	**105.2**	**43.1**	**(23.2)**	**21.7**	**–**	**(57.5)**	**89.3**
(Loss) earnings before tax	**(182.1)**	**72.5**	**27.6**	**(47.1)**	**–**	**2.8**	**(126.3)**
Income tax (recovery) expense	**(2.8)**	**42.0**	**0.6**	**1.9**	**–**	**2.8**	**44.5**
Net (loss) earnings from continuing operations	**(179.3)**	**30.5**	**27.0**	**(49.0)**	**–**	**–**	**(170.8)**
Earnings from discontinued operations, net of tax	**–**	**–**	**–**	**–**	**41.2**	**–**	**41.2**
Net (loss) earnings for the period	**$ (179.3)**	**30.5**	**27.0**	**(49.0)**	**41.2**	**–**	**(129.6)**
Supplementary information							
Depletion, depreciation and amortization	**$ 136.6**	**$ 49.0**	**$ 15.0**	**$ 2.7**	**$ –**	**$ (129.3)**	**$ 74.0**
Property, plant and equipment expenditures	**39.6**	**45.4**	**1.4**	**0.8**	**–**	**(31.6)**	**55.6**
Intangible asset expenditures	**–**	**0.6**	**0.7**	**–**	**–**	**–**	**1.3**
Canadian $ millions, as at September 30							**2014**
Non-current assets[4]	**$ 4,466.5**	**$ 216.7**	**$ 197.0**	**$ 14.0**	**$ –**	**$ (4,326.0)**	**$ 568.2**
Total assets	**6,368.7**	**1,248.2**	**472.2**	**399.7**	**–**	**(2,796.5)**	**5,692.3**

Canadian $ millions, for the nine months ended September 30	Metals[1]	Oil and Gas	Power	Corporate and Other[2]	Discontinued operations (note 11)	Adjustments for Joint Venture and Associate[3]	2013 Total
Revenue	$ 329.1	$ 216.5	$ 44.2	$ 4.5	$ -	$ (254.4)	$ 339.9
Cost of sales	309.6	89.9	53.6	20.0	-	(249.7)	223.4
Gross profit (loss)	19.5	126.6	(9.4)	(15.5)	-	(4.7)	116.5
Administrative expenses	6.5	6.5	3.8	29.6	-	(3.1)	43.3
Operating profit (loss)	13.0	120.1	(13.2)	(45.1)	-	(1.6)	73.2
Share of loss of associate, net of tax	-	-	-	-	-	(1.4)	(1.4)
Share of loss of a joint venture, net of tax	-	-	-	-	-	0.4	0.4
Earnings (loss) from operations, associate and joint venture	13.0	120.1	(13.2)	(45.1)	-	(2.6)	72.2
Financing income	(12.6)	(1.6)	(0.8)	(8.5)	-	0.2	(23.3)
Financing expense	43.3	23.5	(24.5)	68.3	-	(9.0)	101.6
Net finance expense (income)	30.7	21.9	(25.3)	59.8	-	(8.8)	78.3
(Loss) earnings before tax	(17.7)	98.2	12.1	(104.9)	-	6.2	(6.1)
Income tax (recovery) expense	(6.2)	35.2	1.7	(27.1)	-	6.2	9.8
Net (loss) earnings from continuing operations	(11.5)	63.0	10.4	(77.8)	-	-	(15.9)
Earnings from discontinued operations, net of tax	-	-	-	-	29.4	-	29.4
Net (loss) earnings for the period	$ (11.5)	63.0	10.4	(77.8)	29.4	-	13.5
Supplementary information							
Depletion, depreciation and amortization	$ 30.1	$ 51.4	$ 7.6	$ 2.7	$ -	$ (23.1)	$ 68.7
Property, plant and equipment expenditures	39.7	36.1	0.8	1.3	-	(29.9)	48.0
Intangible asset expenditures	-	5.0	5.5	-	-	-	10.5

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

(1) Included in the Metals segment are the operations of the Corporation's 50% interest in the Moa Joint Venture, its 100% interest in the utility and fertilizer operations in Fort Saskatchewan, its 40% interest in the Ambatovy Joint Venture and wholly-owned subsidiaries of the Corporation established to finance the Ambatovy Joint Venture. Also included in the Metals segment are revenues of $13.9 million and $45.7 million for the three and nine months ended September 30, 2014, respectively, and costs of $13.9 million and $45.0 million for the three and nine months ended September 30, 2014, respectively (revenues and costs for the three and nine months ended September 30, 2013 - $11.0 million and $21.0 million, respectively) recognized by a wholly-owned subsidiary of the Corporation established to buy, market and sell certain of Ambatovy's nickel production.

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

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

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

Geographic segments

Canadian $ millions, as at	**2014 September 30 Non-current assets[1]**	**2014 September 30 Total assets[2]**	2013 December 31 Non-current assets[1]	2013 December 31 Total assets[2]
North America	**$ 163.1**	**$ 1,663.2**	$ 160.0	$ 2,613.1
Cuba	**372.6**	**1,026.7**	370.7	1,023.9
Madagascar	**1.7**	**2,921.1**	2.0	2,764.7
Europe	**29.9**	**39.3**	23.5	32.4
Asia	**0.9**	**1.6**	0.3	1.7
Other	**–**	**40.4**	-	22.0
	$ 568.2	**$ 5,692.3**	$ 556.5	$ 6,457.8

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

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

	For the three months ended		For the nine months ended	
	2014	2013	**2014**	2013
Canadian $ millions	**September 30**	September 30	**September 30**	September 30
	Total revenue(1)	Total revenue(1)	**Total revenue(1)**	Total revenue(1)
North America	**$ 21.2**	$ 21.3	**$ 93.1**	$ 75.9
Cuba	**78.2**	85.5	**246.8**	248.0
Madagascar	**0.1**	0.4	**0.9**	4.2
Europe	**2.4**	3.1	**9.3**	9.3
Asia	**0.2**	0.3	**1.4**	0.9
Other	**0.8**	0.6	**2.5**	1.6
	$ 102.9	$ 111.2	**$ 354.0**	$ 339.9

(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:

	For the three months ended		For the nine months ended	
	2014	2013	**2014**	2013
Canadian $ millions	**September 30**	September 30	**September 30**	September 30
Commodity and electricity	**$ 99.1**	$ 100.2	**$ 340.7**	$ 310.7
Other	**3.8**	11.0	**13.3**	29.2
	$ 102.9	$ 111.2	**$ 354.0**	$ 339.9

5. COST OF SALES

Cost of sales includes the following select information:

	For the three months ended		For the nine months ended	
	2014	2013	**2014**	2013
Canadian $ millions	**September 30**	September 30	**September 30**	September 30
Employee costs	**$ 15.1**	$ 15.0	**$ 45.8**	$ 47.3
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	**23.1**	22.1	**71.9**	66.6
Exploration and evaluation expenses(1)	**–**	-	**3.3**	16.8
Impairment losses(2)	**–**	-	**1.0**	17.3

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

(2) For the 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.

6. INVESTMENT IN AN ASSOCIATE

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

Statement of financial position

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

Canadian $ millions, 100% basis, as at	2014 September 30	2013 December 31
Assets		
Cash and cash equivalents[1]	$ **46.3**	$ 36.6
Other current assets	**38.7**	21.4
Trade accounts receivable, net	**79.0**	109.0
Inventories	**381.4**	333.9
Other non-current assets[2]	**32.8**	5.3
Property, plant and equipment	**9,561.3**	9,174.5
Total assets	**10,139.5**	9,680.7
Liabilities		
Trade accounts payable and accrued liabilities	**369.3**	286.3
Other financial liabilities	**11.4**	6.4
Current portion of loans and borrowings[3]	**211.1**	200.4
Loans and borrowings:		
Ambatovy revolving credit facility[4]	**31.2**	28.5
Ambatovy Joint Venture financing[3]	**1,871.1**	1,871.6
Ambatovy Subordinated loan payable[5]	**3,311.0**	2,767.3
Environmental rehabilitation provision	**91.8**	78.2
Other long-term liabilities	**0.7**	0.3
Deferred income taxes	**318.6**	310.5
Total liabilities	**6,216.2**	5,549.5
Net assets[6]	$ **3,923.3**	$ 4,131.2
Investment in associate carrying value (40%)	$ **1,569.3**	$ 1,652.5

(1) In accordance with *La loi établissant un régime special pour les grands investissements dans le secteur minier Malagasay* (LGIM), Madagascar's large scale mining investment act, the Ambatovy Joint Venture is required to (a) maintain foreign currency in local bank accounts sufficient to pay 90 days of local expenses, or (b) repatriate all revenue from export sales of mining products, less authorized debt service costs, to local bank accounts within 90 days of receipt. 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, 2014, the Ambatovy Joint Venture has earned investment tax credits which management has estimated to be $573.0 million (December 31, 2013 - $532.0 million) for which a deferred income tax asset has not been recognized. The investment tax credits have an indefinite carry forward period and may be used to partially offset Malagasy income tax otherwise payable by the Ambatovy Joint Venture in subsequent years.

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

(4) The Ambatovy revolving credit facility is comprised of an approximate US$30.0 million revolving and US$9.0 million overdraft credit facility agreement with local financial institutions. The facilities bear interest rates between 9.00% and 11.85% and expire on December 19, 2014. The facilities are subordinated to the Ambatovy Joint Venture financing. As at September 30, 2014, US$27.9 million and US$nil were drawn on the revolving and overdraft credit facilities (December 31, 2013 - US$26.8 million and US$nil).

(5) The subordinated loan payable is comprised of pro-rata contributions provided by the Ambatovy Joint Venture partners. The debt bears interest at LIBOR plus 6%. Repayments of principal or interest will not be made prior to certain conditions of the finance agreements being satisfied. Unpaid interest is accrued monthly and capitalized to the principal balance semi-annually. The Corporation has recorded its share of the related subordinated loan receivable in advances, loans receivable, other financial assets and finance lease receivables (note 14).

(6) Net assets include the elimination of certain items, the most significant of which is the capitalization of interest and subsequent depreciation relating to the subordinated loans payable to the Ambatovy Joint Venture partners of $739.9 million (December 31, 2013 - $698.7 million).

Results of operations

	For the three months ended		For the nine months ended	
	2014	2013	**2014**	2013
Canadian $ millions, 100% basis	**September 30**	September 30	**September 30**	September 30
Revenue	**$ 224.1**	$ -	**$ 545.7**	$ -
Cost of sales(1)	**301.0**	-	**770.0**	-
Gross loss	**(76.9)**	-	**(224.3)**	-
Administrative expenses	**15.8**	0.9	**43.4**	3.1
Operating loss	**(92.7)**	(0.9)	**(267.7)**	(3.1)
Net financing expense	**45.2**	0.2	**122.1**	1.5
Loss before tax	**(137.9)**	(1.1)	**(389.8)**	(4.6)
Income tax expense (recovery)	**(14.2)**	0.6	**(38.7)**	(1.1)
Net loss and comprehensive loss for the period(2)	**$ (123.7)**	$ (1.7)	**$ (351.1)**	$ (3.5)
Share of loss of an associate, net of tax (40% basis)	**$ (49.4)**	$ (0.7)	**$ (140.4)**	$ (1.4)

(1) Included in cost of sales for the three and nine months ended September 30, 2014 is depreciation and amortization of $101.8 million and $271.3 million, respectively.

(2) Net loss and comprehensive loss includes the elimination of interest and depreciation expense for capitalized interest relating to the subordinated loan payable due to the Ambatovy Joint Venture partners. For the three and nine months ended September 30, 2014, $25.5 million and $64.4 million, respectively of interest and depreciation expense was eliminated ($nil for the three and nine months ended September 30, 2013).

The Ambatovy Joint Venture generated pre-commercial production revenue of $42.5 million ($17.0 million – 40% basis) for the month ended January 31, 2014. For the three and nine months ended September 30, 2013, $100.3 million and $335.3 million ($40.1 million and $134.1 million – 40% basis), respectively, of pre-commercial production revenue was generated.

7. JOINT ARRANGEMENTS

Investment in a joint venture

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

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

Statement of financial position

Canadian $ millions, 100% basis, as at	2014 September 30	2013 December 31
Assets		
Cash and cash equivalents	$ **41.0**	$ 62.9
Other current assets	**5.9**	2.4
Trade accounts receivable, net	**89.6**	61.7
Inventories	**208.0**	175.9
Other non-current assets	**4.7**	11.2
Property, plant and equipment	**1,003.2**	975.3
Deferred income taxes	**1.7**	12.5
Total assets	**1,354.1**	1,301.9
Liabilities		
Trade accounts payable and accrued liabilities	**71.9**	74.6
Other current financial liabilities	**56.0**	70.9
Other current liabilities	**7.0**	-
Loans and borrowings	**7.6**	1.4
Environmental rehabilitation provision	**59.7**	51.0
Other long-term financial liabilities	**396.9**	380.6
Deferred income taxes	**21.0**	19.4
Total liabilities	**620.1**	597.9
Net assets[(1)]	$ **734.0**	$ 704.0
Investment in Joint Venture carrying value (50%)	$ **367.0**	$ 352.0

(1) Net assets include the elimination of certain items, the most significant of which is the capitalization of interest relating to advances and loans payable due to the Moa Joint Venture partners. As at September 30, 2014, $83.2 million of capitalized interest was eliminated (December 31, 2013 - $79.9 million).

Results of operations

Canadian $ millions, 100% basis	For the three months ended 2014 September 30	2013 September 30	For the nine months ended 2014 September 30	2013 September 30
Revenue	$ **220.4**	$ 168.2	$ **571.4**	$ 508.8
Cost of sales[(1)]	**177.6**	169.0	**511.7**	497.1
Gross profit	**42.8**	(0.8)	**59.7**	11.7
Administrative expenses	**2.3**	1.8	**7.0**	5.8
Operating profit (loss)	**40.5**	(2.6)	**52.7**	5.9
Financing income	**(0.1)**	(0.1)	**(0.4)**	(0.4)
Financing expense	**8.2**	2.3	**17.9**	16.9
Net finance expense	**8.1**	2.2	**17.5**	16.5
Earnings (loss) before tax	**32.4**	(4.8)	**35.2**	(10.6)
Income tax expense (recovery)	**10.8**	(4.0)	**25.4**	(11.4)
Net earnings (loss) and comprehensive income (loss) for the period[(2)]	$ **21.6**	$ (0.8)	$ **9.8**	$ 0.8
Share of earnings (loss) of a joint venture, net of tax (50% basis)	$ **10.8**	$ (0.4)	$ **4.9**	$ 0.4

(1) Included in cost of sales for the three and nine months ended September 30, 2014 is depreciation and amortization of $12.9 million and $40.2 million, respectively (for the three and nine months ended September 30, 2013 - $13.1 million and $41.3 million, respectively).

(2) Net earnings (loss) and comprehensive income (loss) includes the elimination of certain items the most significant of which is interest expense relating to advances and loans payable due to the Moa Joint Venture partners. For the three and nine months ended September 30, 2014, $3.7 million and $11.0 million, respectively of interest expense was eliminated ($3.5 million and $10.3 million for the three and nine months ended September 30, 2013, respectively).

Joint operations

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

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

(1) As of April 28, 2014 the Corporation no longer had an interest in the Carbon Development Partnership and Bienfait Activated Carbon as a result of the completion of the sale of the Coal operations (note 11).

The Corporation recognizes all applicable assets, liabilities, revenues and expenses relating to its interest in the above noted joint operations in accordance with IFRS. As a result of the Coal operations being classified as a discontinued operation, the results of operations of Bienfait Activated Carbon and Carbon Development Partnership up to April 28, 2014, the date of the completion of the Coal operations sale, are included in earnings from discontinued operations and the assets/liabilities related to Bienfait Activated Carbon and Carbon Development Partnership are included in assets/liabilities of discontinued operations (note 11).

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

Canadian $ millions, as at September 30	**2014**
	Energas
	33⅓%
Current assets	**$ 27.8**
Non-current assets	**164.6**
Current liabilities	**12.0**
Non-current liabilities	**116.5**
Net assets	**$ 63.9**

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

Canadian $ millions, for the three months ended September 30	**2014**
	Energas
	33⅓%
Revenue	**$ 12.6**
Expense	**5.4**
Net earnings	**$ 7.2**

Canadian $ millions, for the nine months ended September 30			**2014**
	Energas	**Bienfait Activated Carbon**	**Carbon Development Partnership**
	33⅓%	**50%**	**50%**
Revenue	**$ 37.0**	**$ 4.9**	**$ 0.5**
Expense (recovery)	**26.9**	**3.5**	**(0.7)**
Net earnings	**$ 10.1**	**$ 1.4**	**$ 1.2**

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

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

8. GAIN ON ARBITRATION SETTLEMENT

On August 1, 2014, the Corporation received a favourable arbitration settlement ruling related to a contract dispute with a port operator that arose during the time the Corporation operated Coal Valley Resources Inc. As a result of the decision, the Corporation recognized a gain on settlement of $12.8 million. The funds were received by the Corporation in October 2014.

9. NET FINANCE EXPENSE

		For the three months ended		For the nine months ended	
		2014	2013	**2014**	2013
Canadian $ millions	Note	**September 30**	September 30	**September 30**	September 30
Net unrealized (loss) gain on financial instruments	13	**$ (1.7)**	$ 11.2	**$ (3.9)**	$ 12.4
Interest income on cash, cash equivalents and short-term investments		**1.8**	0.8	**4.4**	2.9
Interest income on investments		**0.2**	0.4	**1.1**	2.4
Interest income on advances and loans receivable		**14.4**	2.0	**37.5**	5.6
Total financing income		**14.7**	14.4	**39.1**	23.3
Interest expense and accretion on loans and borrowings		**36.8**	33.0	**108.7**	97.5
Unrealized foreign exchange loss (gain)		**6.0**	8.2	**9.4**	(5.1)
Realized foreign exchange loss (gain)		**0.1**	(0.1)	**0.3**	(0.2)
Other finance charges		**3.1**	3.0	**9.4**	8.5
Accretion expense on environmental rehabilitation provisions	21	**0.2**	0.3	**0.6**	0.9
Total financing expense		**46.2**	44.4	**128.4**	101.6
Net finance expense		**$ 31.5**	$ 30.0	**$ 89.3**	$ 78.3

10. INCOME TAXES

Canadian $ millions	For the three months ended 2014 September 30	2013 September 30	For the nine months ended 2014 September 30	2013 September 30
Current income tax expense				
Current period	$ **13.5**	$ 14.6	$ **40.9**	$ 41.2
Deferred income tax (recovery) expense				
Origination and reversal of temporary differences	**(6.3)**	(8.2)	**(19.9)**	(33.6)
Non-recognition/(recognition) of tax assets (not previously recognized)	**11.1**	(7.8)	**23.5**	2.2
	4.8	(16.0)	**3.6**	(31.4)
Income tax expense	$ **18.3**	$ (1.4)	$ **44.5**	$ 9.8

11. DISCONTINUED OPERATIONS

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

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

The net earnings from Coal for the three and nine months ended September 30, 2014 and 2013 are as follows:

Canadian $ millions	For the three months ended 2014 September 30(2)	2013 September 30	For the nine months ended 2014 September 30(2)	2013 September 30
Revenue	$ **–**	$ 175.0	$ **242.8**	$ 571.3
Cost of sales(1)	**–**	170.6	**198.5**	542.2
Gross profit	**–**	4.4	**44.3**	29.1
Administrative expenses	**–**	7.6	**7.2**	16.5
Operating (loss) profit	**–**	(3.2)	**37.1**	12.6
Gain on termination of contract	**–**	-	**–**	22.0
(Loss) earnings from operations	**–**	(3.2)	**37.1**	34.6
Financing income	**–**	(3.4)	**(4.8)**	(10.8)
Financing expense	**–**	3.5	**9.6**	13.4
Net finance expense	**–**	0.1	**4.8**	2.6
(Loss) earnings before tax	**–**	(3.3)	**32.3**	32.0
Income tax (recovery) expense	**–**	(2.5)	**4.1**	2.6
Net (loss) earnings for the period	$ **–**	$ (0.8)	$ **28.2**	$ 29.4
Gain on disposal of Coal operations	**–**	-	**13.0**	-
(Loss) earnings from discontinued operations	$ **–**	$ (0.8)	$ **41.2**	$ 29.4

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

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

Gain on termination of Coal contract

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

Gain on disposal of Coal operations

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

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

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

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

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

	For the three months ended		For the nine months ended	
Canadian $ millions	**2014 September 30**[(1)]	2013 September 30	**2014 September 30**[(1)]	2013 September 30
Operating activities				
Net (loss) earnings	**$ –**	$ (0.8)	**$ 28.2**	$ 29.4
Add (deduct):				
Depletion, depreciation and amortization	**–**	28.6	**–**	84.3
Gain on termination of contract	**–**	-	**–**	(22.0)
Finance costs (less accretion expenses)	**–**	(0.6)	**3.8**	0.7
Income tax (recovery) expense	**–**	(2.5)	**4.1**	2.6
Loss on settlement of environmental rehabilitation provisions	**–**	1.7	**1.2**	3.9
Net change in non-cash working capital	**–**	15.7	**(1.5)**	23.6
Interest received	**–**	3.2	**3.8**	10.9
Interest paid	**–**	(2.5)	**(6.3)**	(7.7)
Income tax received	**–**	1.4	**–**	2.1
Liabilities settled for environmental rehabilitation provisions	**–**	(6.2)	**(4.2)**	(17.4)
Other operating items	**–**	(0.5)	**13.7**	(9.0)
Cash provided by operating activities	**–**	37.5	**42.8**	101.4
Investing activities				
Property, plant and equipment expenditures	**–**	(6.5)	**(14.2)**	(28.6)
Increase in advances, loans receivable and other financial assets	**–**	(0.6)	**(0.6)**	(1.8)
Repayment of advances, loans receivable and other financial assets	**–**	0.9	**1.2**	3.4
Net proceeds from sale of property, plant and equipment	**–**	0.3	**0.1**	1.0
Cash used by investing activities	**–**	(5.9)	**(13.5)**	(26.0)
Financing activities				
Repayment of other financial liabilities	**–**	(11.6)	**(14.2)**	(47.6)
Increase in finance lease receivables	**–**	(0.7)	**(1.0)**	(6.3)
Repayment of finance lease receivables	**–**	4.6	**5.7**	39.6
Cash used by financing activities	**–**	(7.7)	**(9.5)**	(14.3)
Increase in cash and cash equivalents	**$ –**	$ 23.9	**$ 19.8**	$ 61.1

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

Non-cash transactions

For the three and nine months ended September 30, 2014 $nil of property, plant and equipment was acquired under finance lease ($2.2 million and $36.2 million for the three and nine months ended September 30, 2013, respectively).

12. (LOSS) EARNINGS PER SHARE

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

Canadian $ millions, except share amounts in millions and per share amounts in dollars	For the three months ended 2014 September 30	2013 September 30	For the nine months ended 2014 September 30	2013 September 30
Net (loss) earnings from continuing operations	**$ (51.3)**	$ 1.9	**$ (170.8)**	$ (15.9)
(Loss) earnings from discontinued operations, net of tax	**–**	(0.8)	**41.2**	29.4
Net (loss) earnings – basic and diluted	**$ (51.3)**	$ 1.1	**$ (129.6)**	$ 13.5
Weighted-average number of common shares – basic and diluted[(1)]	**297.2**	297.3	**297.1**	297.1
Net (loss) earnings from continuing operations per common share, basic and diluted	**$ (0.17)**	$ 0.00	**$ (0.57)**	$ (0.05)
Earnings from discontinued operations per common share, basic and diluted	**$ –**	$ 0.00	**$ 0.14**	$ 0.10
Net (loss) earnings per common share, basic and diluted	**$ (0.17)**	$ 0.00	**$ (0.43)**	$ 0.05

(1) The determination of the weighted-average number of common shares - diluted excludes 5.5 million shares related to stock options that were anti-dilutive for the three and nine months ended September 30, 2014 (4.9 million for the three and nine months ended September 30, 2013). There were 0.3 million shares related to the employee share purchase plan that were anti-dilutive for the three and nine months ended September 30, 2014 (0.8 million shares for the three and nine months ended September 30, 2013). There were 0.3 million shares related to the restricted stock plan that were anti-dilutive for the three and nine months ended September 30, 2014 (0.4 million shares for the three and nine months ended September 30, 2013).

13. FINANCIAL INSTRUMENTS

Financial instrument hierarchy

Canadian $ millions, as at	Note	Hierarchy level	2014 September 30	2013 December 31
Recurring financial assets held for trading, measured at fair value:				
Cash equivalents		1	**$ 69.9**	$ 272.5
Short-term investments		1	**873.5**	327.6
Ambatovy call option	14	3	**19.4**	22.1

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

Canadian $ millions	Note	For the nine months ended 2014 September 30	For the year ended 2013 December 31
Balance, beginning of the period		**$ 22.1**	$ 21.5
Total loss included in net finance expense	9	**(3.9)**	(1.2)
Effect of movements in exchange rates		**1.2**	1.8
Balance, end of the period		**$ 19.4**	$ 22.1

During the three and nine months ended September 30, 2014, the Corporation recognized downward fair value adjustments of $1.7 million and $3.9 million, respectively (upward fair value adjustment of $11.2 million and $12.4 million for the three and nine months ended September 30, 2013, respectively) in financing income on the Ambatovy call option primarily as a result of changes in various inputs in the Black-Scholes model, including volatility, which is based on a blend of historical commodity prices and publicly traded stock prices of companies with comparable projects, the estimated fair value of the Ambatovy project based on forecasted cash flows, and the time until expiration of the option.

Fair values

Financial instruments with carrying amounts different from their fair values include the following[1]:

Canadian $ millions, as at	Note	Hierarchy value	**2014 September 30** Carrying value	Fair value	**2013 December 31** Carrying value	Fair Value
7.75% senior unsecured debentures due 2015	17	1	$ **274.4**	$ **290.7**	$ 273.9	$ 283.3
8.00% senior unsecured debentures due 2018	17	1	**394.2**	**413.0**	393.3	393.0
7.50% senior unsecured debentures due 2020	17	1	**491.6**	**507.5**	490.8	463.8
Ambatovy Joint Venture Additional Partner loans[2]	17	2	**944.2**	**1,090.9**	863.5	780.0
Ambatovy Joint Venture Partner loans[2]	17	2	**106.4**	**94.1**	100.1	76.9

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

(2) The fair value for the Ambatovy Partner loans and Ambatovy Additional Partner loans is calculated by discounting future cash flows by 6.82% and 7.19%, 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, 2014, the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, trade accounts receivable, current portion of advances and loans receivable, current portion of other financial assets, current portion of loans and borrowings, current portion of other financial liabilities, trade accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

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

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

Cash, cash equivalents and short-term investments

Cash and cash equivalents consist of:

Canadian $ millions, as at	**2014 September 30**	2013 December 31
Cash equivalents	$ **69.9**	$ 272.5
Cash on hand and balances with banks	**36.9**	51.7
	$ **106.8**	$ 324.2

The Corporation's cash balances are deposited with major financial institutions rated A or higher by Standard and Poor's and with banks in Cuba that are not rated. The total cash held in Cuban bank deposit accounts was $12.0 million at September 30, 2014 (December 31, 2013 – $8.0 million).

As at September 30, 2014, $9.1 million of cash on the Corporation's interim condensed consolidated statements of financial position was held by Energas (December 31, 2013 – $3.5 million). These funds are for the use of the joint operation.

The Corporation's cash equivalents consist of Government of Canada treasury bills with maturities of 90 days or less. As at September 30, 2014, the Corporation had $69.9 million in Government of Canada treasury bills (December 31, 2013 - $272.5 million) included in cash and cash equivalents and $873.5 million in short-term investments (December 31, 2013 - $327.6 million).

Trade accounts receivable

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

Canadian $ millions, as at	Note	2014 September 30	2013 December 31
Trade accounts receivable		**$ 220.0**	$ 189.0
Allowance for doubtful accounts		**(12.2)**	(12.9)
Accounts receivable from joint operations	23	**0.3**	0.2
Accounts receivable from joint venture	23	**20.7**	23.2
Accounts receivable from associate	23	**58.1**	36.2
Other		**26.2**	18.2
		$ 313.1	$ 253.9

Aging of receivables not impaired:

Canadian $ millions, as at	2014 September 30	2013 December 31
Not past due	**$ 300.1**	$ 245.6
Past due no more than 30 days	**4.6**	1.8
Past due for more than 30 days but no more than 60 days	**0.3**	0.2
Past due for more than 60 days	**8.1**	6.3
	$ 313.1	$ 253.9

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

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

14. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Advances, loans receivable and other financial assets

Canadian $ millions, as at	Note	2014 September 30	2013 December 31
Advances, loans receivable			
Ambatovy subordinated loans receivable	23	**$ 1,324.4**	$ 1,106.9
Energas conditional sales agreement	23	**249.4**	251.7
Moa Joint Venture loans receivable	23	**241.5**	241.7
Other		**3.4**	3.5
Other financial assets			
Ambatovy call option	13	**19.4**	22.1
Other		**0.8**	-
		1,838.9	1,625.9
Current portion of advances, loan receivable and other financial assets		**(69.1)**	(76.7)
		$ 1,769.8	$ 1,549.2

Other non-financial assets

Canadian $ millions, as at	2014 September 30	2013 December 31
Pension asset	**$ 1.3**	$ 0.7
Other	**1.0**	1.5
	$ 2.3	$ 2.2

15. INVENTORIES

Canadian $ millions, as at	2014 September 30	2013 December 31
Materials in process	$ 0.1	$ 0.1
Finished products	12.0	16.8
	12.1	16.9
Spare parts and operating materials	21.9	18.6
	$ 34.0	$ 35.5

For the three and nine months ended September 30, 2014, the cost of inventories included in cost of sales was $10.3 million and $44.5 million, respectively ($9.5 million and $44.0 million for the three and nine months September 30, 2013, respectively).

16. PROPERTY, PLANT AND EQUIPMENT

Canadian $ millions, for the nine months ended September 30	Oil and Gas properties	Plant, equipment and land	2014 Total
Cost			
Balance, beginning of the period	$ 1,176.0	$ 581.9	$ 1,757.9
Additions	27.7	26.9	54.6
Capitalized closure costs	6.8	6.1	12.9
Disposals and derecognition	(0.1)	(1.8)	(1.9)
Effect of movements in exchange rates	44.7	14.0	58.7
Balance, end of the period	$ 1,255.1	$ 627.1	$ 1,882.2
Depletion, depreciation and impairment losses			
Balance, beginning of the period	$ 1,091.6	$ 273.5	$ 1,365.1
Depletion and depreciation	44.1	17.2	61.3
Impairments	–	1.0	1.0
Disposals and derecognition	(0.1)	(0.4)	(0.5)
Effect of movements in exchange rates	43.0	6.3	49.3
Balance, end of the period	1,178.6	297.6	1,476.2
Net book value	$ 76.5	$ 329.5	$ 406.0

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

Canadian $ millions	Plant, equipment and land
Assets under construction, included in above	
As at September 30, 2014	**$ 16.1**
As at December 31, 2013	15.6

17. LOANS, BORROWINGS AND OTHER LIABILITIES

Loans and borrowings

Canadian $ millions, as at	Note	**2014 September 30**	2013 December 31
Long-term loans			
7.75% senior unsecured debentures due 2015	13, 26	**$ 274.4**	$ 273.9
8.00% senior unsecured debentures due 2018	13, 26	**394.2**	393.3
7.50% senior unsecured debentures due 2020	13, 26	**491.6**	490.8
Ambatovy Joint Venture Additional Partner loans	13	**944.2**	863.5
Ambatovy Joint Venture Partner loans	13	**106.4**	100.1
Coal revolving credit facility[1]		**–**	299.7
Syndicated 364-day revolving-term credit facility		**–**	45.0
Line of credit		**–**	20.0
Vendor financing		**3.2**	3.5
		2,214.0	2,489.8
Current portion of loans and borrowings		**(1.2)**	(365.2)
		$ 2,212.8	$ 2,124.6

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

Covenants

At September 30, 2014, the Corporation and its divisions were in compliance with all of their financial covenants.

Other financial liabilities

Canadian $ millions, as at	Note	**2014 September 30**	2013 December 31
Other long-term financial liabilities		**$ 0.6**	$ 0.7
Stock compensation liability	20	**7.3**	6.5
		7.9	7.2
Current portion of other financial liabilities		**(4.1)**	(4.4)
		$ 3.8	$ 2.8

Other non-financial liabilities

Canadian $ millions, as at	**2014 September 30**	2013 December 31
Deferred revenue	**$ 19.3**	$ 31.8
Current portion of other non-financial liabilities	**(15.2)**	(27.6)
	$ 4.1	$ 4.2

18. PROVISIONS

Canadian $ millions, as at	2014 September 30	2013 December 31
Environmental rehabilitation provisions	$ 95.4	$ 83.6
Other provisions	17.2	41.3
	112.6	124.9
Current portion of provisions	(16.1)	(36.7)
	$ 96.5	$ 88.2

Environmental rehabilitation provisions

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions	Note	For the nine months ended 2014 September 30	For the year ended 2013 December 31
Balance, beginning of the period		$ 83.6	$ 263.2
Additions		0.2	15.0
Change in estimates		12.6	(19.9)
Utilized during the period		–	(17.6)
Accretion	9	0.6	4.5
Foreign exchange translation		(1.6)	4.3
Reclassified to liabilities of discontinued operations	11	–	(165.9)
Balance, end of the period		$ 95.4	$ 83.6

Other provisions

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

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

The following is a reconciliation of other provisions:

Canadian $ millions	For the nine months ended 2014 September 30	For the year ended 2013 December 31
Balance, beginning of the period	$ 41.3	$ -
Additions	–	52.2
Utilized during the period	(24.1)	(10.9)
Balance, end of the period	$ 17.2	$ 41.3

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 2014 September 30 Capital stock	Number	For the year ended 2013 December 31 Capital stock
Balance, beginning of the period		**296,939,426**	**$ 2,808.5**	296,490,635	$ 2,806.1
Restricted stock plan (vested)	20	**73,500**	**0.7**	90,026	0.8
Employee share purchase plan	20	**218,565**	**1.2**	358,765	1.6
Balance, end of the period		**297,231,491**	**$ 2,810.4**	296,939,426	$ 2,808.5

The following dividends were paid or were declared but unpaid:

Canadian $ millions, except per share amounts	For the nine months ended 2014 September 30 Per share	Total	For the year ended 2013 December 31 Per share	Total
Dividends paid during the period	**$ 0.064**	**$ 18.9**	$ 0.167	$ 49.5
Dividends declared but unpaid	**0.010**	**3.0**	0.043	12.9

On September 19, 2014 the Corporation's Board of Directors approved a quarterly dividend of $0.01 per common share, paid October 14, 2014 to shareholders of record as of the close of business on September 30, 2014.

Reserves

Canadian $ millions	Note	For the nine months ended 2014 September 30	For the year ended 2013 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		**$ 6.2**	$ 4.6
Restricted stock plan (vested)	20	**(0.7)**	(0.8)
Restricted stock plan expense	20	**0.5**	0.6
Employee share purchase plan (vested)	20	**(0.2)**	(0.2)
Employee share purchase plan expense	20	**0.1**	0.4
Stock option plan expense	20	**0.9**	1.6
Balance, end of the period		**6.8**	6.2
Total reserves, end of the period		**$ 197.1**	$ 196.5

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

Accumulated other comprehensive income

Canadian $ millions	Note	For the nine months ended 2014 September 30	For the year ended 2013 December 31
Foreign currency translation reserve			
Balance, beginning of the period		**$ 63.0**	$ (101.2)
Foreign currency translation differences on foreign operations		**156.1**	164.2
Balance, end of the period		**219.1**	63.0
Actuarial gains (losses) on defined benefit obligation			
Balance, beginning of the period		**$ (1.0)**	$ (28.4)
Actuarial gains on defined benefit obligation, net of tax			
Continuing operations		**0.7**	0.9
Discontinued operations		**0.6**	3.6
Reclassification due to settlement of pension obligation	11	**(1.8)**	22.9
Balance, end of the period		**$ (1.5)**	$ (1.0)
Total accumulated other comprehensive income		**$ 217.6**	$ 62.0

20. STOCK-BASED COMPENSATION PLANS

Stock options and options with tandem stock appreciation rights

The following is a summary of stock option activity:

Canadian $, except number of options, for the three months ended September 30		2014		2013
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding, beginning of the period	**5,543,752**	**$ 7.55**	4,964,917	$ 8.80
Forfeited	**(25,000)**	**15.02**	-	-
Expired	**–**	**–**	(71,668)	13.46
Outstanding, end of the period	**5,518,752**	**$ 7.52**	4,893,249	$ 8.73
Options exercisable, end of the period	**3,604,288**	**$ 9.46**	3,450,280	$ 9.96

Canadian $, except number of options, for the nine months ended September 30		2014		2013
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding, beginning of the period	**4,868,249**	**$ 8.70**	4,244,317	$ 9.49
Granted	**1,233,200**	**3.02**	888,300	5.14
Forfeited	**(582,697)**	**7.85**	(167,700)	6.92
Expired	**–**	**–**	(71,668)	13.46
Outstanding, end of the period	**5,518,752**	**$ 7.52**	4,893,249	$ 8.73
Options exercisable, end of the period	**3,604,288**	**$ 9.46**	3,450,280	$ 9.96

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

As at September 30					2014
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number Exercisable	Exercisable weighted-average exercise price
$3.00 - $5.05	**1,273,200**	**9.3**	**$ 3.04**	**40,000**	**$ 3.69**
$5.06 - $9.77	**2,788,885**	**6.4**	**6.54**	**2,107,621**	**6.92**
$9.78 - $11.64	**521,667**	**1.2**	**10.27**	**521,667**	**10.27**
$11.65 - $15.23	**935,000**	**2.8**	**14.99**	**935,000**	**14.99**
Total	5,518,752	6.0	$ 7.52	3,604,288	$ 9.46

As at September 30, 2014, 2,575,552 options with tandem SARs (September 30, 2013 – 2,897,349) and 2,943,200 options without tandem SARS (September 30, 2013 – 1,995,900) remained outstanding for which the Corporation has recognized a compensation recovery of $0.5 million and a compensation expense of $0.2 million, respectively, for the three and nine months ended September 30, 2014 of which a compensation recovery of $nil and $0.1 million is included in earnings from discontinued operations (compensation expense of $0.1 million and recovery of $1.6 million for the three and nine months ended September 30, 2013, respectively, of which a recovery of $nil and $0.1 million for the three and nine months ended September 30, 2013, respectively, are included in earnings from discontinued operations). The carrying amount of liabilities associated with cash-settled compensation arrangements is $0.7 million as at September 30, 2014 (December 31, 2013 – $1.3 million, of which $nil is included in liabilities of discontinued operations).

Inputs for measurement of grant date fair values

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

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

Other stock-based compensation

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

For the three months ended September 30				2014
	Share Purchase Plan	RSU	DSU	RSP
Outstanding, beginning of the period	524,475	4,625,683	458,079	287,400
Issued	–	4,647	42,925	–
Dividends credited	–	10,546	1,044	–
Exercised	(218,565)	–	–	–
Forfeited	(20,375)	(28,250)	–	–
Adjusted on settlement	34,280	–	–	–
Vested	–	–	(1,590)	–
Outstanding, end of the period	319,815	4,612,626	500,458	287,400
Units exercisable, end of the period	n/a	n/a	500,458	n/a

For the nine months ended September 30				2014
	Share Purchase Plan	RSU	DSU	RSP
Outstanding, beginning of the period	774,560	2,838,197	422,961	360,900
Issued	58,595	2,457,747	116,955	–
Dividends credited	–	60,720	7,798	–
Exercised	(218,565)	–	–	–
Forfeited	(329,055)	(43,612)	–	–
Adjusted on settlement	34,280	–	–	–
Vested	–	(700,426)	(47,256)	(73,500)
Outstanding, end of the period	319,815	4,612,626	500,458	287,400
Units exercisable, end of the period	n/a	n/a	500,458	n/a

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

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

For other stock-based compensation plans the Corporation recorded a compensation expense of $nil and $4.1 million, respectively for the three and nine months ended September 30, 2014 of which $nil and $0.6 million are included in earnings from discontinued operations, (compensation expense of $0.8 million and $2.0 million for the three and nine months ended September 30, 2013, respectively, of which $nil and $0.1 million, respectively, are included in earnings from discontinued operations). The carrying amount of liabilities associated with cash-settled compensation arrangements is $6.9 million as at September 30, 2014, of which $nil is included in liabilities of discontinued operations (December 31, 2013 - $5.8 million of which $0.6 million is included in liabilities of discontinued operations).

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

Measurement of fair values at grant date

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

The number of units subject to the RSU performance condition outstanding at September 30, 2014 was 3,913,256 (September 30, 2013 – 1,557,747).

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

Canadian $, for the nine months ended September 30	**2014**	2013
Employee Share Purchase Plan	**$ 3.31**	$ 3.90
RSU	**3.04**	5.19
DSU	**4.33**	5.91

The intrinsic value of cash-settled stock-based compensation awards vested and outstanding as at September 30, 2014 was $7.4 million (December 31, 2013 - $6.2 million).

Employee share ownership plan

During the third quarter of 2014 the Corporation established an employee share ownership plan (ESOP) for eligible employees. Under the ESOP, contributions by the Corporation and eligible employees will be used by the plan administrator, to make purchases of common shares of the Corporation on the open market. Each eligible employee may contribute up to 10% of the employee’s salary to the ESOP. The Corporation will contribute to the plan administrator the funds required to purchase one common share of the Corporation for each two common shares purchased on behalf of the eligible employee, up to a maximum annual contribution. Shareholder approval is not required for this plan or any amendments to this plan.

The Corporation accounts for its contributions as compensation and benefits expense when the amounts are contributed to the plan. Compensation and benefits expense related to this plan was $0.1 million for the three and nine months ended September 30, 2014.

21. CASH FLOWS

Other operating items

Canadian $ millions	Note	For the three months ended 2014 September 30	2013 September 30	For the nine months ended 2014 September 30	2013 September 30
Add (deduct) non-cash items:					
Accretion expense on environmental rehabilitation provisions	9, 18	**$ 0.2**	$ 0.3	**$ 0.6**	$ 0.9
Stock-based compensation (recovery) expense, net	20	**(0.5)**	0.9	**3.8**	0.4
Other items		**3.5**	2.7	**9.4**	6.2
Cash flow arising from changes in:					
Other finance charges	9	**(3.1)**	(3.0)	**(9.4)**	(8.5)
Realized foreign exchange (loss) gain	9	**(0.1)**	0.1	**(0.3)**	0.2
		$ –	$ 1.0	**$ 4.1**	$ (0.8)

Net change in non-cash working capital

Canadian $ millions	For the three months ended 2014 September 30	2013 September 30	For the nine months ended 2014 September 30	2013 September 30
Trade accounts receivable	**$ (35.2)**	$ (8.6)	**$ (39.1)**	$ 16.2
Inventories	**(5.5)**	0.1	**2.7**	(3.7)
Prepaid expenses	**(6.0)**	(6.2)	**(13.1)**	(12.0)
Trade accounts payable and accrued liabilities	**26.8**	5.7	**33.5**	(19.8)
Deferred revenue	**12.0**	12.7	**(12.6)**	0.5
	$ (7.9)	$ 3.7	**$ (28.6)**	$ (18.8)

22. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Credit risk

Cuba

The Corporation has credit risk exposure related to its share 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	2014 September 30	2013 December 31
Cash	**$ 14.1**	$ 12.5
Trade accounts receivable, net	**160.3**	159.4
Advances and loans receivable	**615.6**	619.5
Cuban certificates of deposit	**–**	6.0
Total	**$ 790.0**	$ 797.4

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

Madagascar

The Corporation has credit risk exposure in Madagascar related to its share (40% basis) of cash and cash equivalents of $18.5 million and net accounts receivable of $31.6 million associated with the Ambatovy Joint Venture including value added tax (VAT) receivables of $10.6 million from the government of Madagascar. Of a total VAT receivable provision of $73.8 million (40% basis), $2.6 million and $33.5 million, respectively (40% basis), was recorded during the three and nine months ended September 30, 2014 ($40.4 million for the year ended December 31, 2013 (40% basis)) to reflect the diminished likelihood of receipt of these amounts. Total overdue accounts receivable including VAT (net of provision) for the Ambatovy Joint Venture amount to $4.2 million (40% basis).

Liquidity risk

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

Financial obligation maturity analysis

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

Canadian $ millions, as at September 30, 2014	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	$ 135.5	$ 135.5	$ –	$ –	$ –	$ –	$ –
Income taxes payable	14.7	14.7	–	–	–	–	–
Loans and borrowings[(1)]	3,357.2	92.1	365.9	192.1	220.2	658.9	1,828.0
Provisions	152.4	0.2	1.3	0.4	0.6	0.8	149.1
Operating leases[(2)]	12.4	2.0	2.0	1.9	2.0	2.0	2.5
Total	$ 3,672.2	$ 244.5	$ 369.2	$ 194.4	$ 222.8	$ 661.7	$ 1,979.6

(1) Loans and borrowings is composed primarily of $1,160.2 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 $944.2 million and $106.4 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 interim condensed consolidated statements of comprehensive income were $0.5 million and $1.5 million, respectively, for the three and nine months ended September 30, 2014 ($0.5 million and $1.5 million for the three and nine months ended September 30, 2013, respectively).

As a result of the Corporation's 40% interest in the Ambatovy Joint Venture, its proportionate share of significant undiscounted commitments of the Joint Venture include environmental rehabilitation commitments of $194.3 million, other contractual commitments of $31.1 million and senior debt financing of $960.5 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 $145.9 million, environmental rehabilitation commitments of $66.9 million and other commitments of $1.8 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, 2014, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have an unfavourable or favourable impact of approximately $15.3 million, respectively, on net earnings, and $34.6 million on other comprehensive income (loss).

Interest rate risk

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

Based on the balance of short-term and long-term loans and borrowings, cash equivalents, short-term and long-term investments, and advances and loans receivable at September 30, 2014, excluding interest capitalized to project costs, a 1.0% increase or decrease in the market interest rate could increase or decrease the Corporation's net earnings by approximately $7.3 million, respectively. The Corporation does not engage in hedging activities to mitigate its interest rate risk.

Capital risk management

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

Canadian $ millions, as at	2014 September 30	2013 December 31
Capital stock	$ **2,810.4**	$ 2,808.5
Retained (deficit) earnings	**(96.5)**	40.2
Un-drawn credit facilities	**71.5**	210.4

23. RELATED PARTY TRANSACTIONS

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

	For the three months ended		For the nine months ended	
Canadian $ millions	2014 September 30	2013 September 30	2014 September 30	2013 September 30
Total value of goods and services:				
Provided to joint operations	$ **4.1**	$ 4.6	$ **12.6**	$ 18.9
Provided to joint venture	**41.4**	37.5	**126.7**	115.8
Provided to associate	**0.6**	-	**2.5**	5.7
Purchased from joint operations	**–**	1.8	**1.0**	2.7
Purchased from joint venture	**40.4**	22.3	**130.4**	79.8
Purchased from associate	**13.8**	10.4	**44.4**	20.5
Net financing income from joint operations	**4.5**	6.4	**14.0**	18.3
Net financing income from associate	**12.6**	-	**32.0**	-
Net financing income from joint venture	**1.8**	1.7	**5.4**	5.2

Canadian $ millions, as at	Note	2014 September 30	2013 December 31
Accounts receivable from joint operations	13	$ **0.3**	$ 0.2
Accounts receivable from joint venture	13	**20.7**	23.2
Accounts receivable from associate	13	**58.1**	36.2
Accounts payable to joint operations		**0.4**	-
Accounts payable to joint venture		**25.3**	1.9
Accounts payable to associate		**4.8**	4.5
Advances and loans receivable from associate	14	**1,324.4**	1,106.9
Advances and loans receivable from joint operations	14	**249.4**	251.7
Advances and loans receivable from joint venture	14	**241.5**	241.7

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

24. OPERATING LEASE ARRANGEMENTS

Corporation acts as a lessor

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

All operating lease payments related to the Varadero facility are contingent on power generation. The terms of the leases are for 20 years, ending in February 2017 and March 2018. At the end of the lease terms, the leased assets will be sold at fair market value with the Corporation retaining its share of the net proceeds. For the three and nine months ended September 30, 2014, contingent revenue was $2.1 million and $9.0 million, respectively ($2.6 million and $9.3 million for the three and nine months ended September 30, 2013, respectively).

Corporation acts as a lessee

Operating lease payments recognized as an expense in the condensed consolidated statement of comprehensive (loss) income for the three and nine months ended September 30, 2014 were $0.5 million and $1.5 million, respectively ($0.5 million and $1.5 million for the three and nine months ended September 30, 2013, respectively).

25. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at September 30		2014
Property, plant and equipment commitments	$	**39.4**
Joint venture:		
Property, plant and equipment commitments		**16.0**
Other commitments		**0.4**

26. SUBSEQUENT EVENTS

Refinancing

On October 10, 2014 the Corporation completed the purchase of $150.0 million of 8.00% Senior Unsecured Debentures due November 15, 2018 (2018 Debentures) and $250.0 million of 7.50% Senior Unsecured Debentures due September 24, 2020 (2020 Debentures) related to the previously announced offers of solicitation. Net of deferred financing costs, the Corporation's outstanding 2018 Debentures decreased by $147.8 million and the outstanding 2020 Debentures decreased by $245.8 million. The tender of the 2018 Debentures and 2020 Debentures and the receipt of consents required the Corporation to pay tender, consent and dealer fees of $24.3 million in October 2014. These amounts will be recognized within net financing expense in the fourth quarter of 2014.

Additionally, on October 10, 2014, the Corporation completed an issuance of $250.0 million of 7.875% Senior Unsecured Notes due in 2022. The net proceeds of approximately $239 million (after the deduction of expenses and discounts) will be used with cash on hand to fund the repurchase and redemption of the Corporation's outstanding 7.75% Senior Unsecured Debentures due October 15, 2015 (2015 Debentures). In connection with the repurchase and redemption of the 2015 Debentures, the Corporation will be required to pay an early redemption premium on the principal amount plus accrued interest to the date of repurchase, totaling $16.0 million. These amounts will be recognized within net financing expense in the fourth quarter of 2014.

During the third quarter the Corporation received consent to amend the Corporation's indentures. Under the new indenture agreement the Corporation is subject to certain covenants, including financial covenants which if exceeded limit or prohibit the incurrence of indebtedness and the ability to make certain distributions. The financial covenants are as follows; EBITDA-to-interest expense ratio of no less than 2:1 and total indebtedness-to-EBITDA ratio not to exceed 3:1. The amendments were adopted for all outstanding debentures of the Corporation on October 10, 2014.

Normal course issuer bid

On October 27, 2014 the Corporation announced its intention to commence a normal course issuer bid (NCIB) to purchase for cancellation up to 5% of its issued and outstanding common shares over a twelve month period. The commencement of the NCIB is subject to Toronto Stock Exchange approval.

Restructuring Plan

On October 28, 2014 the Corporation initiated a restructuring plan that impacted approximately 10% of its salaried workforce, excluding Ambatovy. As a result, in the fourth quarter of 2014, the Corporation will recognize a restructuring charge of approximately $9 million related to severance and other termination benefits for employees whose positions were terminated.

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