2010

Third Quarter Report

Sherritt International Corporation
For the three months ended September 30, 2010

Q3

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IN THIS SECTION

TORONTO, October 27, 2010

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

- **Net earnings** for third-quarter 2010 were $57.6 million ($0.20 per share), compared to $55.9 million ($0.19 per share) for third-quarter 2009.

  Net earnings for third-quarter 2010 include the following non-cash items: (i) a net unrealized foreign exchange gain of $16.4 million after tax ($0.06 per share), and (ii) an impairment of property, related to relinquishing oil and gas exploration licences in Turkey, of $7.9 million ($0.03 per share). Adjusted for these items, third-quarter 2010 net earnings were $49.1 million ($0.17 per share).

- **Sales volumes** for third-quarter 2010 (Sherritt's share) totaled 9.8 million pounds of nickel, 1.1 million pounds of cobalt, 9.1 million tonnes of thermal coal, 1.0 million barrels of oil and 176 GWh of electricity.

- **Cash, cash equivalents and short- term investments** were $708.0 million at September 30, 2010. Of the cash balance, $35.2 million (50% basis) was held by the Moa Joint Venture and $50.4 million (100% basis) was held by the Ambatovy Joint Venture.

- **Operating cash flow** was $101.9 million for third-quarter 2010, and compares to operating cash flow of $198.5 million for third-quarter 2009.

- **Capital expenditures** totaled $247.5 million for third-quarter 2010, including $197.6 million for the Ambatovy Project (100% basis). This compares to capital expenditures of $396.5 million in third-quarter 2009, of which $330.9 million related to the Ambatovy Project.

- In **Madagascar**, the majority of equipment and material required for the Ambatovy Project was on-site and mining operations began in preparation for start-up of the Ore Preparation Plant. Cumulative project expenditures to September 30, 2010 were US$4.16 billion, excluding financing charges, foreign exchange and working capital requirements, and represent approximately 90% of the total expected project expenditures.

- At September 30, 2010, **total debt** was $3.2 billion, of which approximately 54% ($1.7 billion, 100% basis) related to the limited-recourse Ambatovy senior project finance and 19% ($0.6 billion) to the non-recourse partner loans to Sherritt.

Summary Financial Data

			For nine months ended September 30,	
($ millions unless otherwise noted)	**Q3 2010**	Q3 2009	**2010**	2009
Revenue	**$ 440.5**	$ 389.0	**$1,263.1**	$ 1,095.7
EBITDA[1]	**157.5**	137.0	**455.5**	346.4
Operating earnings	**90.6**	70.8	**265.1**	151.8
Net earnings	**57.6**	55.9	**133.0**	37.4
Basic earnings per share ($ per share)	**0.20**	0.19	**0.45**	0.13
Diluted earnings per share ($ per share)	**0.19**	0.19	**0.45**	0.13
Net working capital[2]	**843.7**	1,041.3	**843.7**	1,401.3
Capital expenditures	**247.5**	396.5	**962.3**	1,201.6
Total assets	**10,573.7**	10,171.5	**10,573.7**	10,171.5
Shareholders' equity	**3,520.9**	3,464.5	**3,520.9**	3,464.5
Long- term debt- to- capitalization (%)	**36%**	36%	**36%**	36%
Weighted- average number of shares (millions)				
Basic	**294.0**	293.1	**293.9**	293.1
Diluted	**296.5**	296.2	**296.5**	296.0

Summary Sales Data

(units as noted)	Q3 2010	Q3 2009	For nine months ended September 30, 2010	2009
Sales volumes				
Nickel (thousands of pounds, 50% basis)	**9,800**	9,779	**27,462**	28,097
Cobalt (thousands of pounds, 50% basis)	**1,067**	1,002	**2,989**	3,078
Thermal coal – Prairie Operations (millions of tonnes)	**8.1**	8.9	**25.0**	25.5
Thermal coal – Mountain Operations (millions of tonnes) (3)	**1.0**	0.6	**2.1**	1.4
Oil (boepd, net production)	**10,911**	12,875	**11,913**	13,319
Electricity (GWh, 100% basis)	**528**	588	**1,556**	1,644
Average realized prices				
Nickel ($/lb)	**$ 9.87**	$ 8.78	**$ 9.88**	$ 7.16
Cobalt ($/lb)	**18.61**	18.19	**19.20**	17.00
Thermal coal – Prairie Operations ($/tonne)	**16.13**	14.07	**16.06**	14.47
Thermal coal – Mountain Operations ($/tonne)	**88.41**	70.06	**83.71**	83.27
Oil ($/boe)	**50.48**	50.07	**51.55**	42.63
Electricity ($/MWh)	**42.92**	45.07	**42.59**	47.83

(1) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release.
(2) Net working capital is calculated as total current assets less total current liabilities.
(3) Represents results from the Corporation's 100% interest in Coal Valley Partnership (CVP), which indirectly owns both the Coal Valley and Obed Mountain mines, from July 1, 2010. Prior to July 1, 2010, results represent the Corporation's 50% interest in CVP.

Review of Operations

Metals

(units as noted)	Q3 2010	Q3 2009	For nine months ended September 30, 2010	2009
Production (tonnes, 50% basis)				
Mixed sulphides	**4,734**	4,647	**14,077**	13,971
Nickel	**4,522**	4,341	**12,527**	12,675
Cobalt	**489**	489	**1,361**	1,428
Sales (thousands of pounds, 50% basis)				
Nickel	**9,800**	9,779	**27,462**	28,097
Cobalt	**1,067**	1,002	**2,989**	3,078
Reference prices (US$/lb)				
Nickel	**$ 9.62**	$ 7.99	**$ 9.61**	$ 6.23
Cobalt(1)	**18.10**	17.30	**19.18**	15.10
Realized prices ($/lb)				
Nickel	**$ 9.87**	$ 8.78	**$ 9.88**	$ 7.16
Cobalt	**18.61**	18.19	**19.20**	17.00

Metals (cont'd)

(units as noted)	Q3 2010	Q3 2009	For nine months ended September 30, 2010	2009
Unit operating costs (US$/lb)				
Mining, processing and refining costs	**$ 4.86**	$ 4.47	**$ 5.02**	$ 4.59
Third-party feed costs	**0.21**	0.11	**0.30**	0.19
Cobalt by-product credits	**(1.95)**	(1.70)	**(2.02)**	(1.60)
Other	**0.25**	0.01	**0.01**	0.05
Net direct cash costs of nickel(2)	**$ 3.37**	$ 2.89	**$ 3.31**	$ 3.23
Revenue ($millions)				
Nickel	**$ 96.7**	$ 85.9	**$ 271.3**	**$** 201.3
Cobalt	**19.9**	18.2	**57.4**	52.3
Fertilizer and other	**11.1**	10.2	**52.9**	51.5
	$ 127.7	$ 114.3	**$ 381.6**	**$** 305.1
EBITDA ($ millions)(3)	**$ 55.9**	$ 45.0	**$ 154.7**	$ 70.1
Operating earnings ($ millions)	**$ 48.9**	$ 37.6	**$ 131.6**	$ 48.8
Capital expenditures ($ millions)				
Moa Joint Venture (50% basis)	**$ 12.7**	$ 7.3	**$ 25.9**	$ 20.1
Ambatovy Joint Venture (100% basis)	**197.6**	330.9	**810.8**	1,034.6
Total	**$ 210.3**	$ 338.2	**$ 836.7**	$ 1,054.7

(1) Average Metal Bulletin: Low Grade cobalt published price.
(2) Net direct cash cost of nickel after cobalt and by-product credits.
(3) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release. EBITDA excludes depreciation and amortization for the three and nine months ended September 30, 2010 of $3.8 million and $15.8 million, respectively ($4.1 million and $15.0 million for the three and nine months ended September 30, 2009, respectively).

Mixed sulphides production for third-quarter 2010 was 2% (175 tonnes, 100% basis) higher than third-quarter 2009. Finished nickel production was 4% (363 tonnes,100% basis) higher, and finished cobalt production was comparable to the prior-year period. The increase in finished metal production during third-quarter 2010 reflected a higher nickel-to-cobalt ratio in the refinery feed and the benefit of the autoclave replacement program completed during fourth-quarter 2009.

Nickel sales volumes were comparable to the prior-year period, while cobalt sales volumes were 6% (65 thousand pounds, 50% basis) higher than third-quarter 2009, primarily due to the timing of shipments.

The average nickel reference price in third-quarter 2010 was 20% (US$1.63/lb) higher, and the average cobalt reference price was 5% (US$0.80/lb) higher, than third-quarter 2009. Reference price increases reflect improved demand for finished metal and a stronger Canadian dollar relative to the U.S. dollar.

The net direct cash cost of nickel for third-quarter 2010 was 17% (US$0.48/lb) higher than third-quarter 2009, due to increased commodity input prices and third-party feed costs, as well as the impact of a stronger Canadian dollar on U.S. dollar-denominated refining costs, which were only partially offset by a higher cobalt by-product credit.

Capital expenditures in the Moa Joint Venture for third-quarter 2010 were 74% ($5.4 million, 50% basis) higher than in third-quarter 2009, when available cash flow was impacted by lower nickel and cobalt prices. Third-quarter 2010 expenditures were directed to sustaining activities and the capitalization of interest related to the Phase 2 expansion, which is currently suspended.

The Ambatovy Project

Ambatovy Project capital expenditures for third-quarter 2010 were $197.6 million (100% basis), 40% ($133.3 million) lower than the prior-year period. Cumulative project expenditures to September 30, 2010 were US$4.16 billion, excluding financing charges, foreign exchange and working capital requirements, and represent approximately 90% of the total project expenditures. The Corporation expects the Project capital spending will not vary materially from the US$4.52 billion capital estimate. During third-quarter 2010, $186.9 million (100%) in funding was provided by the Ambatovy Partners. Sherritt financed 73% ($54.7 million) of its $74.8 million funding obligation directly and the remaining 27% ($20.1 million) through additional loans from other joint venture partners.

During the quarter, the majority of equipment and material required for the Project was on-site and mining operations began in preparation for start-up of the Ore Preparation Plant. Also during the quarter, Sherritt and the EPCM contractor assumed control of construction of the power plant from the lump-sum, turn-key contractor to ensure a safe and reliable start-up required to support commissioning and production activities. Plant systems, sub-systems and equipment continued to be turned over to commissioning teams during the quarter, including process air compressors, several systems in the sulphuric acid plant, and the ore thickener circuit at the plant site.

Two illegal labour disturbances were staged during the quarter. In the interest of safety for all personnel, construction activities at the Toamasina site were suspended for 17 days. The disturbances were primarily related to post-construction employment concerns for people from the Toamasina area. Agreement was reached in early September following discussion with worker delegates, community leaders and local politicians.

The Project is designed to produce 60,000 tonnes (100% basis) of nickel and 5,600 tonnes (100% basis) of cobalt annually at capacity. Mechanical completion is expected in early 2011.

Coal

			For nine months ended September 30,	
(units as noted)	**Q3 2010**	Q3 2009	**2010**	2009
Production (millions of tonnes)				
Prairie Operations	**8.4**	9.0	**24.4**	25.8
Mountain Operations[1]	**1.1**	0.5	**2.1**	1.5
Sales (millions of tonnes)				
Prairie Operations	**8.1**	8.9	**25.0**	25.5
Mountain Operations[1]	**1.0**	0.6	**2.1**	1.4
Realized prices ($/tonne, excluding royalties)				
Prairie Operations	**$ 16.13**	$ 14.07	**$ 16.06**	$ 14.47
Mountain Operations	**88.41**	70.06	**83.71**	83.27
Unit operating costs ($/tonne)				
Prairie Operations	**$ 12.82**	$ 11.28	**$ 12.84**	$ 11.37
Mountain Operations	**73.01**	68.99	**72.91**	64.34
Revenue ($millions)				
Prairie Operations				
Mining revenue	**$ 132.0**	$ 124.5	**$ 402.0**	$ 369.1
Coal royalties	**10.7**	13.2	**31.7**	39.3
Potash royalties	**1.5**	1.8	**8.0**	8.4
Mountain Operations and Other Assets[1],[2]	**84.9**	41.7	**174.4**	119.0
Total revenue	**$ 229.1**	$ 181.2	**$ 616.1**	$ 535.8

Coal (cont'd)

(units as noted)	Q3 2010	Q3 2009	For nine months ended September 30, 2010	2009
EBITDA ($ millions)				
Prairie Operations[3]	$ 37.7	$ 36.4	$ 116.6	$ 115.0
Mountain Operations and Other Assets [(1),(2),(4)]	12.6	-	19.5	23.3
Total	$ 50.3	$ 36.4	$ 136.1	$ 138.3
Operating earnings ($ millions)	$ 17.3	$ 9.1	$ 51.6	$ 61.8
Capital expenditures ($ millions)				
Prairie Operations	$ 14.3	$ 25.8	$ 43.1	$ 69.7
Mountain Operations[1]	5.3	3.5	12.6	24.1
Total	$ 19.6	$ 29.3	$ 55.7	$ 93.8

(1) Results include the Corporation's 100% interest in Coal Valley Partnership (CVP) referred to as Mountain Operations, which indirectly owns both the Coal Valley and Obed Mountain mines, from July 1, 2010. Prior to July 1, 2010, the Corporation proportionately consolidated its 50% interest in CVP.

(2) Other Assets include certain undeveloped reserves, coal reserves that produce coal-bed methane and technologies under development, including the Dodds-Roundhill Coal Gasification Project, and are presented on a 50% basis.

(3) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release. EBITDA excludes depreciation and amortization for the three and nine months ended September 30, 2010 of $12.6 million and $34.3 million, respectively ($13.2 million and $37.0 million for the three and nine months ended September 30, 2009, respectively).

(4) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release. EBITDA excludes depreciation and amortization for the three and nine months ended September 30, 2010 of $9.0 million and $16.6 million, respectively ($3.2 million and $9.2 million for the three and nine months ended September 30, 2009, respectively).

Production volumes for third-quarter 2010 at Prairie Operations were 7% (0.6 million tonnes) lower than the prior-year period, largely due to reduced customer demand as well as the impact of wet weather on mining activities in Saskatchewan. Reduced customer demand resulted from several factors, including unplanned maintenance at a generating station and adjustments in a customer's dispatch levels in response to lower power pool demand. Production volumes at Mountain Operations were 124% (0.6 million tonnes) higher than third-quarter 2009, primarily due to the consolidation of 100% of the results for Mountain Operations, beginning on July 1, 2010. The resultant increase was partially offset by the impact of mining conditions and more challenging maintenance activities that reduced equipment availabilities at Coal Valley mine.

Third-quarter 2010 sales volumes at Prairie Operations were 9% lower than in third-quarter 2009, due largely to reduced customer demand arising from maintenance activities and plant curtailments. At Mountain Operations, sales volumes for third-quarter 2010 were 61% higher than the prior-year period, reflecting acquisition of the remaining interest in the Mountain Operations, effective July 1, 2010, as well as the inclusion of Obed Mountain mine production for the full third-quarter in 2010, partly offset by vessel delays at the port. The Obed Mountain mine was re-started in July 2009 and underwent a staged ramp-up to capacity during third-quarter 2009.

Realized pricing (excluding royalties) for third-quarter 2010 at Prairie Operations was 15% ($2.06/tonne) higher than the prior-year period, reflecting the combined impact of improved pricing on a coal supply agreement renewed in 2010, favourable index-adjustments to prices, and higher cost and capital recoveries at the contract mines. Realized pricing at Mountain Operations was 26% ($18.35/tonne) higher than third-quarter 2009, due to higher thermal export coal reference pricing during 2010, which was partially offset by the foreign exchange impact of a stronger Canadian dollar relative to the U.S. dollar.

Unit operating costs in third-quarter 2010 were higher relative to the prior-year period, with Prairie Operations 14% ($1.54/tonne) and Mountain Operations 6% ($4.02/tonne) higher. The increase in Prairie Operations was largely due to lower production volumes as well as the timing of equipment repairs at two owned mines, while the increase in Mountain Operations was due to lower production volumes at Coal Valley mine resulting from more challenging mining conditions, reduced equipment availability and higher port costs related to demurrage.

Coal royalties for third-quarter 2010 were 19% ($2.5 million) lower than the prior-year period as a result of the timing of decreased mining in royalty assessable areas. Potash royalties were 17% ($0.3 million) lower than in third-quarter 2009 due to the combined impact of relatively weaker potash prices and lower tonnages mined.

Capital expenditures during third-quarter 2010 at Prairie Operations were 45% ($11.5 million) lower than in the prior-year period due to higher prior-year spending on the activated carbon project and infrequently-occurring expenditures in 2009, including a dragline tub replacement at the Sheerness mine and a maintenance shop expansion at the Genesee mine. Capital expenditures during the period at Mountain Operations were 51% ($1.8 million) higher than in third-quarter 2009, largely due to the consolidation of CVP beginning in third-quarter 2010 and the resumption of spending on capital that had been deferred in 2009 to match capital spending to cash flow.

In Mountain Operations, the covenant breach of a three-year non-revolving term facility was eliminated during third-quarter 2010.

Oil and Gas

			For nine months ended September 30,	
(units as noted)	**Q3 2010**	Q3 2009	**2010**	2009
Production (boepd)[1]				
Gross working-interest – Cuba[2],[3]	**20,622**	22,031	**21,288**	21,296
Net working-interest[4]				
Cuba – cost recovery	**4,655**	5,345	**3,991**	6,694
Cuba – profit oil	**5,559**	6,807	**7,078**	5,939
Cuba – total	**10,214**	12,152	**11,069**	12,633
Spain	**336**	373	**481**	318
Pakistan	**361**	350	**363**	368
Total	**10,911**	12,875	**11,913**	13,319
Reference prices (US$/bbl)				
U.S. Gulf Coast Fuel Oil No. 6	**$ 66.69**	$ 63.30	**$ 68.56**	$ 51.33
Brent crude	**77.49**	68.46	**77.47**	57.44
Realized prices				
Cuba ($/bbl)	**$ 51.06**	$ 50.54	**$ 51.77**	$ 43.01
Spain ($/bbl)	**79.07**	74.14	**79.78**	67.36
Pakistan ($/boe)	**7.44**	8.07	**7.40**	8.30
Weighted average ($/boe)	**$ 50.48**	$ 50.07	**$ 51.55**	$ 42.63
Unit operating costs				
Cuba ($/bbl)	**$ 7.84**	$ 6.63	**$ 7.66**	$ 7.88
Spain ($/bbl)	**41.67**	48.15	**29.04**	60.14
Pakistan ($/boe)	**1.02**	0.50	**8.16**	0.99
Weighted average ($/boe)	**$ 8.66**	$ 7.67	**$ 8.55**	$ 8.94
Revenue ($ millions)	**$ 53.2**	$ 59.9	**$ 176.2**	$ 156.7
EBITDA ($ millions) [5]	**$ 38.5**	$ 42.8	**$ 129.6**	$ 103.6
Operating earnings ($ millions)	**$ 20.4**	$ 20.3	**$ 72.9**	$ 33.6
Capital expenditures ($ millions)	**$ 11.6**	$ 22.1	**$ 41.4**	$ 44.5

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

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

(3) Gross working-interest oil production is allocated between Oil and Gas and CUPET in accordance with production-sharing contracts. The Corporation's share, referred to as 'net working-interest oil production', includes: (i) cost recovery oil (based upon the recoverable capital and operating costs incurred by Oil and Gas under each production-sharing contract), and (ii) a percentage of profit oil (gross working-interest production remaining after cost recovery oil is allocated to Oil and Gas). Cost recovery pools for each production-sharing contract include cumulative recoverable costs, subject to certification by CUPET, less cumulative proceeds from cost recovery oil allocated to Oil and Gas. Cost recovery revenue equals capital and operating costs eligible for recovery under the production-sharing contracts.
(4) Net working-interest production (equivalent to net sales volume) represents the Corporation's share of gross working-interest production. In Spain and Pakistan, net working-interest production volumes equal 100% of gross working-interest production volumes.
(5) EBITDA is a non-GAAP measure. See the "Non-GAAP Measures" section at the end of this release.

During the third quarter, Sherritt agreed in principle with CUPET to the retroactive adjustment of production from a well that was part of the Varadero West production-sharing contract (PSC). Under the terms of the agreement, 50% of the production from this well was reallocated from the Varadero West PSC. Up until the expiry of the Varadero PSC in March 2010, this oil was reallocated to the Varadero PSC. Subsequent to the expiry of the Varadero PSC, the oil has been reallocated to CUPET. As a result, GWI production and profit oil production have been adjusted as indicated below. The net impact is a loss of $4.1 million composed of: a reduction in revenue of $7.7 million, a decrease in treatment and transportation costs of $0.7 million, a decrease in depletion of $0.4 million and a decrease in taxes of $2.5 million.

Gross working-interest (GWI) oil production in Cuba for third-quarter 2010 was 6% (1,409 bpd) lower than in the prior-year period due several factors, including the 1,051 bpd retroactive adjustment of production from one well in the Varadero West field as described above, the impact of the loss of production from the expiry of the Varadero production-sharing contract in 2010, and natural reservoir declines. These factors more than offset the impact of recent drilling and workovers. Net working-interest production in Cuba before the profit oil adjustment of 2,099 bpd in third-quarter 2010 was relatively unchanged from the prior-year period. Production in Spain was 10% lower than in third-quarter 2009, due to the impact of undertaking workovers.

Average realized prices in third-quarter 2010 were 1% higher than third-quarter 2009 in Cuba and 7% higher in Spain as a result of higher reference pricing, offset by a stronger Canadian dollar relative to the U.S. dollar.

Third-quarter 2010 unit operating costs in Cuba were 18% ($1.21/bbl) higher than the prior-year period largely as a result of the inclusion of a one-time adjustment in third-quarter 2009 that reversed an allocation of expenses to operating costs. Unit operating costs in Spain were 13% lower in the quarter compared to 2009 due to the costs relating to the higher level of workover activity in 2009.

Capital expenditures in third-quarter 2010 were 47% ($10.5 million) lower than in the prior-year period, reflecting reduced drilling activity in 2010 and the inclusion of exploration activity in Turkey in 2009. In third-quarter 2010, one well was initiated and two wells were completed in Cuba.

Power

			For nine months ended September 30,	
(units as noted)	**Q3 2010**	Q3 2009	**2010**	2009
Electricity sold (GWh, 100% basis)(1)	**528**	588	**1,556**	1,644
Realized price ($/MWh)	**$ 42.92**	$ 45.07	**$ 42.59**	$ 47.83
Unit cash operating cost ($/MWh)	**$ 11.25**	$ 11.82	**$ 11.39**	$ 14.82
Net capacity factor (%)	**76%**	79%	**72%**	74%
Revenue ($ millions)	**$ 28.5**	$ 30.6	**$ 84.7**	$ 89.6
EBITDA ($ millions) (2)	**$ 20.9**	$ 22.0	**$ 62.1**	$ 61.4
Operating earnings ($ millions)	**$ 12.9**	$ 14.2	**$ 37.6**	$ 38.3
Capital expenditures ($ millions)				
Cuba	**$ 5.6**	$ 4.4	**$ 17.9**	$ 18.6
Other	**0.6**	(0.3)	**1.2**	4.5
Total	**$ 6.2**	$ 4.1	**$ 19.1**	$ 23.1

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

Electricity production for third-quarter 2010 was 10% (60 GWh) lower than the prior-year period and the net capacity factor was 4% lower for the comparable periods. Gas shortages continue to have a negative impact on production; however, Sherritt continues to work with our partners in Cuba to increase future gas production.

Third-quarter 2010 unit cash operating costs were 5% ($0.57/MWh) lower than in the prior-year period, as third-quarter 2009 was impacted by turbine failures and associated maintenance costs.

Capital expenditures in third-quarter 2010 were 51% ($2.1 million) higher than in third-quarter 2009 due primarily to increased activity in respect of the 150 MW Boca de Jaruco Combined Cycle Project.

Cash, Debt and Financing

Cash, cash equivalents and short-term investments were $708.0 million at September 30, 2010. Of the cash balance, $35.2 million (50% basis) was held by the Moa Joint Venture and $50.4 million (100% basis) was held by the Ambatovy Joint Venture. These funds are for the use of each joint venture, respectively.

At September 30, 2010, the amount of credit available under various facilities, inclusive of approximately US$0.4 billion (100% basis) under the Ambatovy senior project financing, was $0.8 billion.

Outlook

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

For the 12 months ending	December 31, 2010
Production volumes	
Mixed sulphides (tonnes, 100% basis)	**37,400**
Nickel (tonnes, 100% basis)	**33,900**
Cobalt (tonnes, 100% basis)	**3,600**
Coal – Prairie Operations (millions of tonnes)	**34**
Coal – Mountain Operations (millions of tonnes)(1)	**4**
Oil – Cuba (gross working-interest, bpd)	**20,750**
Oil – All operations (net working-interest, boepd)(2)	**11,900**
Electricity (GWh)	**2,000**
Royalties ($ millions)	
Coal	**38**
Potash	**11**
Capital expenditures ($ millions)	
Metals – Moa Joint Venture (50% basis)	**48**
Coal – Prairie Operations	**50**
Coal – Mountain Operations(1)	**27**
Coal – Activated Carbon (50% basis)	**14**
Oil and Gas – Cuba	**63**
Oil and Gas – Other	**22**
Power – Cuba(3)	**36**
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Metals – Ambatovy (US$ millions, 100% basis)	**1,100**

(1) Includes the Corporation's 100% interest in Coal Valley Partnership (CVP) referred to as Mountain Operations, which indirectly owns both the Coal Valley and Obed Mountain mines, from July 1, 2010. Prior to July 1, 2010, the Corporation proportionately consolidated its 50% interest in CVP.
(2) Net oil production is predicated on the Fuel Oil No.6 price remaining consistent with recent historical levels.
(3) Includes $5 million of progress payments that will be recorded as other assets.

- In Metals, guidance for full-year 2010 production of both mixed sulphides and finished nickel has increased slightly from second-quarter 2010, consistent with current plant performance and feed composition. Finished cobalt production estimates remain unchanged from last quarter. Capital expenditure guidance is 11% ($6 million) lower than in second-quarter 2010 and reflects the timing of both sustaining capital projects and the completion of the sulphuric acid plant in Moa.
- At Ambatovy, mechanical completion is expected in early 2011. The Ore Preparation Plant is scheduled to start-up in fourth-quarter 2010, to begin processing feed that has been stockpiled since the initiation of mining activities in July 2010.
- In Coal – Prairie Operations, production guidance has decreased slightly (3%, 1 million tonnes), reflecting the impact of lower production volumes in the third quarter. Guidance for both potash and coal royalties remains unchanged. Full-year 2010 capital expenditures at Prairie Operations is expected to be 21% ($13 million) lower than previous guidance, primarily due to the delayed timing of certain equipment replacement and repairs as production volumes reduced equipment hours.
- In Coal – Mountain Operations, production guidance has decreased 4% (0.2 million tonnes), reflecting the impact of lower third-quarter production. Capital expenditures in Mountain Operations have increased 17% ($4 million) from prior guidance, largely due to the full consolidation of CVP beginning on July 1, 2010.
- In Oil and Gas, guidance relating to full-year GWI oil production in Cuba has increased by 1% (250 bpd), reflecting refinement in estimates based on three quarters of actual production. Capital expenditures in Cuba are expected to be 26% ($22 million) less than previous guidance, largely due to decreased exploration activity for the year. In total, eight development wells and two exploration wells will be drilled in 2010.
- In Power, guidance for production levels in 2010 remains unchanged. Capital expenditures guidance has been reduced by 54% ($42 million) reflecting a decrease in the expected costs associated with a major inspection and slower than expected spending in 2010 on the 150 MW Boca de Jaruco Combined Cycle Project.

Non- GAAP Measures

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

About Sherritt

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

Forward- Looking Statements

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

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

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

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Management's discussion and analysis

For the three and nine months ended September 30, 2010

This Management's Discussion and Analysis (MD&A) has been prepared for the three and nine months ended September 30, 2010 as of October 26, 2010 and it should be read in conjunction with the Corporation's audited consolidated financial statements and the MD&A for the year ended December 31, 2009. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's web site at www.sherritt.com.

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

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

IN THIS SECTION

Key financial and operational data

$ millions	For the three months ended 2010 September 30	2009 September 30(1)	For the nine months ended 2010 September 30(1)	2009 September 30(1)
Financial highlights				
Revenue	$ 440.5	$ 389.0	$ 1,263.1	$ 1,095.7
EBITDA(2)	157.5	137.0	455.5	346.4
Operating earnings(2)	90.6	70.8	265.1	151.8
Net earnings	57.6	55.9	133.0	37.4
Net earnings per share, basic ($ per share)	0.20	0.19	0.45	0.13
Net earnings per share, diluted ($ per share)	0.19	0.19	0.45	0.13
Cash flow				
Cash provided by operating activities	$ 101.9	$ 198.5	$ 331.3	$ 340.8
Capital expenditures	$ 247.5	$ 396.5	$ 962.3	$ 1,201.6
Production volumes				
Nickel (tonnes)(50% basis)	4,522	4,341	12,527	12,675
Cobalt (tonnes)(50% basis)	489	489	1,361	1,428
Coal - Prairie Operations (millions of tonnes)	8.4	9.0	24.4	25.8
Coal - Mountain Operations (millions of tonnes)(3)	1.1	0.5	2.1	1.5
Oil - Cuba - net production (barrels per day)	10,214	12,152	11,069	12,633
Electricity (gigawatt hours)	528	588	1,556	1,644
Unit operating costs				
Nickel (US$ per pound)(4)	$ 3.37	$ 2.89	$ 3.31	$ 3.23
Coal - Prairie Operations ($ per tonne)	12.82	11.28	12.84	11.37
Coal - Mountain Operations ($ per tonne)	73.01	68.99	72.91	64.34
Oil - Cuba ($ per barrel)	7.84	6.63	7.66	7.88
Electricity ($ per megawatt hour)	11.25	11.82	11.39	14.82
Average-realized sales prices				
Nickel ($ per pound)	$ 9.87	$ 8.78	$ 9.88	$ 7.16
Cobalt ($ per pound)	18.61	18.19	19.20	17.00
Coal - Prairie Operations ($ per tonne)	16.13	14.07	16.06	14.47
Coal - Mountain Operations ($ per tonne)	88.41	70.06	83.71	83.27
Oil - Cuba ($ per barrel)	51.06	50.54	51.77	43.01
Electricity ($ per megawatt hour)	42.92	45.07	42.59	47.83

$ millions, except as noted, as at	2010 September 30	2009 December 31
Financial condition		
Current ratio(5)	2.49:1	3.12:1
Net working capital balance(5)	$ 843.6	$ 1,027.3
Cash, cash equivalents and short-term investments	708.0	870.6
Total assets	10,573.8	9,908.4
Total long-term debt	3,225.8	2,993.9
Non-controlling interests	2,335.6	2,110.8
Shareholders' equity	3,520.9	3,454.4
Long-term debt-to-capitalization(6)	36%	35%

(1) Amounts for the three and nine months ended September 30, 2009 and the nine months ended September 30, 2010 have been amended to account for Mineral Products as a discontinued operation.
(2) For additional information see the Non-GAAP measures section.
(3) Results include the Corporation's 100% interest in Mountain Operations from July 1, 2010. Prior to July 1, 2010, the Corporation proportionately consolidated its 50% interest.
(4) Net direct cash cost is inclusive of by-product credits and third-party feed costs.
(5) Working capital at September 30, 2010 included $50.4 million (100% basis) of cash and cash equivalents held by the Ambatovy Joint Venture and $35.2 million (50% basis) held by the Moa Joint Venture. All cash held by the Ambatovy Joint Venture and Moa Joint Venture is for the use of those joint ventures. Not including the cash held by these joint ventures, the Corporation's current ratio was 2.34:1.
(6) Calculated as Total long-term debt divided by the sum of Total long-term debt, Non-controlling interests and Shareholders' equity. For the purposes of this calculation, Total long-term debt does not include other long-term liabilities.

Executive summary

Highlights of the third quarter of 2010:

- Net earnings for the third quarter of 2010 were $57.6 million compared to net earnings of $55.9 million in the same period in the prior year;
- Revenue of $440.5 million and EBITDA[1] of $157.5 million in the third quarter of 2010 compared to revenue of $389.0 million and EBITDA of $137.0 million in the same period in the prior year. Higher revenue and EBITDA were primarily a result of higher nickel and export coal prices, and the acquisition of the remaining 50% interest of Coal Valley Partnership (CVP) on June 30, 2010, partially offset by the impact of an average stronger Canadian dollar relative to the U.S. dollar during the quarter compared to the same period in the prior year;
- The Ambatovy Project continued to progress with an additional $197.6 million spent in the quarter. In Madagascar, the majority of equipment and material required for the Ambatovy Project was on-site and mining operations began in preparation for start-up of the Ore Preparation Plant. Cumulative project expenditures to September 30, 2010 were US$4.16 billion, excluding financing charges, foreign exchange and working capital requirements, and represent approximately 90% of the total expected project expenditures. The Corporation expects that the project capital cost will not vary materially from the US$4.52 billion estimate; and
- The Corporation continued to maintain a strong liquidity position with a current ratio of 2.49:1, a net working capital balance of $843.7 million and cash, cash equivalents and short-term investments of $708.0 million. These amounts include $50.4 million (100% basis) of cash and cash equivalents held by the Ambatovy Joint Venture and $35.2 million (50% basis) held by the Moa Joint Venture. All cash held by the Ambatovy Joint Venture and Moa Joint Venture is for the use of those joint ventures. The Corporation's long-term debt-to-capitalization ratio was 36%.

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

$ millions, except per share amounts	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Revenue by segment				
Metals	$ 127.7	$ 114.3	$ 381.6	$ 305.1
Coal	229.1	181.2	616.1	535.8
Oil and Gas	53.2	59.9	176.2	156.7
Power	28.5	30.6	84.7	89.6
Corporate and other	2.0	3.0	4.5	8.5
	440.5	389.0	1,263.1	1,095.7
EBITDA(1) by segment				
Metals	$ 55.9	$ 45.0	$ 154.7	$ 70.1
Coal	50.3	36.4	136.1	138.3
Oil and Gas	38.5	42.8	129.6	103.6
Power	20.9	22.0	62.1	61.4
Corporate and other	(8.1)	(9.2)	(27.0)	(27.0)
	157.5	137.0	455.5	346.4
Operating earnings (loss)(1) by segment				
Metals	$ 48.9	$ 37.6	$ 131.6	$ 48.8
Coal	17.3	9.1	51.6	61.8
Oil and Gas	20.4	20.3	72.9	33.6
Power	12.9	14.2	37.6	38.3
Corporate and other	(8.9)	(10.4)	(28.6)	(30.7)
	90.6	70.8	265.1	151.8
Loss on disposal of property, plant and equipment	-	-	-	79.5
Impairment of property, plant and equipment	7.9	-	7.9	-
Net financing (income) expense	(4.4)	0.7	25.1	14.5
Other items	-	-	-	1.5
Non-controlling interests	6.9	4.8	14.4	16.5
Income taxes	21.1	8.8	78.2	(0.3)
Earnings from continuing operations	59.1	56.5	139.5	40.1
Loss from discontinued operation	1.5	0.6	6.5	2.7
Net earnings	$ 57.6	$ 55.9	$ 133.0	$ 37.4
Earnings from continuing operations per common share				
Basic	$ 0.20	$ 0.19	$ 0.47	$ 0.14
Diluted	$ 0.20	$ 0.19	$ 0.47	$ 0.14
Net earnings per common share				
Basic	$ 0.20	$ 0.19	$ 0.45	$ 0.13
Diluted	$ 0.19	$ 0.19	$ 0.45	$ 0.13
Effective tax rate	25%	13%	36%	- %

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

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

- Metals' operating earnings of $48.9 million for the third quarter of 2010 were $11.3 million higher than in the same period in 2009, primarily due to higher average-realized nickel prices, partially offset by higher input commodity prices and the impact of a stronger Canadian dollar relative to the U.S. dollar. Metals' operating earnings of $131.6 million for the first nine months of 2010 were $82.8 million higher than in the same period in 2009, primarily due to higher average-realized nickel and cobalt prices, partially offset by higher input commodity prices, the impact of the scheduled refinery shutdown, and the impact of a stronger Canadian dollar relative to the U.S. dollar;
- Coal's operating earnings of $17.3 million for the third quarter of 2010 were $8.2 million higher than the same period in 2009, primarily due to higher export coal prices, lower operating costs at Mountain Operations, and impact of the 50% acquisition of CVP on June 30, 2010 partially offset by lower export sales volumes. Coal's operating earnings of $51.6 million for the first nine months of 2010 were $10.2 million lower than in the same period in 2009, primarily due to higher operating costs at Mountain operations in the first half of the year, lower coal royalties at Prairie Operations and the impact of a stronger Canadian dollar relative to the U.S. dollar, partially offset by higher export thermal coal prices and sales volumes at Mountain Operations;
- Oil and Gas' operating earnings of $72.9 million for the first nine months of 2010 were $39.3 million higher than in the same period in 2009, primarily due to a higher price for oil produced in Cuba, partially offset by the impact of a stronger Canadian dollar relative to the U.S. dollar;
- Power's operating earnings of $12.9 million and $37.6 million for the third quarter and first nine months of 2010 were $1.3 million and $0.7 million lower than in the same periods in 2009, respectively, primarily due to lower average-realized sale prices partially offset by lower operating costs and higher by-product prices;
- The Corporation closed the Mineral Products division on August 27, 2010. The Mineral Products division is now reported as a discontinued operation. (See the *Review of Operations – Other* section for more information);
- The Corporation recognized an impairment of property of $7.9 million in the third quarter of 2010 as a result of relinquishing licences related to exploration in Turkey;
- Net financing income of $4.4 million was $5.1 million higher in the third quarter of 2010 compared to the same period in the prior year primarily due to a higher net foreign-exchange gain. The foreign exchange gain of $19.9 million was mainly a result of a stronger Canadian dollar relative to the U.S. dollar at September 30, 2010 compared to December 31, 2009. The foreign-exchange gains arising from the revaluation of U.S. dollar-denominated loans payable was partially offset by foreign-exchange losses arising from the revaluation of U.S. dollar-denominated advances and loans receivable;
- Net financing expense of $25.1 million was $10.6 million higher in the first nine months of 2010 than in the same period in the prior year primarily due to lower interest revenue as a result of a reduction in advances and loans receivables;
- The effective consolidated tax rates for the third quarter and first nine months of 2010 were 25% and 36% respectively, compared to 13% and nil% in the same periods in the prior year. These 2010 effective tax rates have been impacted primarily by two significant items. Firstly, a $16.0 million future tax expense was recognized on the Cuban tax contingency reserve as noted below. Secondly, no tax benefit was recognized on either the loss incurred by Mineral Products or on the impairment of property in Turkey, as it is uncertain that these losses could ever be used in a future period to reduce taxable income. After adjusting for these items, the normalized effective tax rates for the third quarter and first nine months of 2010 were 21% and 25%, respectively. The normalized effective tax rate for the nine months ended September 30, 2009 was 17%. The normalized 2009 tax rate reflects the removal of the tax that was associated with the $79.5 million loss on disposal of assets realized by Oil and Gas in 2009. The difference between the 17% normalized 2009 effective tax rate and the 25% normalized 2010 effective tax rate for the nine months ending September 30 of each year, was primarily due to changes in the relative mix of earnings and losses incurred by each division which were carried out in different tax rate jurisdictions; and
- In prior years, Oil and Gas and Power deducted a 5% contingency reserve in computing current taxes under Cuban tax legislation. The Corporation had previously determined that this reserve would not be taxable. However, based on new information and developments during the quarter ended June 30, 2010, it was concluded that the contingency reserve would more likely than not be taxable in a future period. Based on this determination, Oil and Gas and Power have recorded a future tax expense of $16.0 million, $15.3 million of which was recorded in the quarter ended June 30, 2010 and a further $0.7 million in the quarter ended September 30, 2010.

Review of operations

Metals

FINANCIAL REVIEW

$ millions	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Revenue				
Nickel	$ 96.7	$ 85.9	$ 271.3	$ 201.3
Cobalt	19.9	18.2	57.4	52.3
Fertilizers	8.0	8.1	44.5	45.7
Other	3.1	2.1	8.4	5.8
	127.7	114.3	381.6	305.1
Operating costs (1)				
Mining, processing and refining	53.2	50.6	146.5	158.6
Third-party feed costs	2.2	1.1	8.5	6.4
Fertilizers	7.9	7.3	40.7	41.5
Other	4.6	5.0	16.8	13.8
	67.9	64.0	212.5	220.3
Selling costs	3.0	2.5	10.7	9.5
General and administrative costs	0.9	2.8	3.7	5.2
EBITDA(2)	55.9	45.0	154.7	70.1
Depletion, amortization and accretion	7.0	7.4	23.1	21.3
Operating earnings(2)	$ 48.9	$ 37.6	$ 131.6	$ 48.8

(1) Excluding depreciation and amortization for the three and nine months ended September 30, 2010 of $3.8 million and $15.8 million, respectively ($4.1 million and $15.0 million for the three and nine months ended September 30, 2009, respectively).

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

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

$ millions	For the three months ended 2010 September 30	For the nine months ended 2010 September 30
Higher realized nickel prices	$ 14.2	$ 94.1
Higher realized cobalt prices	1.4	11.5
Higher (lower) finished metals sales volumes	1.5	(1.6)
Higher mining, processing and refining costs	(5.1)	(9.2)
Stronger Canadian dollar relative to the U.S. dollar	(3.0)	(8.5)
Other	2.3	(3.5)
Change in operating earnings, compared to 2009	$ 11.3	$ 82.8

METAL PRICES

Prices	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Nickel - average-realized ($/lb)	**$ 9.87**	$ 8.78	**$ 9.88**	$ 7.16
Cobalt - average-realized ($/lb)	**18.61**	18.19	**19.20**	17.00
Nickel - average-reference (US$/lb)	**9.62**	7.99	**9.61**	6.23
Cobalt - average-reference (US$/lb) [(1)]	**18.10**	17.30	**19.18**	15.10

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

During the third quarter of 2010, the average nickel and cobalt reference prices increased by US$1.63 per pound and US$0.80 per pound, respectively, reflecting improved demand for finished metals and a weaker U.S. dollar. For the first nine months of 2010, average nickel and cobalt reference prices increased US$3.38 per pound and US$4.08 per pound, respectively, compared with the same period in the prior year.

PRODUCTION AND SALES

Production (tonnes) (50% basis)	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Mixed sulphides	**4,734**	4,647	**14,077**	13,971
Finished nickel	**4,522**	4,341	**12,527**	12,675
Finished cobalt	**489**	489	**1,361**	1,428
Sales (50% basis)				
Finished nickel (thousands of pounds)	**9,800**	9,779	**27,462**	28,097
Finished cobalt (thousands of pounds)	**1,067**	1,002	**2,989**	3,078
Fertilizer (tonnes)	**26,001**	21,522	**137,758**	121,960

Production of contained nickel and cobalt in mixed sulphides in the third quarter and for the first nine months of 2010 was 175 tonnes (100% basis) and 213 tonnes (100% basis) higher, respectively, compared with the same periods in the prior year. Finished nickel production of 9,044 tonnes (100% basis) was 363 tonnes higher in the third quarter of 2010, while finished cobalt production of 977 tonnes (100% basis) was comparable with the same period in the prior year, reflecting a higher nickel to cobalt ratio in the refinery feed and the benefit of the autoclave replacement program at Fort Saskatchewan that was completed in the fourth quarter of 2009. Finished nickel production of 25,054 tonnes (100% basis) was 295 tonnes lower and finished cobalt production of 2,721 tonnes (100% basis) was 135 tonnes lower, respectively, for the first nine months of 2010 compared with the same period in the prior year. Production was lower for the first nine months of 2010, as the benefit of increased feed availability and the autoclave replacement program were more than offset by the impact of the maintenance outage earlier in the year. In 2009, annual maintenance occurred as a series of maintenance windows taken throughout the year, including the fourth quarter.

During the third quarter, sales of finished nickel and cobalt were 21,000 pounds (50% basis) and 65,000 pounds (50% basis) higher, respectively, compared with the same period in the prior year, reflecting higher nickel production and the timing of shipments. For the first nine months of 2010, sales of nickel and cobalt were 635,000 pounds (50% basis) and 89,000 pounds (50% basis) lower, respectively, primarily reflecting lower production. Fertilizer sales volumes were 4,479 tonnes (Sherritt’s share) and 15,798 tonnes (Sherritt’s share) higher in the third quarter and the first nine months of 2010, respectively, compared with the same period in 2009. Sales were lower in 2009 as a result of poor spring weather conditions and the extended acid plant maintenance outage in Fort Saskatchewan.

OPERATING COSTS

Unit operating costs	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Mining, processing and refining costs	**$ 4.86**	$ 4.47	**$ 5.02**	$ 4.59
Third-party feed costs	**0.21**	0.11	**0.30**	0.19
Cobalt by-product credits	**(1.95)**	(1.70)	**(2.02)**	(1.60)
Other [(1)]	**0.25**	0.01	**0.01**	0.05
Net direct cash cost (US$/lb of nickel)	**$ 3.37**	$ 2.89	**$ 3.31**	$ 3.23
Natural gas costs ($/gigajoule)	**3.47**	2.89	**4.09**	3.69
Sulphur (US$/tonne)	**160.30**	115.65	**139.95**	151.90
Sulphuric acid (US$/tonne)	**133.28**	142.33	**132.76**	153.21

(1) Includes fertilizer profit or loss, marketing costs, premiums or discounts to the reference price, and other by-product credits.

Components of mining, processing and refining costs	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Fixed costs	**22%**	22%	**24%**	22%
Sulphur	**8%**	5%	**6%**	8%
Sulphuric acid	**16%**	19%	**16%**	20%
Fuel oil	**15%**	18%	**18%**	15%
Maintenance	**13%**	13%	**15%**	13%
Other variables [(1)]	**26%**	23%	**21%**	22%
	100%	100%	**100%**	100%

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

The net direct cash cost of nickel was US$0.48 per pound and US$0.08 per pound higher in the third quarter and first nine months of 2010, respectively, compared with the same periods in the prior year primarily due to the impact of input commodity prices on mining, processing and refining costs, the impact of the stronger Canadian dollar on U.S. dollar-denominated refining costs and higher third party feed costs resulting from higher metals prices partially offset by increased cobalt by-product credits.

CAPITAL SPENDING

Capital Expenditures [(1)] $ millions	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Moa Joint Venture				
Sustaining	**$ 11.8**	$ 5.2	**$ 20.8**	$ 12.0
Expansion	**0.9**	2.1	**5.1**	8.1
	12.7	7.3	**25.9**	20.1
Ambatovy Joint Venture	**197.6**	330.9	**810.8**	1,034.6
Total	**$ 210.3**	$ 338.2	**$ 836.7**	$ 1,054.7

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

Capital spending for the Moa Joint Venture was primarily focused on sustaining initiatives and was above spending in the prior year when nickel and cobalt prices were lower. Expansion spending primarily includes capitalized interest related to financing of the Phase 2 expansion which is currently suspended.

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

AMBATOVY PROJECT UPDATE

- The capital cost of the project is not expected to vary materially from US$4.52 billion, excluding financing charges, foreign exchange and working capital requirements;
- Capital spending for the project was $197.6 million for the quarter;
- A total of $186.9 million in funding was provided by the Ambatovy Joint Venture partners during the quarter. Sherritt's share of shareholder funding was $74.8 million, comprising $54.7 million directly from Sherritt and $20.1 million through additional partner loans;
- A total of $61.2 million was drawn from senior debt financing in the third quarter of 2010;
- Mechanical completion is expected in early 2011;
- Over 12,500 people are engaged in all areas of the project. Demobilization of construction workers at the plant site will occur as construction is completed. Demobilization of construction workers at the mine site is almost complete;
- Substantially all of the remaining equipment and material required to complete the project arrived on site during the third quarter;
- Project management has assumed control of the construction of the power plant from the lump-sum turnkey contractor. Numerous technical deficiencies are being corrected in order to ensure a safe and reliable start-up required to support commissioning and production activities;
- Plant systems, sub-systems, and equipment continue to be turned over from construction to the commissioning teams as they are completed. This process will continue until early 2011;
- Operational readiness activities continue and are on schedule for completion prior to startup of the plant;
- Mining activities commenced in July 2010. Ore will be stockpiled for the start-up of the Ore Preparation Plant and the pressure acid leach circuits at the plant site;
- Two illegal labour disturbances slowed construction progress at the plant site during the quarter. The disturbances occurred in August and September, resulting in cessation of construction activities for a period of 17 days. The longest disturbance (12 days) related to post-construction employment concerns for people from the Toamasina area. An agreement was reached with the workers in September 2010 following discussions with worker delegates, community leaders and local politicians; and
- While the project has not experienced material disruptions due to the political situation in Madagascar, the political future of Madagascar remains uncertain. Based on the outcome of a National Conference, a new constitution will be submitted to a referendum on November 17, 2010. It is our understanding that the three leading opposition movements have rejected the resolutions of the National Conference. A number of strikes have taken place throughout the country that, in the last days of the quarter affected operation of the Port of Toamasina, the Judiciary in the country and the University of Antananarivo. The Corporation actively monitors the political climate in Madagascar and continues to hold ongoing communication with representatives of the national, regional and local government as well as multilateral institutions and key embassies.

OUTLOOK FOR 2010

Production volumes and capital spending For the nine and twelve months ended		Actual 2010 September 30		Projected 2010 December 31
Production				
Mixed sulphides (tonnes, 100% basis)		**28,154**		37,400
Finished nickel (tonnes, 100% basis)		**25,054**		33,900
Finished cobalt (tonnes, 100% basis)		**2,721**		3,600
Capital expenditures ($ millions)				
Moa Joint Venture (50% basis)	**$**	**26**	$	48
Ambatovy Joint Venture (100% basis, US$)	**$**	**786**	$	1,100

Guidance for full-year 2010 production of both mixed sulphides and finished nickel has increased slightly from second-quarter 2010 consistent with current plant performance and feed composition. Finished cobalt production estimates remain unchanged from last quarter. Capital expenditure guidance is 11% ($6 million) lower than in second-quarter 2010 and reflects the timing of sustaining capital projects and completion of the sulphuric acid plant in Moa.

At Ambatovy, mechanical completion is expected in early 2011. The Ore Preparation Plant is scheduled to start-up in fourth-quarter 2010, to begin processing feed that has been stockpiled since the initiation of mining activities in July 2010.

Coal

FINANCIAL REVIEW

$ millions	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Prairie Operations				
Mining revenue	$ 132.0	$ 124.5	$ 402.0	$ 369.1
Coal royalties	10.7	13.2	31.7	39.3
Potash royalties	1.5	1.8	8.0	8.4
	144.2	139.5	441.7	416.8
Operating costs(1)	104.8	99.8	321.4	290.0
General and administrative costs	1.7	3.3	3.7	11.8
EBITDA (2)	37.7	36.4	116.6	115.0
Depletion, amortization and accretion	23.0	23.6	65.9	65.9
Operating earnings(2)	$ 14.7	$ 12.8	$ 50.7	$ 49.1
Mountain Operations and coal development assets(3)				
Revenue	$ 84.9	$ 41.7	$ 174.4	$ 119.0
Operating costs(4)	70.1	41.1	149.9	92.0
General and administrative costs	2.2	0.6	5.0	3.7
EBITDA(2)	12.6	-	19.5	23.3
Depletion, amortization and accretion	10.0	3.7	18.6	10.6
Operating earnings (loss)(2)	$ 2.6	$ (3.7)	$ 0.9	$ 12.7

(1) Excluding depreciation and amortization for the three and nine months ended September 30, 2010 of $12.6 million and $34.3 million, respectively ($13.2 million and $37.0 million for the three and nine months ended September 30, 2009, respectively).
(2) For additional information see the Non-GAAP Measures section.
(3) Results include the Corporation's 100% interest in Mountain Operations from July 1, 2010. Prior to July 1, 2010, the Corporation proportionately consolidated its 50% interest. For coal development assets, the Corporation continues to proportionately consolidate its 50% interest.
(4) Excluding depreciation and amortization for the three and nine months ended September 30, 2010 of $9.0 million and $16.6 million, respectively ($3.2 million and $9.2 million for the three and nine months ended September 30, 2009, respectively).

On June 30, 2010, Sherritt purchased the remaining 50% interest in the Coal Valley Partnership (CVP), referred to as Mountain Operations, that it did not previously own from the Ontario Teachers' Pension Plan Board (OTPPB) for $45.0 million. The Corporation fully consolidated the earnings of Mountain Operations beginning July 1, 2010.

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

$ millions	For the three months ended 2010 September 30	For the nine months ended 2010 September 30
Prairie Operations		
Lower royalties	$ (2.8)	$ (8.0)
Higher mining revenue, net of operating costs	2.5	1.5
Lower pension expense	1.3	6.5
Other	0.9	1.6
Change in operating earnings, compared to 2009	$ 1.9	$ 1.6
Mountain Operations and coal development assets		
50% acquisition of CVP on June 30, 2010	$ 1.4	$ 1.4
Higher export coal prices, denominated in U.S. dollars	11.9	10.5
Stronger Canadian dollar relative to the U.S. dollar	(2.2)	(13.1)
(Lower) higher export sales volumes	(10.0)	9.1
Higher domestic coal prices	0.5	3.6
Higher domestic sales volumes	0.6	2.0
Lower (higher) operating costs	6.1	(22.7)
Other	(2.0)	(2.6)
Change in operating earnings, compared to 2009	$ 6.3	$ (11.8)

COAL PRICES

	For the three months ended		For the nine months ended	
	2010	2009	**2010**	2009
Prices ($/tonne)	**September 30**	September 30	**September 30**	September 30
Prairie Operations - average-realized [1]	$ 16.13	$ 14.07	$ 16.06	$ 14.47
Mountain Operations - average-realized	88.41	70.06	83.71	83.27

(1) Excludes royalty revenue.

In Prairie Operations, the average-realized price of coal increased $2.06 per tonne during the third quarter of 2010 and $1.59 per tonne for the first nine months of 2010 compared to the same periods in the prior year, primarily due to higher revenue from the Boundary Dam and Highvale mines. The Genesee mine also contributed to higher revenue in the first nine months of 2010. The Boundary Dam mine's fixed and variable prices increased as a result of a renewal of a coal supply agreement which became effective at the beginning of 2010. The changes in average-realized prices at the Highvale and Genesee mines reflected index-adjusted prices and higher cost and capital recoveries.

In Mountain Operations, the average-realized price increased $18.35 per tonne for the third quarter of 2010 compared to the same period in the prior year, primarily due to higher thermal export coal pricing settlements, partially offset by a stronger Canadian dollar relative to the U.S. dollar. For the first nine months of 2010, the average-realized price increased $0.44 per tonne compared to the same period in the prior year. Although contract price settlements in 2009 were lower than 2010, the first nine months of 2009 benefited from sales in the first quarter that carried over from record prices in the prior year. Additionally, as part of an arbitration settlement with a domestic customer, Mountain Operations received a payment of $9.0 million (100%) in June 2010 which represented a retroactive pricing adjustment to the beginning of the customer's contract extension.

ROYALTY REVENUE

$ millions	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Prairie Operations				
Coal royalties	**$ 10.7**	$ 13.2	**$ 31.7**	$ 39.3
Potash royalties	**1.5**	1.8	**8.0**	8.4

In Prairie Operations, coal royalties decreased as expected during the third quarter and the first nine months of 2010 due to the timing of mining in royalty assessable areas.

PRODUCTION AND SALES

Production (millions of tonnes)	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Prairie Operations	**8.4**	9.0	**24.4**	25.8
Mountain Operations (1)	**1.1**	0.5	**2.1**	1.5
Sales (millions of tonnes)				
Prairie Operations	**8.1**	8.9	**25.0**	25.5
Mountain Operations (1)	**1.0**	0.6	**2.1**	1.4

(1) Results include the Corporation's 100% interest in Mountain Operations from July 1, 2010. Prior to July 1, 2010, the Corporation proportionately consolidated its 50% interest.

In Prairie Operations, lower production and sales volumes during the third quarter of 2010 related primarily to reduced customer demand at the Sheerness, Genesee, Highvale and Boundary Dam mines. Sheerness mine volumes were lower as a result of its main customer reducing requirements at its power generating station due to lower electricity demand. Lower volumes at the Genesee and Highvale mines were due to the timing of planned and unplanned plant maintenance activities, and lower volumes at Boundary Dam due mostly to wet summer weather which hindered coal hauling efforts.

In Mountain Operations, higher production and sales volumes were mainly due to the impact of Sherritt acquiring the remaining 50% of CVP on June 30, 2010. Volumes were also higher due to the Obed Mountain mine, which officially re-opened in July 2009. Although the delays in receiving permits that reduced production in the first six months of the year have been resolved, production in the third quarter of 2010 was affected by more challenging mining conditions and reduced equipment availability.

OPERATING COSTS

Unit operating costs ($ per tonne)	For the three months ended **2010 September 30**	2009 September 30	For the nine months ended **2010 September 30**	2009 September 30
Prairie Operations	**$ 12.82**	$ 11.28	**$ 12.84**	$ 11.37
Mountain Operations	**73.01**	68.99	**72.91**	64.34

Components of operating costs (%)	For the three months ended **2010 September 30**	2009 September 30	For the nine months ended **2010 September 30**	2009 September 30
Prairie Operations				
Labour	**40%**	38%	**40%**	40%
Repairs and maintenance	**35%**	34%	**34%**	30%
Fuel	**12%**	11%	**12%**	12%
Other (1)	**13%**	17%	**14%**	18%
Total	**100%**	100%	**100%**	100%
Mountain Operations				
Labour	**22%**	21%	**23%**	21%
Repairs and maintenance	**14%**	14%	**13%**	14%
Fuel	**9%**	9%	**10%**	9%
Rentals and contractors	**13%**	13%	**14%**	14%
Ex-Mine (2)	**33%**	39%	**33%**	35%
Other (3)	**9%**	4%	**7%**	7%
Total	**100%**	100%	**100%**	100%

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

In Prairie Operations, unit operating costs increased for both the third quarter and the first nine months of 2010 compared to the same periods in the prior year, primarily due to lower production volumes on comparable fixed costs and the timing of repairs to major pieces of mining equipment, mostly at the Boundary Dam and Paintearth mines.

In Mountain Operations, unit operating costs increased for both the third quarter and the first nine months of 2010 compared to the same periods in the prior year, primarily due to the impact of lower production volumes arising from reduced plant yields in the first half of the year, more challenging mining conditions and higher port costs related to demurrage.

CAPITAL SPENDING

Capital Expenditures $ millions	For the three months ended 2010 September 30	 2009 September 30	For the nine months ended 2010 September 30	 2009 September 30
Prairie Operations				
Sustaining(1)	$ 13.8	$ 18.2	$ 29.2	$ 56.5
Growth (50% basis)	0.5	7.6	13.9	13.2
Mountain Operations(2)				
Sustaining(3)	5.3	1.6	12.6	11.1
Growth(4)	-	1.9	-	13.0
Total	$ 19.6	$ 29.3	$ 55.7	$ 93.8

(1) Includes leased expenditures for the three and nine months ended September 30, 2010 of $7.6 million and $14.9 million, respectively ($4.8 million and $18.1 million for the three and nine months ended September 30, 2009, respectively).
(2) Results include the Corporation's 100% interest in Mountain Operations from July 1, 2010. Prior to July 1, 2010, the Corporation proportionately consolidated its 50% interest.
(3) Includes leased expenditures for the three and nine months ended September 30, 2010 of $3.4 million and $6.3 million ($nil million and $2.8 million for the three and nine months ended September 30, 2009, respectively).
(4) Includes leased expenditures of $nil million and $2.1 million for the three and nine months ended September 30, 2009.

Coal leases the majority of its mobile equipment under long-term mine-support equipment agreements entered into in 2004. In the third quarter of 2010, in addition to the acquisition of $7.6 million of leased equipment, Prairie Operations incurred capital costs of $6.2 million for infrastructure development and capital repairs on mobile equipment.

In the third quarter of 2010, $0.5 million (50%) was spent on the construction of the activated carbon plant at Bienfait. The plant commenced start-up activities in June 2010 as part of an expected three-month ramp-up process that is now expected to be completed in the fourth quarter of 2010. In the first nine months of 2010, sales volumes totaled 376 (50% basis) tonnes of activated carbon.

In Mountain Operations, capital spending for infrastructure increased in the third quarter and first nine months of 2010 compared to the same periods in the prior year, primarily due to the impact of Sherritt acquiring the remaining 50% of CVP on June 30, 2010. The reduction in growth capital spending compared to the same period in the prior year was due to the completion of the re-opening of the Obed Mountain mine in July 2009.

OUTLOOK FOR 2010

Production volumes, royalties and capital expenditures For the nine and twelve months ended	Actual 2010 September 30	Projected 2010 December 31
Production		
Prairie Operations (millions of tonnes)	24	34
Mountain Operations (millions of tonnes)(1)	2	4
Royalties ($ millions)		
Coal	$ 32	$ 38
Potash	$ 8	$ 11
Capital expenditures ($ millions)		
Prairie Operations	$ 29	$ 50
Mountain Operations(1)	$ 13	$ 27
Activated carbon project (50% basis)	$ 14	$ 14

(1) Include the Corporation's 100% interest in Mountain Operations from July 1, 2010. Prior to July 1, 2010, the Corporation proportionately consolidated its 50% interest.

In Prairie Operations, production guidance has decreased slightly (3%, 1 million tonnes), reflecting the impact of lower production volumes in the third-quarter. Guidance for both potash and coal royalties remains unchanged. Full year 2010 capital expenditures at Prairie Operations is expected to be 21% ($13 million) lower than previous guidance, primarily due to the delayed timing of certain equipment replacement and repairs as production volumes reduced equipment hours.

In Mountain Operations, production guidance has decreased 4% (0.2 million tonnes), reflecting the impact of lower third-quarter production. Capital expenditures in Mountain Operations have increased 17% ($4 million) from prior guidance, largely due to the full consolidation of CVP beginning on July 1, 2010.

Oil and Gas

FINANCIAL REVIEW

$ millions	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Revenue				
Cuba	**$ 47.9**	$ 56.5	**$ 156.4**	$ 148.3
Spain	**2.5**	2.6	**10.5**	5.9
Pakistan	**0.2**	0.2	**0.7**	0.8
Processing and other	**2.6**	0.6	**8.6**	1.7
	53.2	59.9	**176.2**	156.7
Operating costs	**8.7**	9.1	**27.8**	32.5
General and administrative costs	**6.0**	8.0	**18.8**	20.6
EBITDA[1]	**38.5**	42.8	**129.6**	103.6
Depletion, amortization and accretion	**18.1**	22.5	**56.7**	70.0
Operating earnings[1]	**$ 20.4**	$ 20.3	**$ 72.9**	$ 33.6

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

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

$ millions	For the three months ended 2010 September 30	For the nine months ended 2010 September 30
Higher realized oil and gas prices	**$ 3.2**	**$ 44.3**
Increase (decrease) in sales volumes	**0.6**	**(6.8)**
(Higher) lower operating costs	**(0.5)**	**2.5**
Stronger Canadian dollar relative to the U.S. dollar	**(1.6)**	**(4.3)**
Decrease in depletion, amortization and accretion	**2.7**	**4.5**
Production adjustment	**(6.6)**	**(6.6)**
Other	**2.3**	**5.7**
Change in operating earnings, compared to 2009	**$ 0.1**	**$ 39.3**

OIL PRICES

Prices	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Average-realized prices				
Cuba ($/barrel)	**$ 51.06**	$ 50.54	**$ 51.77**	$ 43.01
Spain ($/barrel)	**79.07**	74.14	**79.78**	67.36
Pakistan ($/boe)[1]	**7.44**	8.07	**7.40**	8.30
Reference price (US$/barrel)				
Gulf Coast Fuel Oil No. 6	**66.69**	63.30	**68.56**	51.33
Brent	**77.49**	68.46	**77.47**	57.44

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

The average-realized price for oil produced in Cuba increased by $8.76 per barrel in the first nine months of 2010 compared with the same period in the prior year as a result of higher oil reference prices, partially offset by a stronger Canadian dollar relative to the U.S. dollar. The average-realized price for oil produced in Spain was higher in 2010 for the same reasons.

PRODUCTION AND SALES

	For the three months ended		For the nine months ended	
	2010	2009	**2010**	2009
Daily Production Volumes (1)	**September 30**	September 30	**September 30**	September 30
Gross working-interest oil production in Cuba(2)(3)	**20,622**	22,031	**21,288**	21,296
Net working-interest production(4)				
Cuba (heavy oil)				
Cost recovery	**4,655**	5,345	**3,991**	6,694
Profit oil	**5,559**	6,807	**7,078**	5,939
Total	**10,214**	12,152	**11,069**	12,633
Spain (light/ medium oil)(4)	**336**	373	**481**	318
Pakistan (natural gas)(4)	**361**	350	**363**	368
Total	**10,911**	12,875	**11,913**	13,319

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

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

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

During the third quarter, Sherritt agreed in principle with CUPET for the retroactive adjustment of production from a well that was part of the Varadero West production-sharing contract. Fifty percent of the production was reallocated to the Varadero production-sharing contract for the period beginning from the commencement of production in August 2007 to the expiration of this production-sharing contract in March 2010. Subsequent to the expiration of the Varadero production-sharing contract, 50% of the production was reallocated to CUPET. As a result, GWI production and profit oil production have been adjusted as indicated below. The net impact is a loss of $4.1 million composed of a reduction in revenue of $7.7 million, a decrease in treatment and transportation costs of $0.7 million, a decrease in depletion of $0.4 million and a decrease in taxes of $2.5 million.

Gross working-interest (GWI) oil production in Cuba decreased 1,409 bpd in the third quarter of 2010 and 8 bpd in the first nine months of 2010, respectively, compared to the same periods in the prior year primarily due to a 96,700 barrel (1,051 bpd in the third quarter and 354 bpd in the first nine months of 2010) retroactive adjustment as described above and the loss of production from the Varadero production-sharing contract that expired on March 18, 2010, partially offset by increased production from recent drilling and workovers. The Varadero production-sharing contract accounted for 2,770 bpd of GWI production in the third quarter of 2009 and 2,621 bpd for the first nine months of 2009.

Cost recovery oil production decreased in the third quarter and the first nine months of 2010 by 690 bpd and 2,703 bpd, respectively, compared to the same periods in the prior year primarily due to higher oil prices in 2010 and lower cost recovery expenditures in 2010. As a result of the decrease in cost recovery oil production, profit-oil production before the retroactive adjustment related to the Varadero West field increased by 851 bpd in the third quarter. In the first nine months of 2009, profit oil production before the retroactive adjustment increased by 1,846 bpd as a result of an increase in GWI production and a decrease in cost recovery oil production. The retroactive adjustment resulted in a decrease of profit oil production of 193,105 barrels (2,099 bpd in the third quarter and 707 bpd in the first nine months of 2010).

Production in Spain increased in the first nine months of 2010 by 163 bpd compared to the same period in the prior year, reflecting the impact of a series of workovers completed during 2010.

OPERATING COSTS

Unit operating costs ($/boe)	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Cuba(1)	**$ 7.84**	$ 6.63	**$ 7.66**	$ 7.88
Spain	**41.67**	48.15	**29.04**	60.14
Pakistan	**1.02**	0.50	**8.16**	0.99
Weighted-average	**$ 8.66**	$ 7.67	**$ 8.55**	$ 8.94

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

Components of operating costs - Cuba (%)	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Cuba				
Labour	**10%**	5%	**8%**	3%
Maintenance	**7%**	19%	**7%**	11%
Treatment and transportation	**28%**	45%	**35%**	45%
Other (1)	**55%**	31%	**50%**	41%
	100%	100%	**100%**	100%

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

Unit operating costs in Cuba increased by $1.21per barrel in the third quarter primarily due to an adjustment booked in the third quarter of 2009 that reallocated expenses to operating costs. Unit operating costs decreased $0.22 per barrel in the first nine months of 2010 primarily due to a stronger Canadian dollar relative to the U.S. dollar. Unit operating costs in Spain decreased as a result of workovers performed in 2009 as well as a stronger Canadian dollar relative to the U.S. dollar. Unit operating costs in Pakistan for the first nine months of 2010 increased significantly compared with the prior year as a result of a $0.7 million write down in the second quarter of 2010.

CAPITAL SPENDING

Capital Spending $ millions	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Development and facilities	**$ 10.5**	$ 17.1	**$ 37.6**	$ 36.3
Exploration	**1.1**	5.0	**3.8**	8.2
Total	**$ 11.6**	$ 22.1	**$ 41.4**	$ 44.5

In the third quarter of 2010, development and facilities capital spending included $5.7 million for development drilling, $2.0 million for equipment and $1.3 million related to facilities. In the first nine months of 2010, capital spending included $20.9 million for development drilling, $8.0 million for equipment and inventory purchases, and $2.4 million related to facilities.

During the third quarter of 2010, in Cuba, drilling of one development well commenced and two development wells were completed.

During the third quarter of 2010, a decision was made to not proceed with further exploration in the North Thrace prospect area of Turkey. As a result, the related licences will be relinquished and previously capitalized costs of $7.9 million were written down as impairment of property, plant and equipment.

OUTLOOK FOR 2010

Production volumes and capital expenditures For the nine and twelve months ended		Actual 2010 September 30		Projected 2010 December 31
Production				
Gross working-interest oil (Cuba) (bpd)		**21,288**		20,750
Net working-interest production, all operations (boepd)(1)		**11,913**		11,900
Capital expenditures ($ millions)				
Cuba	**$**	**40**	$	63
Other	**$**	**1**	$	22

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

Guidance relating to full-year GWI oil production in Cuba has increased by 1% (250 bpd), reflecting refinement in estimates based on three quarters of actual production. Capital expenditures in Cuba are expected to be 26% ($22 million) less than previous guidance, largely due to decreased exploration activity for the year. In total, eight development wells and two exploration wells will be drilled in 2010.

Power

FINANCIAL REVIEW

$ millions	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Revenue				
Electricity sales	**$ 22.7**	$ 26.5	**$ 66.3**	$ 78.5
By-products and other	**5.8**	4.1	**18.4**	11.1
	28.5	30.6	**84.7**	89.6
Operating costs	**5.9**	7.0	**17.7**	24.4
General and administrative costs	**1.7**	1.6	**4.9**	3.8
EBITDA (1)	**20.9**	22.0	**62.1**	61.4
Depletion, amortization and accretion	**8.0**	7.8	**24.5**	23.1
Operating earnings (1)	**$ 12.9**	$ 14.2	**$ 37.6**	$ 38.3

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

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

$ millions	For the three months ended 2010 September 30	For the nine months ended 2010 September 30
Lower realized electricity prices, denominated in Canadian dollars	**$ (1.1)**	**$ (8.4)**
Higher by-products prices	**0.6**	**3.6**
Lower operating costs	**1.1**	**6.7**
Other	**(1.9)**	**(2.6)**
Change in operating earnings, compared to 2009	**$ (1.3)**	**$ (0.7)**

ELECTRICITY PRICES

Prices ($/MWh) (1)	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Average-realized price	**$ 42.92**	$ 45.07	**$ 42.59**	$ 47.83

(1) Megawatt hours (MWh).

The average-realized price of electricity was $2.15 per MWh lower in the third quarter of 2010 and $5.24 per MWh lower in the first nine months of 2010, respectively, primarily due to the impact of a stronger Canadian dollar relative to the U.S. dollar, partially offset by a higher proportion of electricity generated at facilities with higher tariffs.

By-product revenue in 2010 increased compared with the same periods in the prior year primarily as a result of higher prices, which are linked to market prices for petroleum products.

PRODUCTION AND SALES

Production/Sales	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Electricity sold [(1)] GWh[(2)]	**528**	588	**1,556**	1,644

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

Production was 60 GWh lower in the third quarter of 2010 compared to the same period in the prior year primarily due to gas supply shortages. Production was 88 GWh lower for the first nine months of 2010 primarily due to an increase in the volume of gas supply shortages compared to same period in the prior year.

OPERATING COSTS

Unit operating costs ($ per MWh)	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Operating cost	**$ 11.25**	$ 11.82	**$ 11.39**	$ 14.82

Components of unit operating costs (%)	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Labour	**22%**	36%	**33%**	34%
Maintenance	**50%**	49%	**46%**	54%
Other [(1)]	**28%**	15%	**21%**	12%
Total	**100%**	100%	**100%**	100%

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

Unit operating costs were $0.57 per MWh lower in the third quarter of 2010 and $3.43 per MWh lower for the first nine months of 2010 compared with same periods in the prior year primarily due to higher costs in 2009 related to turbine failures and increased levels of scheduled maintenance. In addition, higher operating costs were partially offset in the first quarter of 2010 by an insurance recovery related to a separate turbine failure.

CAPITAL SPENDING

Capital Expenditures $ millions	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Sustaining	**$ 2.5**	$ 1.6	**$ 5.6**	$ 10.5
Growth	**3.7**	2.5	**13.5**	12.6
Total	**$ 6.2**	$ 4.1	**$ 19.1**	$ 23.1

Sustaining capital expenditures for the third quarter of 2010 and first nine months of 2010 were primarily for the major inspection performed on the turbine at Varadero. Growth capital spending relates mainly to components and capitalized interest for the 150 MW Boca de Jaruco Combined Cycle Project, for which activity has accelerated following an internal review and is now expected to be operational in the first quarter of 2013. In 2009, growth capital spending related mainly to construction activity and equipment purchases for the 25MW project in Madagascar.

OUTLOOK FOR 2010

Production volumes and capital expenditures For the nine and twelve months ended	Actual 2010 September 30	Projected 2010 December 31
Production		
Electricity (GWh)	**1,556**	2,000
Capital expenditures ($ millions) (1)		
Cuba	**$ 19**	$ 36

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

Guidance for production levels in 2010 remains unchanged. Capital expenditures guidance has been reduced by 54% ($42 million) reflecting a decrease in the expected costs associated with a major inspection and slower than expected spending in 2010 on the 150 MW Boca de Jaruco Combined Cycle Project.

Other – Technologies

FINANCIAL REVIEW

For the three and nine months ended September 30, 2010, Technologies' revenue was $3.1 million and $7.9 million, respectively ($2.7 million and $8.2 million for the three and nine months ended September 30, 2009, respectively).

Technologies continues to provide process development services to clients globally, with particular emphasis on nickel, zinc and gold projects in southern Africa, China and South America.

The Clean Coal Technology Centre is evaluating and testing a number of pre-combustion technologies with the objectives of reducing the moisture and ash content of lower rank coals, removing deleterious impurity elements and producing specification products for use in conventional thermal power plants, as well as gasification processes. In addition, efforts are underway to develop technologies which could chemically convert coal to a range of high value specialty products.

Other – Mineral Products

In 2007, the Corporation acquired Mineral Products, which included the Canada Talc mine and plant, through the acquisition of the Dynatec Corporation. During the second quarter of 2010, the Corporation made a decision to close the Canada Talc mine and plant on August 27, 2010. The Corporation classified Mineral Products as a discontinued operation once the Canada Talc mine and plant closed with the prior periods being restated accordingly.

For the three and nine months ended September 30, 2010, the Corporation wrote down inventory and other asset balances in the amount of $nil and $2.4 million, respectively. The asset-retirement obligation for the Canada Talc mine and plant at September 30, 2010 remains at $2.3 million with reclamation expected to occur over the next two years. Termination benefits are $1.6 million; $1.3 million has been paid as at September 30, 2010 and the remaining termination benefits will be accrued and paid over the reclamation period.

Management has engaged an engineering and environmental services company to assist in estimating the final site reclamation costs associated with the Canada Talc mine and plant, which may result in a higher asset-retirement obligation.

The division incurred losses for the three and nine months ended September 30, 2010 of $1.5 million and $6.5 million, respectively ($0.6 million and $2.7 million for the three and nine months ended September 30, 2009, respectively).

Liquidity and capital resources

The primary factors affecting liquidity and how Sherritt manages capital are described in detail in the annual MD&A. Management believes that, based on its financial position and liquidity profile at September 30, 2010, the Corporation should be able to fund the working capital requirements of its operations, to fund capital assets, and to make all of its short- and long-term debt repayments and other obligations.

Cash requirements

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

$ millions, as at	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter
Long-term debt repayment obligations	$ 3,417.5	$ 47.1	$ 94.8	$ 333.1	$ 126.0	$ 374.9	$ 2,441.6
Capital commitments	459.5	392.9	58.9	7.7	-	-	-
Capital leases and other	122.7	42.3	35.7	26.2	13.8	4.7	-
Operating leases	94.0	23.1	19.0	15.5	10.1	4.9	21.4
Pension obligations	77.6	7.8	8.1	8.1	8.0	8.1	37.5
Asset-retirement obligations	547.4	31.1	26.0	26.2	28.5	29.9	405.7
Total	$ 4,718.7	$ 544.3	$ 242.5	$ 416.8	$ 186.4	$ 422.5	$ 2,906.2

Investment liquidity

At September 30, 2010, cash, cash equivalents and short-term and long-term investments were located in the following countries:

$ millions, as at September 30, 2010	Cash and cash equivalents	Short-term investments	Long-term investments	Total
Canada	$ 132.9	$ 492.1	$ 42.0	$ 667.0
Cuba	26.2	-	106.3	132.5
England	31.1	-	-	31.1
Other	25.7	-	-	25.7
Total	$ 215.9	$ 492.1	$ 148.3	$ 856.3

CASH AND SHORT-TERM INVESTMENTS

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

At September 30, 2010, included in cash, cash equivalents and short-term investments was $50.4 million (100% basis) of cash held by the Ambatovy Joint Venture and $35.2 million (50% basis) held by the Moa Joint Venture. All cash held by the Ambatovy Joint Venture and Moa Joint Venture is for the use of those joint ventures.

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

LONG-TERM INVESTMENTS

As a result of an agreement in February 2009 with Oil and Gas and Power's Cuban customers, Sherritt acquired approximately US$159.1 million in certificates of deposit (CDs). These CDs were issued by a Cuban bank and bear interest at a rate of 30-day LIBOR plus 5%. In the event of default, Sherritt has the right to receive payment from the cash flows payable by the Moa Joint Venture to its Cuban beneficiaries. At September 30, 2010, the balance of the CD's was $106.3 million.

At September 30, 2010, Sherritt held Master Asset Vehicle (MAV) notes with a fair value of $36.3 million. A majority of these notes are held as an investment. Sherritt has used these notes as collateral for its MAV note loans. Under the terms of the loans, proceeds from the sale of the MAV notes would be used to repay any outstanding principal amounts of the loans, if any and/or reduce the amount available under the loans.

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 the Corporation's Consolidated Statements of Cash Flow.

	For the three months ended		For the nine months ended	
	2010	2009	**2010**	2009
$ millions	**September 30**	September 30(1)	**September 30(1)**	September 30(1)
Cash from operating activities				
Cash from operating activities before change in non-cash working capital	**$ 130**	$ 120	**$ 354**	$ 313
Change in non-cash working capital	**(27)**	79	**(19)**	31
Cash used for discontinued operation	**(2)**	(1)	**(3)**	(3)
Cash provided by operating activities	**$ 101**	$ 198	**$ 332**	$ 341
Cash from investing and financing				
Capital spending	**$ (289)**	$ (628)	**$ (934)**	$ (1,358)
Advances, loans receivable and other assets	**17**	3	**51**	6
Acquisition of CVP	**-**	-	**(32)**	-
Short-term debt borrowings, net of repayments	**-**	(93)	**5**	(43)
Acqusition of loan from OTPPB	**-**	-	**(10)**	-
Long-term debt borrowings, net of repayments	**66**	665	**206**	1,042
Funding from Ambatovy Joint Venture partners	**112**	164	**255**	734
Dividends paid on common shares	**(11)**	(11)	**(32)**	(32)
Cash provided by discontinued operation	**2**	1	**5**	3
Other	**(9)**	(27)	**(9)**	(12)
	$ (112)	$ 74	**$ (495)**	$ 340
(Decrease) increase in cash and short-term investments	**$ (11)**	$ 272	**$ (163)**	$ 681
Cash, cash equivalents, and short-term investments:				
Beginning of the period(1)	**$ 719**	$ 1,016	**$ 871**	$ 607
End of the period	**$ 708**	$ 1,288	**$ 708**	$ 1,288

(1) Amounts have been amended as a result of Mineral Products being accounted for as a discontinued operation.

Operating cash flow for the third quarter and first nine months of 2010 was impacted by an increase in earnings. Changes in non-cash working capital in the third quarter of 2010 and the first nine months of 2010 compared to the same periods in the prior year were primarily due to lower accounts payable due to the timing of payments mostly at the Ambatovy Project.

Cash used toward capital expenditures for the third quarter and first nine months of 2010 was $289 million and $934 million, respectively. The majority of this spending related to the development of the Ambatovy Project. A discussion of capital expenditures is included in the Review of operations section for each division.

Long-term debt proceeds (net of repayments) in the third quarter and first nine months of 2010 were $66 million and $206 million, respectively. The majority of the proceeds were received under the Ambatovy Joint Venture senior debt financing and the Ambatovy Joint Venture additional partner loans.

In addition, $112 million and $255 million were received by the Ambatovy Joint Venture in the third quarter and first nine months of 2010, respectively, from the other Ambatovy Joint Venture partners as their share of the joint venture funding requirements.

In the third quarter of 2010 and for the first nine months of 2010, Sherritt contributed $54.7 million and $82.9 million, respectively, directly to the Ambatovy project.

In the third quarter and first nine months of 2010, proceeds of $17 million and $51 million, respectively, were received for repayment of advances, loans receivables and other assets, primarily related to the CD's and the funding agreement between the Corporation and certain Moa Joint Venture entities within the Metals segment.

In the second quarter of 2010, $32.1 million (net of the cash acquired) was used to acquire the remaining 50% interest in CVP that the Corporation did not previously own. An additional $10.1 million was used to purchase a loan (including accrued interest) that was owed to OTPPB by CVP.

During the first quarter of 2009, the Corporation received $74.1 million as its share of proceeds related to the termination of the Block 7 production-sharing contract in Oil and Gas.

In the first quarter of 2009, US$161.1 million collected on overdue 2008 receivables from Oil and Gas and Power had a minimal impact on the overall cash position as the Corporation agreed to purchase a similar amount of certificates of deposit.

Available credit facilities

At September 30, 2010, the Corporation and its divisions had borrowed $3.2 billion under available long-term credit facilities. Total remaining credit available under these facilities was $802 million, inclusive of approximately $369 million (US$358 million) (100% basis) available under the Ambatovy Joint Venture senior debt financing.

The following table outlines the maximum amount and amounts available to the Corporation under its credit facilities as at September 30, 2010 and December 31, 2009. The Corporation has access to other credit facilities which are not included in the table as they are fully drawn as at September 30, 2010.

$ millions, as at		**2010 September 30**		2009 December 31
	Maximum	**Available**	Maximum	Available
Short-term				
Syndicated 364-day revolving term credit facility	**$ 115**	**$ 109**	$ 140	$ 117
MAV liquidity line of credit	**20**	**20**	20	20
Letter of credit facility (1)	**49**	**-**	49	1
Long-term				
Ambatovy Project financing (US$) (100%)	**$ 2,100**	**$ 358**	$ 2,100	$ 507
Ambatovy J.V. partner loans (US$) (2)(3)	**213**	**132**	213	128
Ambatovy J.V. additional partner loans (US$) (3)	**23**	**-**	23	-
Senior credit facility agreement	**235**	**136**	235	135
MAV note loans	**33**	**33**	33	33
Total Canadian equivalent	**$ 2,858**	**$ 802**	$ 2,923	$ 972
Capital leases (4)	**$ 190**	**$ 65**	$ 140	$ 46

Proportionate share of credit facility (5)	**Maximum**	**Available**	Maximum	Available
Ambatovy Project financing (US$) (40%)	**$ 840**	**$ 143**	$ 840	$ 203
Total Canadian equivalent	**$ 865**	**$ 147**	$ 879	$ 212

(1) Uncommitted letter of credit facility entered into for CVP.
(2) The availability under this loan has been reduced by US$22.9 million, the amount repaid to Korea Resources Corporation.
(3) The Ambatovy Joint Venture additional partner loans are uncommitted except for a commitment of US$22.9 million. The US$22.9 million is committed to offset the reduction in amounts available under the original Ambatovy Joint Venture partner loans. (See footnote 2, above)
(4) Capital leases include only those that have been committed by lenders.
(5) To illustrate Sherritt's 40% proportion of the available credit under the Ambatovy Project financing. On a proportionate basis, at September 30, 2010, Sherritt had drawn a total of $718 million.

COVENANTS

The Corporation and its divisions were in compliance with all of their financial covenants as at September 30, 2010. The Corporation expects to remain in compliance with all of its financial covenants during the next 12 months, based on current market conditions. Other than the covenants required for the debt facilities, the Corporation is not subject to any externally imposed capital restrictions.

COMMON SHARES

As at October 26, 2010, the Corporation had 294,073,223 common shares outstanding. An additional 4,984,146 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan.

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

In September 2010, the Board of Directors of the Corporation approved a quarterly dividend of $0.036 per share that was payable on October 14, 2010 to shareholders of record at the close of business on September 30, 2010.

Managing risk

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

Accounting pronouncements

Convergence with International Financial Reporting Standards

BACKGROUND

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

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

PROJECT PLAN

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

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

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

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

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

PROJECT UPDATE

Phase 2 is well underway. In the third quarter of 2010, the focus of the Corporation’s IFRS conversion efforts continued to be on resolving accounting issues, some of which are quite complex and unique to the Corporation. Management’s preliminary assessments of significant differences between Canadian GAAP and IFRS are identified below. The Corporation has made significant progress on developing training plans and an accounting policy manual, as well as designing the control framework necessary to support an IFRS reporting environment.

Progress to date is highlighted below:

Policy choices and exemptions – Management has determined the majority of its significant accounting policies under IFRS and selected the optional exemptions available under IFRS 1, *First-time Adoption of IFRS*. Management is setting policies consistent with industry peers to the extent appropriate. Sherritt has quantified the impact of the majority of its preliminary accounting policy choices and exemptions for the purpose of preparing the transitional Consolidated Statement of Financial Position as at January 1, 2010 under IFRS;

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

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

Accounting policy manual – A review of accounting policies throughout the Corporation to ensure consistency and appropriateness is in progress. A Sherritt IFRS Accounting Policy Manual is expected to be completed in the fourth quarter of 2010;

Internal controls – The design of the control framework necessary to support the IFRS reporting environment and the CEO/CFO certification process is expected to be completed in the fourth quarter of 2010;

Training – Training of key participants of the implementation process has been ongoing through the conversion process. Formal training materials have been prepared with a view of providing additional training to other stakeholders during the fourth quarter of 2010 and beyond; and

Other – Discussions have been initiated to determine the impact of IFRS on business policies, compensation, debt, and other contractual agreements have begun. The Treasury group has held discussions with creditors with respect to debt covenant ratios under IFRS.

PRELIMINARY ASSESSMENTS

To date, the Corporation has identified some significant differences between Canadian GAAP and IFRS in its current form, which would materially impact its consolidated statement of financial position and result in additional volatility in net earnings. Management’s analysis and assessments are based on current facts and circumstances. A number of projects underway by standard-setting bodies could materially change IFRS.

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

Joint Ventures and Associated entities

Under Canadian GAAP, the Ambatovy Joint Venture and Energas are considered investments in variable interest entities as defined by Accounting Guideline 15, *Consolidation of Variable Interest Entities* (AcG-15) and are fully consolidated with non-controlling interests in the net assets reported separately. In accordance with IAS 28, *Investment in Associates*, and IAS 31, *Interests in Joint Ventures*, the Corporation currently expects that Ambatovy would be consolidated as an associated entity that is accounted for using the equity method of accounting and Energas would be consolidated as a jointly-controlled entity that is accounted for using proportionate consolidation. Under this accounting treatment, Sherritt may be required to deconsolidate these entities, thereby eliminating Non-controlling interest at the Transition Date and significantly reducing assets and liabilities on a line-by-line basis.

Accounting for Ambatovy under IFRS – The Corporation determined it had joint control of the Ambatovy Joint Venture as of the date of inception of the shareholders agreement. Upon entering the additional loan agreements in June 2009, it was determined the Ambatovy Joint Venture would be accounted for as an "investment in an associated entity," and reported as a single line item on the Consolidated Statement of Financial Position and the Corporation's proportionate share of results would be reported in a single line on its Consolidated Statement of Comprehensive Income (Loss). Upon the cessation of joint control, in June 2009, the Corporation will need to record an adjustment to increase its investment in Ambatovy to reflect fair value.

The Corporation expects the accounting of the investment as an associated entity to result in a decrease in current assets by approximately $288 million, long-term assets to decrease by approximately $3.7 billion (net of a new financial statement line for Investment in associated entity totaling approximately $0.9 billion), current liabilities to decrease by approximately $196 million, long-term liabilities to decrease by approximately $1.9 billion, and non-controlling interests to decrease by approximately $1.9 billion. Furthermore, foreign exchange gains and losses on the translation of the foreign operation will be reflected in the Statement of Other Comprehensive Income.

Accounting for Energas under IFRS - The Corporation would recognize its proportionate share of assets, liabilities and earnings (loss) for Energas on a line-by-line basis in its consolidated financial statements. Under this accounting treatment, the Corporation expects current and long-term assets to decrease by approximately $216 million, decrease current and long-term liabilities by approximately $12 million, and to decrease non-controlling interests by $204 million.

Exposure Draft 9, Joint arrangements

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

IAS 23, Borrowing costs

If the Corporation's investment in the Ambatovy Joint Venture is accounted for as an equity investment under IFRS, it would not be considered to be a qualified asset as defined under IAS 23, Borrowing Costs, for the capitalization of certain borrowing costs. As a result, certain previously capitalized borrowing costs would be written off to retained earnings, and future interest costs relating to the non-qualifying loans would be expensed as incurred. As a result, if this accounting treatment is adopted on transition to IFRS, the Corporation currently expects to decrease property, plant, and equipment by approximately $38 million, decrease future tax liability by approximately $6 million, and decrease retained earnings by approximately $32 million. In addition, the Corporation expects to record approximately $26 million of financing expense during the first six months of 2010.

Foreign currency translation

Under IFRS, the concept of an integrated or self-sustaining foreign operation does not exist as it does under Canadian GAAP. Although similar to Canadian GAAP, the indicators used to determine the functional currency of a foreign operation under IFRS, IAS 21, *The Effects of Changes in Foreign Exchange Rates*, are based on a hierarchy for analyzing the transactions in the entities' primary economic environment. Based on Management's preliminary analysis, the Corporation has concluded that the functional currency of Energas is the U.S. dollar under IFRS. In this case, Energas' operations would be translated using the current rate method from inception which translates foreign denominated assets, liabilities and transactions at the exchange rate at the reporting date with all exchange gains and losses included in comprehensive income (loss) and deferred in Accumulated other comprehensive income (loss). If this accounting treatment is adopted on transition to IFRS the Corporation currently expects to decrease property, plant, and equipment and other assets by approximately $25 million and decrease accumulated other comprehensive income for approximately $25 million. In addition, the Corporation currently expects that a certain U.S. dollar loan receivable relating to the Ambatovy Joint Venture no longer meets the criteria to be classified as part of the Corporation's net investment in Ambatovy. As a result, the loan receivable would no longer be eliminated on consolidation and be classified on a separate line on the Consolidated Statement of Financial Position. All foreign exchange gains (losses) would be recorded through the Consolidated Statement of Comprehensive Income (Loss). Also, the Corporation would recognize interest revenue on the loan receivable. If this accounting treatment is adopted on transition to IFRS, the Corporation expects to record interest income of approximately $14 million and a foreign exchange gain of approximately $4 for the first six months of 2010, respectively.

IFRIC 4 – Lease arrangements

IFRS 1 provides an exemption from retrospectively applying the guidance provided in IFRIC 4, *Determining whether an Arrangement contains a Lease*, if, in certain circumstances, a lease was previously accounted for in accordance with Emerging Issues Abstract 150 (EIC-150) under Canadian GAAP. EIC-150 permitted an entity to not revisit arrangements that existed prior to the issuance date of the standard, January 1, 2005. The Corporation may apply the exemption that would allow it to apply IFRIC 4 only to arrangements existing at the Transition Date that were entered into prior to January 1, 2005, based on the facts and circumstances at that date and were analyzed in accordance with EIC-150. The Corporation has a number of arrangements at Prairie Operations that may be in scope of IFRIC 4. The Corporation has analyzed its agreements and determined the criteria to classify certain revenues relating to various Coal arrangements as leases has been met. The Corporation is in the process of determining whether the criteria for a finance lease has been met. If this conclusion is reached, certain Property, plant and equipment would be derecognized and replaced with a Finance Lease receivable equal to the net investment in the lease. The difference between the original carrying amount of the assets and the net investment would be recognized in the Consolidated Statement of Comprehensive Income (Loss). Lease principal payments would be recorded as lease revenue and interest payments would be recorded as finance income. If the criteria for an operating lease are met, the Corporation would continue to account for the Property, plant and equipment as such on its Consolidated Statement of Financial Position and would record the income as lease revenue.

Service Concession Arrangements

Under IFRS, IFRIC 12 provides guidance on the accounting by private sector entities (operators) for public-to-private service concessions whereby the private sector entity provides a service to the public sector entity, which controls or regulates the services provided with the infrastructure and their prices, and controls any significant residual interest in the infrastructure. Canadian GAAP has no specific guidance applicable to service concession arrangements. Sherritt has entered into certain agreements that could require the Corporation to account for such arrangements in accordance with IFRIC 12. The Corporation is currently analyzing these arrangements to determine if IFRIC 12 applies; if it does, Sherritt as the operator would derecognize the property, plant, and equipment it has recorded and recognize these assets as either a financial or intangible asset on its Consolidated Statement of Financial Position. The depreciation of the asset would be recognized in the corresponding account on the Consolidated Statement of Comprehensive Income (Loss). There would be no further impact to the Consolidated Statement of Comprehensive Income (Loss).

Accounting pronouncements - Canadian Generally Accepted Accounting Policies

BUSINESS COMBINATIONS/CONSOLIDATED FINANCIAL STATEMENTS/NON-CONTROLLING INTERESTS

In January 2009, the CICA issued Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests", which superseded Sections 1581, "Business Combinations", and 1600 "Consolidated Financial Statements". These new sections replaced existing guidance on business combinations and consolidated financial statements to harmonize Canadian accounting for business combinations with IFRS. These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Corporation will not early adopt these standards.

MULTIPLE DELIVERABLE REVENUE ARRANGEMENTS

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

Summary of quarterly results

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

$ millions, except per share amounts, for the three months ended	**2010 September 30**	2010 June 30[(1)]	2010 March 31[(1)]	2009 December 31[(1)]	2009 September 30[(1)]	2009 June 30[(1)]	2009 March 31[(1)]	2008 December 31[(1)]
Revenue								
Metals	**$ 127.7**	$ 138.1	$ 115.8	$ 110.6	$ 114.3	$ 111.1	$ 79.7	$ 96.0
Coal [(2)]	**229.1**	198.7	188.3	174.9	181.2	165.7	188.9	200.7
Oil and Gas	**53.2**	63.7	59.3	63.0	59.9	50.2	46.6	44.9
Power	**28.5**	28.2	28.0	28.5	30.6	28.6	30.4	31.8
Corporate and other	**2.0**	1.4	1.2	2.2	3.0	2.1	3.4	5.6
	$ 440.5	$ 430.1	$ 392.6	$ 379.2	$ 389.0	$ 357.7	$ 349.0	$ 379.0
Earnings (loss) from continuing operations	**$ 59.1**	$ 19.9	$ 60.5	$ 48.4	$ 56.5	$ 25.7	$ (42.1)	$ (591.6)
Loss from discontinued operation	**1.5**	4.2	0.8	0.1	0.6	1.3	0.8	0.5
Net earnings (loss)	**$ 57.6**	$ 15.7	$ 59.7	$ 48.3	$ 55.9	$ 24.4	$ (42.9)	$ (592.1)
Earnings (loss) from continuing operations per share								
Basic	**$ 0.20**	$ 0.07	$ 0.20	$ 0.16	$ 0.19	$ 0.09	$ (0.15)	$ (2.03)
Diluted	**$ 0.20**	$ 0.07	$ 0.20	$ 0.16	$ 0.19	$ 0.09	$ (0.15)	$ (2.03)
Net earnings (loss) per share								
Basic	**$ 0.20**	$ 0.05	$ 0.20	$ 0.16	$ 0.19	$ 0.08	$ (0.15)	$ (2.03)
Diluted	**$ 0.19**	$ 0.05	$ 0.20	$ 0.16	$ 0.19	$ 0.08	$ (0.15)	$ (2.03)

(1) Amounts have been amended as a result of Mineral Products accounted for as a discontinued operation.
(2) The Corporation fully consolidated (100%) beginning July 1, 2010. Prior to July 1, 2010, the Corporation proportionately consolidated its 50% interest.

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

Transactions with related parties

During the third quarter and first nine months of 2010, the Corporation entered into the following related-party transactions resulting in the balances at September 30, 2010 below:

	For the three months ended		For the nine months ended	
	2010	2009	**2010**	2009
$ millions	**September 30**	September 30	**September 30**	September 30
Total value of goods and services				
Provided to joint ventures and affiliates	**$ 15.3**	$ 26.7	**$ 49.7**	$ 83.9
Purchased from joint ventures and affiliates	**6.6**	6.0	**28.1**	34.3

	2010	2009
$ millions, as at	**September 30**	December 31
Accounts receivable from joint ventures	**$ 2.8**	$ 4.4
Accounts payable to joint ventures	**0.6**	1.7
Advances and loans receivable from certain Moa Joint Venture entities	**179.3**	210.0
Loans receivable from Coal Valley Resources Inc.	**-**	5.0

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

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

Controls and procedures

Disclosure controls and procedures

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

Internal controls over financial reporting

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

As at September 30, 2010, the Corporation's CEO and CFO have certified that the disclosure controls and procedures were effective and that during the quarter ended September 30, 2010 the Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Supplementary information

Sensitivity analysis

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

Factor	Increase	Approximate change in Q3 net earnings ($ millions) Increase/ (decrease)	Approximate quarterly change in basic EPS Increase/ (decrease)
Prices			
Nickel - LME price per pound (50% basis)	US$ 0.50	3	0.01
Cobalt - Metal Bulletin price per pound (50% basis)	US$ 5.00	3	0.01
Oil - U.S. Gulf Coast Fuel Oil No. 6 price per barrel	US$ 5.00	3	0.01
Sale volumes			
Nickel - tonnes (50% basis)	1,000	4	0.01
Cobalt - tonnes (50% basis)	250	3	0.01
Oil - barrels per day	1,000	3	0.01
Exchange rate			
Strengthening of the Canadian dollar relative to the U.S. dollar	$ 0.05	14	0.05
Operating costs			
Natural gas - cost per gigajoule (Metals)(50% basis)	$ 1.00	(1)	-
Sulphuric acid - cost per tonne (Metals)(50% basis)	US$ 25.00	(1)	-

Non-GAAP measures

EBITDA AND OPERATING EARNINGS

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

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

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

	For the three months ended		For the nine months ended	
	2010	2009	**2010**	2009
$ millions	**September 30**	September 30	**September 30**	September 30
Revenue	**$ 440.5**	$ 389.0	**$ 1,263.1**	$ 1,095.7
Operating, selling, general and administrative expenses	**308.4**	272.5	**874.3**	810.5
	132.1	116.5	**388.8**	285.2
Add: Depreciation included in operating expenses	**25.4**	20.5	**66.7**	61.2
EBITDA	**157.5**	137.0	**455.5**	346.4
Less:				
Depreciation included in operating expenses	**25.4**	20.5	**66.7**	61.2
Depletion, amortization and accretion	**41.5**	45.7	**123.7**	133.4
Operating earnings	**90.6**	70.8	**265.1**	151.8
Loss on disposal of property, plant and equipment	**-**	-	**-**	79.5
Impairment of property, plant and equipment	**7.9**	-	**7.9**	-
Net financing (income) expense	**(4.4)**	0.7	**25.1**	14.5
Other items	**-**	-	**-**	1.5
Earnings from operations before income taxes and non-controlling interests	**$ 87.1**	$ 70.1	**$ 232.1**	$ 56.3

ADJUSTED BALANCE SHEET

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

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

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

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

The adjusted balance sheet has been reconciled to the condensed Canadian GAAP balance sheet as at September 30, 2010. This reconciliation provides a concise view of the impact of these VIEs on the Corporation's balance sheet by clearly identifying the adjustments related to each VIE by financial statement line item.

$ millions, as at September 30, 2010	GAAP Balance Sheet	Less: Consolidated amount Ambatovy 100%	Less: Consolidated amount Energas S.A. 100%	Add: Proportionate Interest Ambatovy 40%	Add: Proportionate Interest Energas S.A 33 1/3%	Adjusted Balance Sheet
ASSETS						
Cash, cash equivalents, short-term investments	$ 708.0	$ (50.4)	$ (10.2)	$ 20.2	$ 3.4	$ 671.0
Other current assets	700.1	(30.4)	(23.8)	12.2	7.9	666.0
Property, plant and equipment	8,016.2	(5,857.1)	(443.6)	2,342.7	147.9	4,206.1
Other	1,149.4	(8.4)	(15.0)	3.4	4.9	1,134.3
	$10,573.7	**$ (5,946.3)**	**$ (492.6)**	**$ 2,378.5**	**$ 164.1**	**$ 6,677.4**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities	$ 564.4	$ (322.8)	$ (6.4)	$ 129.7	$ 2.1	$ 367.0
Long-term debt and other long-term liabilities	3,413.0	(1,747.8)	(172.8)	699.1	57.6	2,249.1
Other	739.8	(329.5)	(2.5)	131.8	0.8	540.4
	4,717.2	(2,400.1)	(181.7)	960.6	60.5	3,156.5
Non-controlling interests	2,335.6	(2,128.3)	(207.3)	-	-	-
Shareholders' equity	3,520.9	(1,417.9)	(103.6)	1,417.9	103.6	3,520.9
	$10,573.7	**$ (5,946.3)**	**$ (492.6)**	**$ 2,378.5**	**$ 164.1**	**$ 6,677.4**

Forward-looking statements

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

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

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

Interim consolidated financial statements (unaudited)

As at and for the three and nine months ended September 30, 2010

IN THIS SECTION

Interim consolidated financial statements

Notes to interim consolidated financial statements

Consolidated balance sheets

Unaudited, Canadian $ millions, as at	Note	2010 September 30	2009 December 31
ASSETS			
Current assets			
Cash and cash equivalents	21	$ 215.9	$ 449.8
Restricted cash		1.1	1.8
Short-term investments		492.1	420.8
Current portion of long-term investments	8	37.4	40.5
Current portion of other assets	9	60.8	66.0
Accounts receivable, net	21	355.8	320.7
Inventories	6	200.1	168.7
Prepaid expenses		19.4	11.5
Future income taxes		25.1	29.1
Assets of discontinued operation	4	0.4	3.1
		1,408.1	1,512.0
Long-term receivables	21	34.3	21.2
Property, plant and equipment	7	8,016.2	7,162.9
Investments	8	110.9	125.8
Other assets	9	206.5	285.5
Goodwill		307.9	307.9
Intangible assets		481.8	483.4
Future income taxes		6.5	8.3
Assets of discontinued operation	4	1.5	1.4
		$ 10,573.7	$ 9,908.4
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 437.0	$ 370.7
Deferred revenue		7.1	2.0
Current portion of long-term debt and other long-term liabilities	10	71.8	77.4
Current portion of asset-retirement obligations	11	28.5	24.1
Future income taxes		4.0	0.8
Liabilities of discontinued operation	4	16.0	9.7
		564.4	484.7
Long-term debt and other long-term liabilities	10	3,413.0	3,167.7
Asset-retirement obligations	11	177.3	137.0
Future income taxes		562.2	552.5
Liabilities of discontinued operation	4	0.3	1.3
		4,717.2	4,343.2
Non-controlling interests	12	2,335.6	2,110.8
Shareholders' equity			
Capital stock	13	2,773.4	2,771.9
Contributed surplus	14	218.7	218.1
Retained earnings		650.5	549.3
Accumulated other comprehensive loss	16	(121.7)	(84.9)
		528.8	464.4
		3,520.9	3,454.4
		$ 10,573.7	$ 9,908.4

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

Consolidated statements of operations

Unaudited, Canadian $ millions, except per share amounts	Note	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Revenue		**$ 440.5**	$ 389.0	**$ 1,263.1**	$ 1,095.7
Operating, selling, general and administrative expenses [(1)]		**308.4**	272.5	**874.3**	810.5
Earnings before undernoted items		**132.1**	116.5	**388.8**	285.2
Depletion, amortization and accretion		**41.5**	45.7	**123.7**	133.4
Loss on disposal of property, plant and equipment	7	**-**	-	**-**	79.5
Impairment of property, plant and equipment	7	**7.9**	-	**7.9**	-
Net financing (income) expense	17	**(4.4)**	0.7	**25.1**	14.5
Other items		**-**	-	**-**	1.5
Earnings from operations before income taxes and non-controlling interests		**87.1**	70.1	**232.1**	56.3
Non-controlling interests		**6.9**	4.8	**14.4**	16.5
Income taxes	19	**21.1**	8.8	**78.2**	(0.3)
Earnings from continuing operations		**59.1**	56.5	**139.5**	40.1
Loss from discontinued operation	4	**1.5**	0.6	**6.5**	2.7
Net earnings		**$ 57.6**	$ 55.9	**$ 133.0**	$ 37.4
Earnings from continuing operations per common share					
Basic	13	**$ 0.20**	$ 0.19	**$ 0.47**	$ 0.14
Diluted	13	**$ 0.20**	$ 0.19	**$ 0.47**	$ 0.14
Net earnings per common share					
Basic	13	**$ 0.20**	$ 0.19	**$ 0.45**	$ 0.13
Diluted	13	**$ 0.19**	$ 0.19	**$ 0.45**	$ 0.13

(1) Includes depreciation on production related depreciable assets for the three and nine months ended September 30, 2010 of $25.4 million and $66.7 million, respectively ($20.5 million and $61.2 million for the three and nine months ended September 30, 2009, respectively).

Consolidated statements of retained earnings

Unaudited, Canadian $ millions	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Beginning of period	**$ 603.5**	$ 466.2	**$ 549.3**	$ 505.8
Net earnings	**57.6**	55.9	**133.0**	37.4
Dividends on common shares	**(10.6)**	(10.5)	**(31.8)**	(31.6)
End of period	**$ 650.5**	$ 511.6	**$ 650.5**	$ 511.6

Consolidated statements of comprehensive (loss) income

Unaudited, Canadian $ millions	Note	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Net earnings		**$ 57.6**	$ 55.9	**$ 133.0**	$ 37.4
Other comprehensive loss					
Unrealized foreign currency loss on self-sustaining foreign operations	16	**64.4**	168.1	**36.8**	268.9
Comprehensive (loss) income		**$ (6.8)**	$ (112.2)	**$ 96.2**	$ (231.5)

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

Consolidated statements of cash flows

Unaudited, Canadian $ millions	Note	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Operating activities					
Earnings from continuing operations		$ 59.1	$ 56.5	$ 139.5	$ 40.1
Add (deduct)					
Non-controlling interests		6.9	4.8	14.4	16.5
Depletion, amortization and accretion		66.9	66.2	190.4	194.6
Stock-based compensation expense	15	5.0	2.9	6.6	5.0
Loss on disposal of property, plant and equipment	7	-	-	-	79.5
Impairment of property, plant and equipment	7	7.9	-	7.9	-
Fair value adjustment of MAV notes	21	(0.2)	1.0	(7.5)	(2.1)
Future income taxes	19	2.2	(2.2)	20.8	(22.6)
Unrealized foreign-exchange gain		(16.5)	(7.8)	(10.8)	(2.4)
Liabilities settled for asset-retirement obligations	11	(3.5)	(2.6)	(9.7)	(10.6)
Other Items		2.5	1.7	2.4	14.7
		130.3	120.5	354.0	312.7
Net change in non-cash working capital	5	(26.9)	78.6	(19.3)	30.6
Cash provided by continuing operations		103.4	199.1	334.7	343.3
Cash used for discontinued operation		(1.5)	(0.6)	(3.3)	(2.5)
Cash provided by operating activities		101.9	198.5	331.4	340.8
Investing activities					
Capital expenditures		(247.5)	(396.5)	(962.3)	(1,201.6)
Purchase of short-term investments		(43.1)	(129.9)	(71.3)	(367.2)
Advances, loans receivable and other assets		16.8	2.7	51.1	5.5
Restricted cash		-	0.1	0.7	9.8
Net proceeds from sale of property, plant and equipment		-	-	0.7	7.5
Proceeds from sale of investments		-	0.1	-	15.1
Acquisition of CVP, net of cash acquired	3	(0.1)	-	(32.2)	-
Net change in non-cash capital expenditures		(41.8)	(231.3)	28.2	(156.3)
Cash used for continuing operations		(315.7)	(754.8)	(985.1)	(1,687.2)
Cash used for discontinued operation		-	(0.7)	(0.1)	(0.7)
Cash used for investing activities		(315.7)	(755.5)	(985.2)	(1,687.9)
Financing activities					
Short-term debt repayments		-	(93.5)	-	(95.4)
Acquisition of loan from OTPPB	3	-	-	(10.1)	-
Short-term debt borrowings		-	-	5.0	51.9
Long-term debt repayments		(16.0)	(10.5)	(42.6)	(90.0)
Long-term debt borrowings		82.2	675.4	248.6	1,131.6
Funding from Ambatovy Joint Venture partners		112.1	163.6	255.2	734.1
Issuance of common shares		1.1	0.5	1.1	0.5
Treasury stock	13	-	-	(0.8)	-
Dividends paid to non-controlling interests		(12.6)	(2.0)	(12.6)	(14.1)
Dividends paid on common shares		(10.6)	(10.5)	(31.8)	(31.6)
Cash provided by continuing operations		156.2	723.0	412.0	1,687.0
Cash provided by discontinued operation		2.3	1.3	4.8	3.3
Cash provided by financing activities		158.5	724.3	416.8	1,690.3
Effect of exchange rate changes on cash and cash equivalents		1.1	(25.2)	3.1	(29.8)
(Decrease) Increase in cash and cash equivalents		(54.2)	142.1	(233.9)	313.4
Cash and cash equivalents at beginning of period		270.1	672.1	449.8	500.8
Cash and cash equivalents at end of period		$ 215.9	$ 814.2	$ 215.9	$ 814.2
Cash and cash equivalents consist of:					
Cash on hand and balances with banks		$ 150.5	$ 739.2	$ 150.5	$ 739.2
Cash equivalents		65.4	75.0	65.4	75.0
Supplementary cash flow information					
Cash received for interest		$ 4.0	$ 18.4	$ 18.8	$ 32.7
Cash paid for interest on debt		4.2	4.5	61.0	70.9
Cash paid (received) for income taxes		5.8	(5.8)	61.8	9.7

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

Notes to interim consolidated financial statements

(all tabular dollar amounts expressed in millions of Canadian dollars except per share amounts)

1 Summary of significant accounting policies

These interim consolidated financial statements have been prepared on a basis consistent with that followed in the consolidated financial statements of Sherritt International Corporation (the Corporation or Sherritt) for the year ended December 31, 2009. The disclosure contained in these interim consolidated financial statements does not include all requirements of Canadian generally accepted accounting principles for annual financial statements. Accordingly, the interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2009.

2 Accounting pronouncements

CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

BUSINESS COMBINATIONS/CONSOLIDATED FINANCIAL STATEMENTS/NON-CONTROLLING INTERESTS

In January 2009, the CICA issued Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests", which superseded Sections 1581, "Business Combinations", and 1600 "Consolidated Financial Statements". These new sections replaced existing guidance on business combinations and consolidated financial statements to harmonize Canadian accounting for business combinations with IFRS. These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Corporation will not early adopt these standards.

MULTIPLE DELIVERABLE REVENUE ARRANGEMENTS

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

3 Acquisition of Coal Valley Partnership

On June 30, 2010, Sherritt purchased the remaining 50% interest in the Coal Valley Partnership (CVP) from the Ontario Teachers' Pension Plan Board (OTPPB) that it did not previously own for $45.0 million. The cash consideration of $45.0 million included two components; $34.9 million for the 50% partnership interest in CVP and $10.1 million for a loan that was owed to OTPPB by CVP.

The Corporation consolidated the underlying assets acquired and liabilities assumed as at the acquisition date June 30, 2010. The Corporation fully consolidated (100%) the earnings of CVP beginning July 1, 2010. The acquisition was accounted for under the purchase method of accounting as a step acquisition. The Corporation has continued to carry its previously owned 50% interest in CVP at the carrying value and recorded the acquired amounts at their fair values.

At June 30, 2010, the purchase price was allocated, on a preliminary basis, to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. The excess purchase price was previously presented as "unallocated purchase price".

During the three months ended September 30, 2010, the Corporation assigned the values associated with the unallocated purchase price to certain assets. The estimated fair values that have been assigned to the assets and liabilities were based on a combination of independent appraisals and internal estimates. The fair values of the net identifiable assets were in excess of the consideration paid and as a result there was negative goodwill. The negative goodwill of $9.1 million was allocated on a pro-rata basis to the tangible and intangible assets.

An intangible asset and a liability were identified and consist of: a customer contract asset that was entered into at a fixed price above the forecast market price for a period of 2.5 years and a customer contract liability that was entered into at a fixed price below the forecast market price for a period of 3.5 years.

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

$ millions		
Purchase price		
Cash consideration	$	45.0
Transaction costs		0.4
Less: Loan owed to OTPPB by CVP		(10.1)
	$	35.3

$ millions		
Net assets acquired and liabilities assumed		
Cash and cash equivalents	$	3.1
Net working capital, excluding cash and cash equivalents		8.3
Property, plant and equipment		95.3
Intangible asset		10.0
Intangible liability		(8.0)
Future income tax liability, net		(4.2)
Long-term debt and other long-term liabilities		(39.9)
Asset-retirement obligations		(29.3)
Net assets acquired	$	35.3

4 Discontinued operation - Mineral Products

In 2007, the Corporation acquired Mineral Products, which included the Canada Talc mine and plant, through the acquisition of the Dynatec Corporation. During the second quarter of 2010, the Corporation made a decision to close the Canada Talc mine and plant on August 27, 2010. The Corporation classified Mineral Products as a discontinued operation once the Canada Talc mine and plant closed with the prior periods being restated accordingly. Results of Mineral Products are included in the Corporate and Other segment (note 23).

For the three and nine months ended September 30, 2010, the Corporation wrote down inventory and other asset balances in the amount of $nil and $2.4 million, respectively. The asset-retirement obligation for the Canada Talc mine and plant at September 30, 2010 remains at $2.3 million with reclamation expected to occur over the next two years. Termination benefits are $1.6 million; $1.3 million has been paid as at September 30, 2010 and the remaining termination benefits will be accrued and paid over the reclamation period. Net expenses related to Mineral Products were classified as Loss from discontinued operation on the Consolidated statements of operations. In addition to the asset retirement obligation, the liabilities of Mineral Products includes a $13.9 million bank overdraft.

Management has engaged an engineering and environmental services company to assist in estimating the final site reclamation costs associated with the Canada Talc mine and plant, which may result in a higher asset-retirement obligation.

Losses from the discontinued operation for the periods are as follows:

$ millions, except per share amounts	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Revenue	$ 0.6	$ 0.6	$ 2.2	$ 2.0
Operating, selling, general and administrative expenses	2.1	1.1	8.6	4.0
Loss before undernoted items	1.5	0.5	6.4	2.0
Depletion, amortization and accretion	-	0.1	0.1	0.2
Loss from sale of net assets	-	-	-	0.5
Loss from discontinued operation	$ 1.5	$ 0.6	$ 6.5	$ 2.7
Loss from discontinued operation per common share				
Basic	$ -	$ -	$ 0.02	$ 0.01
Diluted	$ 0.01	$ -	$ 0.02	$ 0.01

5 Net change in non-cash working capital

$ millions	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Accounts receivable, net	$ (30.6)	$ (6.3)	$ (45.9)	$ 53.8
Inventories	(4.7)	3.6	(11.2)	11.3
Prepaid expenses	(1.5)	(1.1)	(6.8)	(3.4)
Accounts payable and accrued liabilities	9.9	82.4	44.6	(31.1)
	$ (26.9)	$ 78.6	$ (19.3)	$ 30.6

6 Inventories

$ millions, as at	2010 September 30	2009 December 31
Uncovered coal	$ 8.6	$ 5.4
Raw materials	22.3	23.1
Materials in process	31.7	29.2
Finished products	45.8	31.6
	108.4	89.3
Spare parts and operating materials	91.7	79.4
	$ 200.1	$ 168.7

For the three and nine months ended September 30, 2010, the cost of inventories recognized as an expense and included in operating, selling, general and administrative expenses was $224.4 million and $599.4 million, respectively ($177.6 million and $523.9 million for the three and nine months ended September 30, 2009, respectively).

7 Property, plant and equipment

$ millions, as at	2010 September 30 Cost	Accumulated amortization and depletion	Net book value	2009 December 31 Cost	Accumulated amortization and depletion	Net book value
Metals	$ 6,591.4	$ 220.7	$ 6,370.7	$ 5,849.2	$ 206.2	$ 5,643.0
Coal	1,533.7	664.9	868.8	1,378.1	600.4	777.7
Oil and Gas	1,250.8	1,023.8	227.0	1,254.8	1,001.7	253.1
Power	646.1	189.2	456.9	624.0	188.4	435.6
Other	143.2	50.4	92.8	113.3	59.8	53.5
	$10,165.2	$ 2,149.0	$ 8,016.2	$ 9,219.4	$ 2,056.5	$ 7,162.9

The Property, plant and equipment balance included development and pre-production expenditures attributable to the Ambatovy Project of $4,429.1 million (December 31, 2009 - $3,657.7 million). In addition to the capitalized Ambatovy Project expenditures, Property, plant and equipment included assets under construction of $354.7 million (December 31, 2009 - $342.0 million).

The Corporation recognized an impairment of $7.9 million in the third quarter of 2010 as a result of relinquishing licences related to exploration in Turkey.

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

The interest capitalized for the three and nine months ended September 30, 2010 was $24.8 million and $68.3 million, respectively ($16.6 million and $47.1 million for the three and nine months ended September 30, 2009, respectively).

8 Investments

$ millions, as at	Note	2010 September 30	2009 December 31
Cuban certificates of deposit		$ 106.3	$ 131.8
Master Asset Vehicle notes (MAV notes)	21	36.3	28.8
Other		5.7	5.7
		148.3	166.3
Current portion of Cuban certificates of deposit		(37.4)	(40.5)
		$ 110.9	$ 125.8

9 Other assets

$ millions, as at	2010 September 30	2009 December 31
Advances and loans receivable	$ 183.8	$ 221.7
Progress payments on equipment	17.9	54.3
Cross-guarantee fee asset	25.6	34.5
Note receivable	11.8	18.3
Pension asset	5.3	5.0
Put/call option - Ambatovy Joint Venture	7.5	7.5
Deferred reclamation recoveries	6.4	6.4
Deferred items	1.6	2.0
Other	7.4	1.8
	267.3	351.5
Current portion of other assets	(60.8)	(66.0)
	$ 206.5	$ 285.5

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

SHORT-TERM DEBT

MAV liquidity line of credit

In July 2010, the Corporation amended the $20.0 million 6-month liquidity line of credit to extend the expiry date to August 4, 2011. This facility is subject to the same financial covenants as the Syndicated 364-day revolving term credit facility. No amounts were drawn on this facility at September 30, 2010.

Syndicated 364-day revolving term credit facility

In May 2010, the Corporation amended the terms of the syndicated 364-day revolving-term credit facility. The maximum available credit under the facility is $115.0 million; however, the total available draw is based on eligible receivables and inventory. As at September 30, 2010, no amounts were drawn on this facility (December 31, 2009 - $nil). At September 30, 2010, the Corporation had outstanding letters of credit totaling $6.3 million (December 31, 2009 - $6.9 million). These letters of credit relate to various contractual obligations of the Corporation. This facility is subject to the following financial covenants: financial debt-to-equity of not more than 0.5:1; quarterly adjusted net financial debt-to-EBITDA not exceeding between 2.5:1 and 3.25:1 depending on the quarter; and EBITDA-to-interest expense of not less than 3:1. The interest rate on the syndicated 364-day revolving-term credit facility is prime plus 2.25% per annum or bankers' acceptances plus 3.25% and the facility expires on May 9, 2011.

LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES

$ millions, as at	Note	2010 September 30	2009 December 31
7.875% senior unsecured debentures due 2012		$ 269.3	$ 267.8
8.25% senior unsecured debentures due 2014		222.2	221.8
7.75% senior unsecured debentures due 2015		272.3	272.0
Ambatovy Joint Venture financing		1,747.8	1,616.7
Ambatovy Joint Venture additional partner loans		519.8	422.0
Ambatovy Joint Venture partner loans		91.0	91.7
Senior credit facility agreement		65.8	65.6
Loan from financial institution		10.5	18.3
3-year non-revolving term loan		27.1	18.0
		3,225.8	2,993.9
Advances and loans payable		124.6	131.0
Capital lease obligations		101.2	88.6
Pension liability		9.4	11.4
Intangible liability	3	7.4	-
Other long-term liabilities		16.4	20.2
		3,484.8	3,245.1
Current portion of long-term debt and other long-term liabilities		(71.8)	(77.4)
		$ 3,413.0	$ 3,167.7

Ambatovy Joint Venture additional partner loans

In September 2010, the Corporation and the Ambatovy Joint Venture partners amended the terms of the Ambatovy Joint Venture additional partner loans. As at September 30, 2010, the Corporation had provided US$80.0 million in direct pro-rata shareholder funding prior to further drawdowns on the additional partner loans. Consequently, Sherritt expects to receive a proportionate share of distributions from the Ambatovy Project based on the amount of direct pro-rata shareholder funding.

11 Asset-retirement obligations

$ millions	Note	For the nine months ended 2010 September 30	For the year ended 2009 December 31
Balance, beginning of year		$ 161.1	$ 147.0
Acquisition of CVP	3	29.3	-
Additions to liabilities		20.5	28.5
Liabilities settled		(9.7)	(14.0)
Accretion expense		6.9	8.8
Change in foreign-exchange rates		(2.3)	(9.2)
Balance, end of period		205.8	161.1
Current portion of asset-retirement obligations		(28.5)	(24.1)
		$ 177.3	$ 137.0

12 Non-controlling interests

$ millions	For the nine months ended 2010 September 30	For the year ended 2009 December 31
Ambatovy Joint Venture		
Balance, beginning of year	**$ 1,906.9**	$ 1,464.0
Share of net (loss) earnings	**(1.6)**	2.0
Increase in net assets	**223.0**	440.9
	2,128.3	1,906.9
Energas S.A.		
Balance, beginning of year	**$ 203.9**	$ 204.4
Share of net earnings	**16.0**	18.4
Dividends to non-controlling interests	**(12.6)**	(18.9)
	207.3	203.9
Total balance, end of period	**$ 2,335.6**	$ 2,110.8

13 Capital stock

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

	Number		Stated Capital	
$ millions, except number of shares	For the nine months ended 2010 September 30	For the year ended 2009 December 31	For the nine months ended 2010 September 30	For the year ended 2009 December 31
Balance, beginning of year	**293,981,277**	293,051,276	**$ 2,771.9**	$ 2,758.3
Share purchase plan	**186,820**	95,580	**1.1**	0.5
Cross-guarantee	**-**	943,277	**-**	13.9
Treasury stock	**(94,874)**	(108,856)	**(0.8)**	(0.8)
Other	**-**	-	**1.2**	-
Balance, end of period	**294,073,223**	293,981,277	**$ 2,773.4**	$ 2,771.9

TREASURY STOCK

Shares granted under the Restricted Stock Plan are purchased on the open market and held in each participant's custodial account until the vesting conditions have been met, or the shares forfeited. The Corporation purchased 94,874 common shares during the nine months ended September 30, 2010 for total consideration of $0.8 million. These shares are excluded from the calculation of weighted-average number of common shares used for the purposes of calculating basic earnings per share.

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

$ millions, except per share amounts	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Earnings from continuing operations	$ 59.1	$ 56.5	$ 139.5	$ 40.1
Loss from discontinued operation	1.5	0.6	6.5	2.7
Net earnings - basic and diluted	$ 57.6	$ 55.9	$ 133.0	$ 37.4
Weighted-average number of common shares - basic	294.0	293.1	293.9	293.1
Weighted-average effect of dilutive securities: (1)				
Stock options	0.4	0.3	0.5	0.1
Restricted stock	0.2	-	0.2	-
Cross-guarantee	1.9	2.8	1.9	2.8
Weighted-average number of common shares - diluted	296.5	296.2	296.5	296.0
Earnings from continuing operations per common share				
Basic	$ 0.20	$ 0.19	$ 0.47	$ 0.14
Diluted	$ 0.20	$ 0.19	$ 0.47	$ 0.14
Loss from discontinued operation per common share				
Basic	$ -	$ -	$ 0.02	$ 0.01
Diluted	$ 0.01	$ -	$ 0.02	$ 0.01
Net earnings per common share				
Basic	$ 0.20	$ 0.19	$ 0.45	$ 0.13
Diluted	$ 0.19	$ 0.19	$ 0.45	$ 0.13

(1) The determination of Weighted-average number of common shares-diluted excluded 4.1 million shares related to stock options that were anti-dilutive for the three and nine months ended September 30, 2010 (3.7 million and 4.7 million for the three and nine months ended September 30, 2009, respectively).There were no shares related to the employee share purchase plan that were anti-dilutive for the three and nine months ended September 30, 2010 (0.1 million and 0.7 million for the three and nine months ended September 30, 2009, respectively).

14 Contributed surplus

$ millions	For the nine months ended 2010 September 30	For the year ended 2009 December 31
Balance, beginning of year	$ 218.1	$ 232.0
Restricted Stock Plan amortization	0.6	-
Issuance of common shares to cross-guarantors	-	(13.9)
Balance, end of period	$ 218.7	$ 218.1

15 Stock-based compensation plans

The following is a summary of stock option activity:

For the three months ended September 30	2010		2009	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Outstanding at beginning of period	5,194,146	$ 10.43	4,743,335	$ 10.81
Forfeited	(210,000)	10.84	(50,000)	14.97
Outstanding, end of period	4,984,146	10.41	4,693,335	10.76
Options exercisable, end of period	3,121,322	$ 11.61	2,161,000	$ 12.05

For the nine months ended September 30	2010		2009	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Outstanding at beginning of year	4,774,906	$ 10.69	3,978,335	$ 12.30
Granted	724,240	8.33	930,000	5.16
Forfeited	(515,000)	10.08	(215,000)	14.88
Outstanding, end of period	4,984,146	10.41	4,693,335	10.76
Options exercisable, end of period	3,121,322	$ 11.61	2,161,000	$ 12.05

At September 30, 2010, 4,964,146 options (September 30, 2009 – 4,673,335) with a share appreciation right (SAR) attachment and 20,000 options (September 30, 2009 - 20,000) remained outstanding. For the three and nine months ended September 30, 2010, there was a compensation expense of $1.4 million and $1.2 million, respectively ($0.5 million compensation expense for the three and nine months ended September 30, 2009).

A summary of SARs, RSUs, DSUs and RSP's outstanding as at September 30, 2010 and 2009 and changes during the period are as follows:

For the three months ended September 30				2010
	SAR	RSU	DSU	RSP
Balance, beginning of period	140,000	1,733,451	280,833	203,730
Issued	-	25,854	1,254	-
Forfeited	-	(39,384)	-	-
Outstanding at end of period	140,000	1,719,921	282,087	203,730
Units exercisable, end of period	140,000	n/a	282,087	n/a
Weighted-average exercise price	$ 5.56	n/a	n/a	n/a

For the three months ended September 30				2009
	SAR	RSU	DSU	RSP
Balance, beginning of period	274,125	687,884	221,122	-
Issued	-	668,120	1,072	-
Forfeited	-	(15,631)	-	-
Outstanding at end of period	274,125	1,340,373	222,194	-
Units exercisable, end of period	274,125	n/a	222,194	n/a
Weighted-average exercise price	$ 3.85	n/a	n/a	n/a

For the nine months ended September 30				2010
	SAR	RSU	DSU	RSP
Balance, beginning of year	212,500	1,304,689	216,946	108,856
Issued	-	730,226	65,141	94,874
Exercised	(72,500)	(214,299)	-	-
Forfeited	-	(100,695)	-	-
Outstanding at end of period	140,000	1,719,921	282,087	203,730
Units exercisable, end of period	140,000	n/a	282,087	n/a
Weighted-average exercise price	$ 5.56	n/a	n/a	n/a

For the nine months ended September 30				2009
	SAR	RSU	DSU	RSP
Balance, beginning of year	274,125	826,001	165,566	-
Issued	-	696,869	56,628	-
Exercised	-	(133,141)	-	-
Forfeited	-	(49,356)	-	-
Outstanding at end of period	274,125	1,340,373	222,194	-
Units exercisable, end of period	274,125	n/a	222,194	n/a
Weighted-average exercise price	$ 3.85	n/a	n/a	n/a

The Corporation recorded a compensation expense of $3.6 million and $5.4 million for the three and nine months ended September 30, 2010 (compensation expense of $2.4 million and $4.5 million for the three and nine months ended September 30, 2009, respectively) related to the SARs, RSUs, DSUs, and RSPs.

16 Accumulated other comprehensive loss

$ millions	For the nine months ended 2010 September 30	For the year ended 2009 December 31
Balance, beginning of year	**$ (84.9)**	$ 231.0
Unrealized foreign currency (loss) on self-sustaining foreign operations	**(36.8)**	(315.9)
Balance, end of period	**$ (121.7)**	$ (84.9)

17 Net financing expense

		For the three months ended		For the nine months ended	
$ millions	Note	**2010 September 30**	2009 September 30	**2010 September 30**	2009 September 30
Interest income on cash, cash equivalents, investments and loans receivable		**$ (7.6)**	$ (6.7)	**$ (23.2)**	$ (34.0)
Interest and accretion expense on debt		**22.0**	16.8	**59.5**	58.6
Foreign-exchange gain, net		**(19.9)**	(10.3)	**(6.2)**	(7.4)
Fair-value adjustment of MAV notes	21	**(0.2)**	1.0	**(7.5)**	(2.1)
Other		**1.3**	(0.1)	**2.5**	(0.6)
		$ (4.4)	$ 0.7	**$ 25.1**	$ 14.5

18 Post-employment benefits

The Corporation's pension expense for the three and nine months ended September 30, 2010 was $4.2 million and $10.8 million, respectively ($1.9 million and $12.4 million for the three and nine months ended September 30, 2009, respectively).

19 Income taxes

	For the three months ended		For the nine months ended	
$ millions	**2010 September 30**	2009 September 30	**2010 September 30**	2009 September 30
Current	**$ 18.9**	$ 11.0	**$ 57.4**	$ 22.3
Future	**2.2**	(2.2)	**20.8**	(22.6)
	$ 21.1	$ 8.8	**$ 78.2**	$ (0.3)

Based on new information and developments during the quarter ended June 30, 2010, it was concluded for Oil and Gas and Power that the 5% contingency reserve under Cuban tax legislation would more likely than not be taxable in a future period. Based on this determination, Oil and Gas and Power recorded a future tax expense of $15.3 million in the quarter ended June 30, 2010. The effect of the contingency reserve each period will continue to be included in the calculation of future income taxes.

20 Related party transactions

$ millions	For the three months ended 2010 September 30	2009 September 30	For the nine months ended 2010 September 30	2009 September 30
Total value of goods and services				
Provided to joint ventures and affiliates	**$ 15.3**	$ 26.7	**$ 49.7**	$ 83.9
Purchased from joint ventures and affiliates	**6.6**	6.0	**28.1**	34.3

$ millions, as at	2010 September 30	2009 December 31
Accounts receivable from joint ventures	**$ 2.8**	$ 4.4
Accounts payable to joint ventures	**0.6**	1.7
Advances and loans receivable from certain Moa Joint Venture entities	**179.3**	210.0
Loan receivable from Coal Valley Resources Inc.	**-**	5.0

21 Financial instruments and financial risk management

FINANCIAL INSTRUMENT HIERARCHY

$ millions, as at	Hierarchy Level	2010 September 30	2009 December 31
Financial assets			
Held for trading, measured at fair value:			
Cash and cash equivalents	1	**$ 215.9**	$ 449.8
Restricted cash	1	**1.1**	1.8
Short-term investments	1	**492.1**	420.8
MAV notes	3	**36.3**	28.8
Put/call option - Ambatovy Joint Venture	3	**7.5**	7.5

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

$ millions, for the three months ended September 30	2010 Master Asset Vehicle Notes	2010 Put/Call Option	2010 Total	2009 Master Asset Vehicle Notes	2009 Put/Call Option	2009 Total
Balance, beginning of period	$ 36.1	$ 7.5	$ 43.6	$ 23.8	$ 7.5	$ 31.3
Gain (loss) on revaluation (1)	0.2	-	0.2	(1.0)	-	(1.0)
Balance, end of period	$ 36.3	$ 7.5	$ 43.8	$ 22.8	$ 7.5	$ 30.3

$ millions, for the nine months ended September 30	2010 Master Asset Vehicle Notes	2010 Put/Call Option	2010 Total	2009 Master Asset Vehicle Notes	2009 Put/Call Option	2009 Total
Balance, beginning of period	$ 28.8	$ 7.5	$ 36.3	$ 21.2	$ 7.5	$ 28.7
Gain on revaluation (1)	7.5	-	7.5	2.1	-	2.1
Redemptions	-	-	-	(1.1)	-	(1.1)
Gain on redemptions (1)	-	-	-	0.6	-	0.6
Balance, end of period	$ 36.3	$ 7.5	$ 43.8	$ 22.8	$ 7.5	$ 30.3

(1) Gains (losses) on revaluation are recognized in Net financing (income) expense.

MAV notes

In determining the fair value, the Corporation used credit spreads based on the current market bids available for A1, A2, B, C and Class 15 notes totaling $34.4 million. The remaining $1.9 million of notes held by the Corporation are not widely traded and the fair value was determined using discounted cash flows; the interest rate used was based on management's estimate of credit and other risk factors.

For the nine months ended September 30, 2009, the Corporation recognized an upward fair-value adjustment of $2.1 million on its MAV notes due to a gain on sale resulting from the exchange of the asset-backed commercial paper investments for MAV notes on January 21, 2009 of $1.1 million and an increase in fair-value adjustment to September 30, 2009 of $1.0 million due to a decrease in credit spreads. In addition, the Corporation recognized gains of $0.6 million on principal redemptions of MAV notes having a total carrying value of $0.5 million.

A 1% increase or decrease in the yields or discount rate could decrease or increase the Corporation's determination of fair value by approximately $0.2 million, respectively.

FAIR VALUES

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

$ millions, as at	2010 September 30 Carrying Value	2010 September 30 Fair Value (1)	2009 December 31 Carrying Value	2009 December 31 Fair Value (1)
7.875% senior unsecured debentures due 2012	$ 269.3	$ 283.9	$ 267.8	$ 279.2
8.25% senior unsecured debentures due 2014	222.2	239.8	221.8	231.3
7.75% senior unsecured debentures due 2015	272.3	289.7	272.0	278.2

(1) Fair values of the senior unsecured debentures are based on market closing prices on September 30, 2010 and December 31, 2009.

At September 30, 2010, the carrying values of Cash and cash equivalents, Restricted cash, Short-term investments, Accounts receivable, and Accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

The fair values of other long-term debts approximate their carrying value. At September 30, 2010, the carrying value for the Cuban certificates of deposit (CDs) was approximately equal to the fair value (note 8).

At September 30, 2010, the carrying value of the lenders' conversion option under the Ambatovy Joint Venture additional partner loan agreements was approximately equal to the fair value.

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The Corporation's cash balances are deposited with major financial institutions rated A or higher by Standard and Poor's and with banks in Cuba that are not rated. The total cash held in Cuban bank deposit accounts was $26.2 million at September 30, 2010 (December 31, 2009 – $28.6 million).

At September 30, 2010, $50.4 million of cash on the Corporation's balance sheet was held by the Ambatovy Joint Venture and $35.2 million was held by the Moa Joint Venture (December 31, 2009 – $272.1 million and $14.2 million, respectively). These funds are for the use of each joint venture, respectively.

At September 30, 2010, the Corporation had $557.5 million in Government of Canada treasury bills (December 31, 2009 - $523.7 million) included in cash and cash equivalents and short-term investments.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

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

$ millions, as at	**2010 September 30**	2009 December 31
Trade receivables	**$ 289.2**	$ 282.8
Allowances for doubtful accounts	**(2.7)**	(6.6)
Other	**69.3**	44.5
	$ 355.8	$ 320.7
Long-term receivables	**$ 34.3**	$ 21.2

Of which:

$ million, as at	**2010 September 30**	2009 December 31
Not past due	**$ 325.3**	$ 306.1
Past due no more than 30 days	**36.0**	26.1
Past due for more than 30 days but no more than 60 days	**12.2**	2.4
Past due for more than 60 days	**16.6**	7.3
	$ 390.1	$ 341.9

At September 30, 2010, $25.6 million of Oil and Gas and $4.0 million of Power trade receivables were overdue.

CREDIT RISK

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

$ millions, as at	**2010 September 30**	2009 December 31
Cash	**$ 18.9**	$ 22.7
Accounts receivable, net	**156.4**	157.2
Advances and loans receivable	**574.8**	664.6
Cuban certificates of deposit	**90.9**	112.6
	$ 841.0	$ 957.1

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

CONTRACTUAL COMMITMENTS AND OBLIGATIONS

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

$ millions, as at	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter
Long-term debt repayment obligations	$ 3,417.5	$ 47.1	$ 94.8	$ 333.1	$ 126.0	$ 374.9	$ 2,441.6
Capital commitments	459.5	392.9	58.9	7.7	-	-	-
Capital leases and other	122.7	42.3	35.7	26.2	13.8	4.7	-
Operating leases	94.0	23.1	19.0	15.5	10.1	4.9	21.4
Pension obligations	77.6	7.8	8.1	8.1	8.0	8.1	37.5
Asset-retirement obligations	547.4	31.1	26.0	26.2	28.5	29.9	405.7
Total	$ 4,718.7	$ 544.3	$ 242.5	$ 416.8	$ 186.4	$ 422.5	$ 2,906.2

Significant capital, capital leases and operating leases include:

- $280.4 million related to capital for the Ambatovy Joint Venture (December 31, 2009 - $518.8 million); and
- $395.8 million for purchases of capital equipment and services, capital leases, primarily for production equipment and operating leases for equipment, office space and vehicles (December 31, 2009 - $384.1 million).

FOREIGN-EXCHANGE SENSITIVITY

Based on financial instrument balances as at September 30, 2010, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have a favourable or unfavourable impact of approximately $20.0 million, respectively, on net earnings. This amount excludes the foreign-exchange risk arising from the translation of the self-sustaining foreign subsidiaries to Canadian dollars impacting other comprehensive income, as this is limited to the net investment in these operations, which is not considered a financial instrument.

INTEREST RATE SENSITIVITY

Based on the debt at September 30, 2010, excluding interest capitalized to project costs, a 1% increase or decrease in the market interest rate could increase or decrease the Corporation's annual interest expense by approximately $0.8 million, respectively.

22 Capital disclosures

The Corporation and its divisions were in compliance with all of their financial covenants as at September 30, 2010. The Corporation is not subject to any externally imposed capital restrictions.

23 Segmented information

BUSINESS SEGMENTS

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

$ millions, for the three months ended September 30						**2010**
	Metals	**Coal**	**Oil and Gas**	**Power**	**Corporate and Other**	**Consolidated**
Revenue	$ 127.7	$ 229.1	$ 53.2	$ 28.5	$ 2.0	$ 440.5
Operating, selling, general and administrative expenses (1)	75.6	200.4	14.7	7.6	10.1	308.4
Earnings (loss) before undernoted items	52.1	28.7	38.5	20.9	(8.1)	132.1
Depletion, amortization and accretion (1)	3.2	11.4	18.1	8.0	0.8	41.5
Impairment of property, plant and equipment	-	-	7.9	-	-	7.9
Net financing (income)						(4.4)
Non-controlling interests						6.9
Income taxes						21.1
Earnings from continuing operations						59.1
Loss from discontinued operation	-	-	-	-	1.5	1.5
Net earnings						57.6
Capital expenditures	210.3	8.6	11.6	6.2	10.8	247.5
Goodwill and intangible assets	3.4	764.4	-	15.8	6.1	789.7
Total assets	$ 6,666.7	$ 1,906.2	$ 775.0	$ 633.2	$ 592.6	$ 10,573.7

$ millions, for the three months ended September 30						2009
	Metals	Coal	Oil and Gas	Power	Corporate and Other	Consolidated
Revenue	$ 114.3	$ 181.2	$ 59.9	$ 30.6	$ 3.0	$ 389.0
Operating, selling, general and administrative expenses (1)	73.4	161.2	17.1	8.6	12.2	272.5
Earnings (loss) before undernoted items	40.9	20.0	42.8	22.0	(9.2)	116.5
Depletion, amortization and accretion (1)	3.3	10.9	22.5	7.8	1.2	45.7
Net financing expense						0.7
Non-controlling interests						4.8
Income taxes						8.8
Earnings from continuing operations						56.5
Loss from discontinued operation	-	-	-	-	0.6	0.6
Net earnings						55.9
Capital expenditures	338.2	24.5	22.1	4.1	7.6	396.5
Goodwill and intangible assets	3.5	767.0	-	18.1	7.0	795.6
Total assets	$ 6,309.5	$ 1,853.3	$ 727.0	$ 613.3	$ 668.4	$ 10,171.5

(1) Includes depreciation on production related depreciable assets of $3.8 million in Metals and $21.6 million in Coal for the three months ended September 30, 2010 (September 30, 2009 - $4.1 million in Metals and $16.4 million in Coal).

$ millions, for the nine months ended September 30						2010
			Oil and		Corporate	
	Metals	Coal	Gas	Power	and Other	Consolidated
Revenue	$ 381.6	$ 616.1	$ 176.2	$ 84.7	$ 4.5	$ 1,263.1
Operating, selling, general and administrative expenses (1)	242.7	530.9	46.6	22.6	31.5	874.3
Earnings (loss) before undernoted items	138.9	85.2	129.6	62.1	(27.0)	388.8
Depletion, amortization and accretion (1)	7.3	33.6	56.7	24.5	1.6	123.7
Impairment of property, plant and equipment	-	-	7.9	-	-	7.9
Net financing expense						25.1
Non-controlling interests						14.4
Income taxes						78.2
Earnings from continuing operations						139.5
Loss from discontinued operation	-	-	-	-	6.5	6.5
Net earnings						133.0
Capital expenditures	836.7	34.5	41.4	19.1	30.6	962.3
Goodwill and intangible assets	3.4	764.4	-	15.8	6.1	789.7
Total assets	$ 6,666.7	$ 1,906.2	$ 775.0	$ 633.2	$ 592.6	$ 10,573.7

$ millions, for the nine months ended September 30						2009
			Oil and		Corporate	
	Metals	Coal	Gas	Power	and Other	Consolidated
Revenue	$ 305.1	$ 535.8	$ 156.7	$ 89.6	$ 8.5	$ 1,095.7
Operating, selling, general and administrative expenses (1)	250.0	443.7	53.1	28.2	35.5	810.5
Earnings (loss) before undernoted items	55.1	92.1	103.6	61.4	(27.0)	285.2
Depletion, amortization and accretion (1)	6.3	30.3	70.0	23.1	3.7	133.4
Loss on disposal of property, plant and equipment	-	-	79.5	-	-	79.5
Net financing expense						14.5
Other items						1.5
Non-controlling interests						16.5
Income taxes						(0.3)
Earnings from continuing operations						40.1
Loss from discontinued operation	-	-	-	-	2.7	2.7
Net earnings						37.4
Capital expenditures	1,054.7	70.8	44.5	23.1	8.5	1,201.6
Goodwill and intangible assets	3.5	767.0	-	18.1	7.0	795.6
Total assets	$ 6,309.5	$ 1,853.3	$ 727.0	$ 613.3	$ 668.4	$ 10,171.5

(1) Includes depreciation on production related depreciable assets of $15.8 million in Metals and $50.9 million in Coal for the nine months ended September 30, 2010 (September 30, 2009 - $15.0 million in Metals and $46.2 million in Coal).

GEOGRAPHIC SEGMENTS

The Corporation carries on business in the following geographic areas:

$ millions, for the three months ended September 30	2010			2009		
	Goodwill and Intangible Assets	**Revenue**	**Property, Plant, and Equipment**	Goodwill and Intangible Assets	Revenue	Property, Plant, and Equipment
Canada	**$ 770.5**	**$ 158.5**	**$ 1,195.7**	$ 774.0	$ 148.9	$ 1,065.2
Cuba	**15.8**	**78.3**	**992.9**	18.1	88.2	1,009.9
Madagascar	**3.4**	**1.3**	**5,821.4**	3.5	-	4,842.8
Europe	**-**	**58.8**	**5.8**	-	37.4	7.4
Asia	**-**	**103.1**	**0.3**	-	95.3	10.7
Other foreign countries	**-**	**40.5**	**0.1**	-	19.2	-
	$ 789.7	**$ 440.5**	**$ 8,016.2**	$ 795.6	$ 389.0	$ 6,936.0

$ millions, for the nine months ended September 30	2010			2009		
	Goodwill and Intangible Assets	**Revenue**	**Property, Plant, and Equipment**	Goodwill and Intangible Assets	Revenue	Property, Plant, and Equipment
Canada	**$ 770.5**	**$ 505.2**	**$ 1,195.7**	$ 774.0	$ 465.4	$ 1,065.2
Cuba	**15.8**	**247.3**	**992.9**	18.1	240.6	1,009.9
Madagascar	**3.4**	**4.0**	**5,821.4**	3.5	-	4,842.8
Europe	**-**	**166.4**	**5.8**	-	102.1	7.4
Asia	**-**	**244.6**	**0.3**	-	240.7	10.7
Other foreign countries	**-**	**95.6**	**0.1**	-	46.9	-
	$ 789.7	**$1,263.1**	**$ 8,016.2**	$ 795.6	$ 1,095.7	$ 6,936.0

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