sherritt

Q1

2012 FIRST QUARTER REPORT

Sherritt International Corporation

For the three months ended March 31, 2012

PRESS RELEASE

Sherritt reports first-quarter 2012 results

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

IN THIS SECTION

All amounts are Canadian dollars, unless otherwise indicated.

Sherritt International Corporation Reports First-Quarter 2012 Results

- **Net earnings** for first-quarter 2012 were $32.3 million ($0.11 per share, basic), compared to net earnings of $63.6 million ($0.22 per share, basic) for first-quarter 2011. Lower revenue, higher input commodity prices, and higher net financing expense were the primary factors in the decrease. Lower revenue resulted primarily from lower nickel prices (partially offset by higher oil prices and foreign exchange fluctuations).

- **Net financing expense** was $27.7 million ($0.09 per share) higher in first-quarter 2012, compared to the prior-year period, primarily due to a higher net loss on financial instruments ($17.4 million, $0.06 per share), as well as higher interest expense (resulting primarily from the net increase in principal value of debentures outstanding of approximately $127 million), and lower interest income resulting from lower average investment balances. The largest component of the increase in the net loss on financial instruments was a non-cash change in the fair value estimate of the Ambatovy call option ($13.7 million or $0.05 per share higher than first-quarter 2011). The Ambatovy call option relates to the right of the Corporation and Sumitomo Corporation to acquire SNC-Lavalin's 5% equity interest in Ambatovy at any time over a two-year period after Ambatovy is complete. The fair value of the option is updated each quarter and can be volatile as it is derived from a mathematical model used to price derivative financial instruments that depend on estimates primarily related to future cash flows, interest rates, risk, and timing.

- **Sales volumes** for first-quarter 2012 (Sherritt's share) totaled 9.6 million pounds of nickel, 1.0 million pounds of cobalt, 8.9 million tonnes of thermal coal, 1.0 million barrels of oil and 155 GWh of electricity.

- **Cash, cash equivalents and short-term investments** were $592.9 million at March 31, 2012, including $43.7 million (50% basis) held by the Moa Joint Venture. Cash held by the Ambatovy Joint Venture is included in "Investment in an Associate" and was $10.0 million (40% basis) as at March 31, 2012.

- **Operating cash flow** for first-quarter 2012 was $122.8 million, compared to $107.3 million in first-quarter 2011.

- **Spending on capital and intangibles** relating to operations totaled $40.9 million for first-quarter 2012 compared to $41.6 million in first-quarter 2011. Spending on capital at the Ambatovy Joint Venture for first-quarter 2012 was US$45.7 million (100% basis) and cumulative spending on capital at Ambatovy to March 31, 2012 was US$5.27 billion (100% basis). Total capital costs for Ambatovy are expected to remain within the US$5.5 billion (100% basis) estimate.

- At the **Ambatovy Joint Venture**, all of the systems in the pressure acid leach (PAL) area are either in operation or start-up. Of the key PAL process components, the slurry thickener, three ore leach autoclaves, neutralization circuit and countercurrent decantation (CCD) wash circuit are operable. The final step in the PAL process - sulphide precipitation – which results in the production of mixed sulphides, is in start-up and is expected to be operational in April. First metal remains scheduled for second-quarter 2012.

- The current estimate of total project costs remains US$6.4 billion inclusive of financing charges, working capital and foreign exchange. Total project costs in first-quarter 2012 were US$239.9 million (100% basis). Cumulative total project costs to March 31, 2012 were US$6.0 billion (100% basis). The Ambatovy operations are expected to reach commercial production (defined as 70% of mixed sulphides production capacity) by the end of 2012 or early 2013. Commercial production is a significant milestone as it defines the point at which all operating costs, net of revenue, are expensed rather than capitalized. The date at which the project becomes cash-flow neutral is difficult to predict as it depends on several external factors, including the nickel reference price which has demonstrated significant volatility in 2012.

- At March 31, 2012, **total available liquidity** was approximately $1.0 billion. **Total long-term debt** at March 31, 2012 was $1.7 billion, including approximately $0.7 billion related to non-recourse Ambatovy partner loans to Sherritt.

All amounts are Canadian dollars unless otherwise indicated.

Toronto, April 25, 2012

Sherritt International Corporation (“Sherritt” or the “Corporation”) (TSX: S) today reported first-quarter 2012 net earnings of $32.3 million ($0.11 per share, basic), compared to net earnings of $63.6 million ($0.22 per share, basic) for first-quarter 2011.

David Pathe, President and Chief Executive Officer, commented, “Our first quarter results reflect strong operational performance across our businesses. Continued pressure on input commodity costs, combined with lower realized nickel and cobalt prices, adversely affected the margin in Metals, which was partially offset by stronger results from Oil and Gas. During the quarter we made significant progress on the start-up of our Ambatovy Joint Venture in Madagascar, which is designed to produce 65,600 tonnes (100% basis) of finished nickel and cobalt annually at capacity and will more than double Sherritt's gross metal production capacity. With long-life mining reserves and a strong financial position, we are very positive on the long-term prospects of our business.”

Summary Data

SUMMARY FINANCIAL DATA

($ millions unless otherwise noted)	**Q1 2012**	Q1 2011
Revenue	**462.2**	474.5
EBITDA(1)	**146.4**	164.4
Earnings from operations and associate	**90.1**	113.1
Net earnings	**32.3**	63.6
Basic earnings per share ($ per share)	**0.11**	0.22
Diluted earnings per share ($ per share)	**0.11**	0.22
Net working capital(2)	**964.1**	1,099.0
Spending on capital and intangibles(3)	**40.9**	41.6
Total assets	**6,478.3**	6,096.3
Shareholders’ equity	**3,715.2**	3,539.4
Long-term debt to total assets (%)	**27**	27
Weighted average number of shares (millions)		
Basic	**296.2**	295.0
Diluted	**296.6**	296.4

(1) For additional information see the ‘Non-GAAP Measure – EBITDA’ section of this release.
(2) Net working capital is calculated as total current assets less total current liabilities.
(3) Spending on capital and intangibles includes accruals and does not include spending on the Ambatovy Joint Venture or service concession arrangements.

SUMMARY SALES DATA

(units as noted)	**Q1 2012**	Q1 2011
Sales volumes		
Nickel (thousands of pounds, 50% basis)	9,555	9,438
Cobalt (thousands of pounds, 50% basis)	1,017	1,014
Thermal coal – Prairie Operations (millions of tonnes)	8.1	8.5
Thermal coal – Mountain Operations (millions of tonnes)	0.8	1.0
Oil (boepd, net working-interest production)	11,455	12,484
Electricity (GWh, 33 1/3% basis)	155	148
Average realized prices		
Nickel ($/lb)	8.66	11.73
Cobalt ($/lb)	14.10	17.55
Thermal coal – Prairie Operations ($/tonne)	17.01	15.04
Thermal coal – Mountain Operations ($/tonne)	104.04	91.44
Oil ($/boe)	77.66	61.85
Electricity ($/MWh)	41.48	40.54

Review of Operations

METALS

(units as noted)	Q1 2012	Q1 2011
Production		
Mixed sulphides (tonnes, 50% basis)	**4,676**	4,844
Nickel (tonnes, 50% basis)	**4,299**	4,303
Cobalt (tonnes, 50% basis)	**477**	470
Fertilizer (tonnes)	**66,121**	59,574
Sales		
Nickel (thousands of pounds, 50% basis)	**9,555**	9,438
Cobalt (thousands of pounds, 50% basis)	**1,017**	1,014
Fertilizer (tonnes)	**26,627**	17,694
Reference prices		
Nickel (US$/lb)	**8.91**	12.20
Cobalt (US$/lb)(1)	**14.59**	18.38
Realized prices		
Nickel ($/lb)	**8.66**	11.73
Cobalt ($/lb)	**14.10**	17.55
Unit operating costs (US$/lb)		
Mining, processing and refining costs	**6.50**	5.52
Third-party feed costs	**0.14**	0.24
Cobalt by-product credits	**(1.50)**	(1.91)
Other	**(0.01)**	0.22
Net direct cash costs of nickel(2)	**5.13**	4.07
Revenue ($ millions)		
Nickel	**82.8**	110.7
Cobalt	**14.4**	17.8
Fertilizer, other	**17.6**	11.9
Total revenue	**114.8**	140.4
EBITDA ($ millions)(3)	**31.3**	65.9
Earnings from operations and associate ($ millions)	**24.3**	57.4
Spending on capital ($ millions)	**5.8**	6.3

(1) Average Metal Bulletin – Low Grade Cobalt published price.
(2) Net direct cash costs of nickel after cobalt and other by-product credits.
(3) For additional information see the 'Non-GAAP Measure – EBITDA' section of this release.

Mixed sulphides production for first-quarter 2012 was 3% (336 tonnes, Ni+Co contained, 100% basis) lower than first-quarter 2011, reflecting reduced processing plant throughput as a result of reduced mining truck availability, which has since been resolved. Finished nickel production and finished cobalt production were relatively unchanged from the prior-year period, reflecting stable refinery operation and processing of feed from inventory.

First-quarter 2012 nickel sales volumes were 1% (234 tonnes, 100% basis) higher, due to timing of shipments, while finished cobalt sales volumes were relatively unchanged from first-quarter 2011. These results were generally consistent with production trends. Fertilizer sales volumes were 50% higher (8,933 tonnes) in first-quarter 2012 compared to the prior-year period, as the timing of the spring season sales in 2011 was affected by the high level of snow cover in Western Canada that delayed spring fertilizer application.

The average nickel reference price in first-quarter 2012 was 27% (US$3.29/lb) lower than first-quarter 2011, reflecting decreased global demand and a projected increase in supply from projects currently in development. The average cobalt reference price was 21% (US$3.79/lb) lower than first-quarter 2011, as global production exceeded demand. Average realized prices in first-quarter 2012 were positively affected by the weaker Canadian dollar relative to the U.S. dollar, compared to the prior-year period.

The net direct cash cost of nickel for first-quarter 2012 was 26% (US$1.06/lb) higher than first-quarter 2011, due to increased mining, processing and refining costs resulting from higher input commodity costs and lower cobalt by-product credits, partly offset by lower third-party feed costs and higher fertilizer by-product credits.

Spending on capital in first-quarter 2012 for the Moa Joint Venture was 8% ($0.5 million, 50% basis) lower than the prior-year period, primarily due to a decrease in capitalization of interest, reflecting lower shareholder loan balances, as well as the cessation of capitalization of interest during the quarter.

Ambatovy

At the Ambatovy Joint Venture, all of the systems in the pressure acid leach (PAL) area are either in operation or start-up. Of the key PAL process components, the slurry thickener, three ore leach autoclaves, neutralization circuit and countercurrent decantation (CCD) wash circuit are operable. The final step in the PAL process - sulphide precipitation – which results in the production of mixed sulphides, is in start-up and is expected to be operational in April. First metal remains scheduled for second-quarter 2012.

Total capital costs for Ambatovy are expected to remain within the US$5.5 billion (100% basis) estimate. Spending on capital at the Ambatovy Joint Venture for first-quarter 2012 was US$45.7 million (100% basis), 84% lower than the prior-year period, as construction has been completed. Cumulative spending on capital at Ambatovy to March 31, 2012 was US$5.27 billion (100% basis).

Total project costs in first-quarter 2012 were US$239.9 million (100% basis). Cumulative total project costs to March 31, 2012 were US$6.0 billion (100% basis). Total project costs (including financing charges, working capital and foreign exchange) may vary until commercial production is declared. The most significant variability in total project costs is likely to arise from the working capital component and production revenue component (which is netted from these costs). The current estimate of the total project cost for Ambatovy remains US$6.4 billion.

During first-quarter 2012, a total of US$230.0 million (100% basis) in funding was provided by the Ambatovy Joint Venture partners; Sherritt's 40% share (US$92.0 million) was funded directly from cash on hand.

As of March 31, 2012, almost 90% of the construction personnel had been demobilized, including approximately 1,400 people in first-quarter 2012. The remaining construction personnel are providing assistance in the start-up and maintenance activities and will be demobilized in a staged manner as the start-up process is completed.

The Ambatovy operations are expected to reach commercial production (defined as 70% of mixed sulphides production capacity) by the end of 2012 or early 2013. Commercial production is a significant milestone as it defines the point at which all operating costs, net of revenue, are expensed rather than capitalized. The date at which the project becomes cash-flow neutral is difficult to predict as it depends on several external factors, including the nickel reference price which has demonstrated significant volatility in 2012. Ambatovy is designed to produce 60,000 tonnes (100% basis) of nickel and 5,600 tonnes (100% basis) of cobalt annually at capacity.

COAL

(units as noted)	Q1 2012	Q1 2011
Production (millions of tonnes)		
Prairie Operations	**8.6**	8.6
Mountain Operations	**1.0**	1.1
Sales (millions of tonnes)		
Prairie Operations	**8.1**	8.5
Mountain Operations	**0.8**	1.0
Realized prices ($/tonne)		
Prairie Operations(1)	**17.01**	15.04
Mountain Operations	**104.04**	91.44
Unit operating costs ($/tonne)		
Prairie Operations(1)	**13.32**	12.72
Mountain Operations	**89.08**	78.26
Revenue ($ millions)		
Prairie Operations		
Mining revenue	**145.6**	133.2
Coal royalties	**10.8**	11.8
Potash royalties	**2.7**	4.8
Mountain Operations and other assets	**86.2**	96.1
Total revenue	**245.3**	245.9
EBITDA ($ millions)(2)		
Prairie Operations	**43.5**	35.2
Mountain Operations and other assets	**9.6**	12.5
Total EBITDA	**53.1**	47.7
Earnings from operations ($ millions)	**25.8**	23.5
Spending on capital ($ millions)		
Prairie Operations	**7.2**	15.5
Mountain Operations and other assets	**16.1**	4.3
Total spending on capital	**23.3**	19.8

(1) Prairie Operations realized pricing and unit operating costs exclude royalties and the results of the char and activated carbon businesses.
(2) For additional information see the 'Non-GAAP Measure – EBITDA' section of this release.

First-quarter 2012 production volumes at Prairie Operations were consistent with the prior-year period. First-quarter production volumes at Mountain Operations were 9% lower (0.1 million tonnes) compared to first-quarter 2011, as production levels at the Obed Mountain mine were reduced to achieve an optimal export thermal sales mix.

First-quarter 2012 sales volumes were 5% (0.4 million tonnes) lower at Prairie Operations compared to the prior-year period, primarily as a result of unscheduled maintenance activities at the customer's power generating unit at the Boundary Dam mine. The power generating unit returned to service in February 2012. First-quarter 2012 sales volumes were 20% (0.2 million tonnes) lower at Mountain Operations compared to the prior-year period, due to port and rail congestion that caused a shipment to be delayed until second-quarter 2012.

Realized pricing (excluding royalties, char and activated carbon) for first-quarter 2012 at Prairie Operations was 13% ($1.97/tonne) higher than the prior-year period, primarily due to higher cost recoveries at the Highvale mine (contract mining operation) and the Boundary Dam mine as a result of having a significant fixed component of mining revenue on lower sales volumes. Realized pricing at Mountain Operations for first-quarter 2012 was 14% ($12.60/tonne) higher than in first-quarter 2011, reflecting stronger thermal coal export prices.

Unit operating costs at Prairie Operations were higher for first-quarter 2012 (5% or $0.60/tonne) relative to the prior-year period, due to higher cost recoveries at the Highvale mine, partially offset by lower unit costs at the Poplar River and Boundary Dam mines resulting from higher production volumes. Unit operating costs at Mountain Operations for first-quarter 2012 were 14% ($10.82/tonne) higher than first-quarter 2011, primarily due to lower Obed Mountain mine production volumes as noted above.

Coal royalties for first-quarter 2012 were 8% ($1.0 million) lower than the prior-year period, due to the timing of mining in royalty assessable areas. Potash royalties were 44% ($2.1million) lower in first-quarter 2012 compared to the prior-year period, reflecting lower production volumes from producers in response to weaker market demand.

Spending on capital at Prairie Operations for first-quarter 2012 was 54% ($8.3 million) lower than in the prior-year period, primarily due to the timing of equipment arrivals at the mines. Spending on capital at Mountain Operations was 274% ($11.8 million) higher for first-quarter 2012 compared to the prior-year period, primarily due to the purchasing of loading equipment at the Coal Valley mine.

OIL AND GAS

(units as noted)	**Q1 2012**	Q1 2011
Production (boepd)(1)		
Gross working-interest – Cuba(2), (3)	**20,079**	20,874
Net working-interest(4)		
Cuba – cost recovery	**3,069**	4,197
Cuba – profit oil	**7,655**	7,505
Cuba – total	**10,724**	11,702
Spain	**376**	425
Pakistan	**355**	357
Total net working-interest	**11,455**	12,484
Reference prices (US$/bbl)		
U.S. Gulf Coast Fuel Oil No.6	**108.06**	86.45
Brent crude	**119.70**	105.95
Realized prices		
Cuba ($/bbl)	**78.47**	61.92
Spain ($/bbl)	**120.21**	105.29
Pakistan ($/boe)	**8.08**	7.98
Weighted average ($/boe)	**77.66**	61.85
Unit operating costs		
Cuba ($/bbl)	**13.06**	11.19
Spain ($/bbl)	**46.51**	33.35
Pakistan ($/boe)	**2.74**	3.77
Weighted average ($/boe)	**13.94**	11.73
Revenue ($ millions)	**82.2**	70.5
EBITDA ($ millions)(5)	**65.2**	54.8
Earnings from operations ($ millions)	**46.4**	39.4
Spending on capital ($ millions)(6)	**9.4**	14.7

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

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

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

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

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

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

Gross working-interest (GWI) oil production in Cuba for first-quarter 2012 was 4% (795 bopd) lower than in first-quarter 2011, primarily due to natural reservoir declines, partly offset by production from new wells and optimization of existing wells. Net working-interest production in Cuba was 8% (978 bopd) lower for first-quarter 2012 when compared to the prior-year period, primarily due to higher realized oil prices as well as a decrease in gross working-interest production. First-quarter 2012 production in Spain was 12% (49 bopd) lower than in the prior-year period, due to natural reservoir declines.

Average realized prices in first-quarter 2012 were 27% ($16.55/bbl) higher than first-quarter 2011 in Cuba and 14% ($14.92/bbl) higher in Spain, as a result of higher reference prices and the foreign exchange impact of a weaker Canadian dollar relative to the U.S. dollar.

Unit operating costs in Cuba were 17% ($1.87/bbl) higher in first-quarter 2012 compared to the prior-year period, largely as a result of increased fuel and electricity costs, and lower net production. Unit operating costs in Spain were 39% ($13.16/bbl) higher in first-quarter 2012, due to higher operating costs and lower production.

Spending on capital in first-quarter 2012 was 36% ($5.3 million) lower than first-quarter 2011, primarily due to reduced equipment and inventory purchases in Cuba. In first-quarter 2012, one development well was initiated, and two wells were completed in Cuba. Both wells are currently producing oil. Of the three wells that were being assessed as at December 31, 2011, one is currently being tested, one has been suspended pending further evaluation, and one did not produce commercial quantities of oil and has been relinquished. Exploration spending in 2012 was focused on the United Kingdom North Sea prospect area and on the Alboran Sea prospect area off the southern coast of Spain.

POWER

(units as noted)	**Q1 2012**	Q1 2011
Electricity sold (GWh, 33 1/3% basis)	**155**	148
Realized price ($/MWh)	**41.48**	40.54
Unit operating cost ($/MWh)(1)		
Base (Varadero, Boca de Jaruco)	**15.46**	18.09
Non-base (Boca de Jaruco and Puerto Escondido)(1)	**1.70**	0.58
Total unit operating costs	**17.16**	18.67
Net capacity factor (%)	**66**	63
Revenue ($ millions)	**16.6**	14.4
EBITDA ($ millions)(2)	**5.9**	4.8
Earnings from operations ($ millions)	**3.3**	2.2
Spending on capital ($ millions, 33 1/3% basis)(3)	**1.3**	0.6
Spending on projects ($ millions, 100% basis)(4)	**21.0**	16.5

(1) Costs incurred at the Boca de Jaruco and Puerto Escondido sites relating to major inspections and sustaining equipment expenditures are expensed as incurred in accordance with IFRS. Similar costs are capitalized at the Varadero site.
(2) For additional information see the 'Non-GAAP Measure – EBITDA' section of this release.
(3) Spending on capital includes sustaining capital at the Varadero site as well as capitalized interest relating to the 150 MW Boca de Jaruco Combined Cycle Project.
(4) Sherritt provides 100% of the funding for the 150 MW Boca de Jaruco Combined Cycle Project and accounts for the Project as a "Service Concession Arrangement". As a result, two thirds of the project spending (relating to the non-Sherritt partners' share) is recorded as a loan receivable. The remaining one third of project spending (Sherritt's share) is recorded as a construction cost, and is offset by the same amount recorded as construction revenue.

Electricity production for first-quarter 2012 was 5% (7 GWh, 33 1/3% basis) higher than in the prior-year period, primarily due to a small decrease in maintenance activity.

Unit operating costs for the quarter were 8% ($1.51/MWh) lower than first-quarter 2011 as a result of higher production volumes.

Spending on capital in first-quarter 2012 was 117% ($0.7 million, 33 1/3% basis) higher than in first-quarter 2011, primarily due to the purchase of equipment and major long-term spare parts and capitalized interest relating to the Boca de Jaruco Combined Cycle Project.

150 MW Boca de Jaruco Combined Cycle Project

Expenditures for first-quarter 2012 were $21.0 million (100% basis) and cumulative spending on the Project at March 31, 2012 was $170.5 million (100% basis). Engineering for the project is substantially complete and all major equipment has been ordered, the majority of which is on site. The Project is scheduled to begin production in first-half 2013. The total project cost estimate remains $271.0 million.

CASH, DEBT AND FINANCING

Cash, cash equivalents and short-term investments were $592.9 million at March 31, 2012, including $43.7 million (50% basis) held by the Moa Joint Venture. Cash held by the Ambatovy Joint Venture is included in “Investment in an Associate” and was $10.0 million (40% basis) as at March 31, 2012.

Total long-term debt at March 31, 2012 was $1.7 billion, including approximately $0.7 billion related to non-recourse Ambatovy partner loans to Sherritt.

At March 31, 2012, total available liquidity was approximately $1.0 billion.

Together, Sherritt and Sumitomo Corporation have the right to acquire SNC-Lavalin’s 5% equity interest in Ambatovy at any time over a two-year period after Ambatovy is complete (referred to as the Ambatovy call option). The fair value of the option is updated each quarter and can be volatile as it is derived from a mathematical model used to price derivative financial instruments that depend on estimates primarily related to future cash flows, interest rates, risk, and timing. At March 31, 2012, the Ambatovy call option was valued at $25.6 million.

Outlook

Projected production volumes, royalties and spending on capital for the year 2012 are shown below.

(units as noted)	Projected for the year ending December 31, 2012
Production volumes	
Mixed sulphides (tonnes, Ni+Co contained, 100% basis)	
Moa Joint Venture	38,000
Ambatovy Joint Venture	9,000 – 14,500
Total	47,000 – 52,500
Nickel, finished (tonnes, 100% basis)	
Moa Joint Venture	33,900
Ambatovy Joint Venture	8,000 – 13,000
Total	41,900 – 46,900
Cobalt, finished (tonnes, 100% basis)	
Moa Joint Venture	3,375
Ambatovy Joint Venture	800 – 1,300
Total	4,175 – 4,675
Coal – Prairie Operations (millions of tonnes)	33
Coal – Mountain Operations (millions of tonnes)	4.0
Oil – Cuba (gross working-interest, bopd)	20,000
Oil – All operations (net working-interest, boepd)	11,780
Electricity (GWh, 33 1/3% basis)	550
Royalties ($ millions)	
Coal	39
Potash	19
Spending on capital - Operations ($ millions)	
Metals – Moa Joint Venture (50% basis), Fort Site(1)	60
Coal – Prairie Operations	97
Coal – Mountain Operations	65
Oil and Gas – Cuba(2)	51
Oil and Gas – Other(2)	18
Power (33 1/3% basis)(3)	8
Spending on capital (excluding Projects and Corporate)	299
Spending on capital - Projects	
Metals – Ambatovy Joint Venture (US$ millions, 100% basis)	100 – 250
Power – 150 MW Boca de Jaruco ($ millions, 100% basis)(4)	109

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

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

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

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

- In Metals – Moa Joint Venture, the estimate for full-year 2012 production of mixed sulphides and finished metal production remains unchanged from prior estimates. Guidance for spending on capital for the Moa Joint Venture is unchanged from prior guidance, and does not include any significant expansion-related expenditures. The Moa Joint Venture partners continue to review options and update costs pertaining to the completion of the Phase 2 Expansion and construction of a sulphuric acid plant at Moa.

- In Metals – Ambatovy Joint Venture, first metal is scheduled for second-quarter 2012 and estimated full-year 2012 production of mixed sulphides and finished metal remains unchanged from prior guidance. Spending on capital for 2012 at Ambatovy is expected to range between US$100 million and US$250 million (100% basis). The amount of capital ultimately required during the year will be dependent largely on the performance of key equipment during start-up.
- In Metals – Sulawesi Project, activity in 2012 is anticipated to include the commencement of a resource drilling program in second-half 2012, which is expected to bring total spending on the Project to approximately $30 million, or 27% of the total funding requirement to obtain Sherritt's 46% economic interest in the Project. It is anticipated that the environmental and social baseline studies will be initiated in second-quarter 2012, with expected completion in mid-year 2013.
- In Coal – Prairie Operations, full-year 2012 production and spending on capital remains consistent with prior guidance.
- In Coal – Prairie Operations, full year 2012 coal and potash royalties are unchanged from prior guidance.
- In Coal – Mountain Operations, full-year 2012 production is 7% (0.3 million tonnes) lower than previous guidance, reflecting a delay in the receipt of licences that were required to enter a new mining area (received at the end of first-quarter 2012), delays at equipment suppliers that affected the scheduled delivery of a large shovel, and continued management of production levels at the Obed Mountain mine to achieve an optimal export thermal sales mix. Spending on capital for full-year 2012 remains consistent with prior guidance.
- In Oil and Gas, guidance for full-year 2012 GWI oil production in Cuba, net working interest production (all operations), and spending on capital remains consistent with prior estimates.
- In Power, full-year 2012 guidance on production and spending on capital remain unchanged.
- In Power – 150 MW Boca de Jaruco Combined Cycle Project, spending in 2012 remains unchanged from prior guidance and the Project remains on schedule to begin production in first-half 2013.

Non-GAAP Measure – EBITDA

Management uses EBITDA to monitor financial performance and provide additional information to investors and analysts. EBITDA does not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As EBITDA does not have a standardized meaning, it may not be comparable to similar measures provided by other companies.

The Corporation defines EBITDA as earnings (loss) from continuing operations as reported in the IFRS financial statements, adjusted for amounts included in net earnings or net loss for income taxes, net finance expense (income), depletion, depreciation and amortization, impairment charges for property, plant and equipment, intangible assets, goodwill and investments, gain or loss on disposal of property, plant and equipment, and share of income or loss of associate.

About Sherritt

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

Forward-Looking Statements

This press release contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include statements respecting certain future expectations about capital expenditures; capital project commissioning and completion dates; commodity and product prices and demand; production volumes; realized prices for production; commencement date of production; future reserves and mine life; environmental rehabilitation provisions; availability of regulatory approvals; earnings and revenues; compliance with applicable environmental laws and regulations; greenhouse gas (GHG) emissions and credits; collection of accounts receivable; and certain corporate objectives, plans or goals for 2012, including development wells in Cuba. These forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The Corporation cautions readers of this press release not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

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

The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this press release and in the Corporation's other documents filed with the Canadian securities authorities should be read for a description of certain factors that could cause the actual results of the Corporation to differ materially from those in the oral forward-looking statements. The Corporation disclaims any intention or obligation to update or revise any oral or written forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2012

This Management's Discussion and Analysis (MD&A) is intended to help the reader understand Sherritt International Corporation's operations, financial performance and the present and future business environment. This MD&A, which has been prepared as of April 24, 2012, should be read in conjunction with Sherritt's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2012 and the MD&A for the year ended December 31, 2011. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's website at www.sherritt.com.

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

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

Key financial and operational data

$ millions , except per share amounts, for the three months ended March 31		2012		2011	Change
Financial highlights					
Revenue	$	**462.2**	$	474.5	(3%)
EBITDA[1]		**146.4**		164.4	(11%)
Earnings from operations and associate		**90.1**		113.1	(20%)
Net earnings for the period		**32.3**		63.6	(49%)
Comprehensive (loss) income		**(4.5)**		22.2	(120%)
Net earnings per share, basic ($ per share)		**0.11**		0.22	(50%)
Net earnings per share, diluted ($ per share)		**0.11**		0.22	(50%)
Cash flow					
Cash provided by operating activities	$	**122.8**	$	107.3	14%
Spending on capital and intangible assets[2]	$	**40.9**	$	41.6	(2%)
Production volumes					
Nickel (tonnes)(50% basis)		**4,299**		4,303	-
Cobalt (tonnes)(50% basis)		**477**		470	1%
Coal - Prairie Operations (millions of tonnes)		**8.6**		8.6	-
Coal - Mountain Operations (millions of tonnes)		**1.0**		1.1	(9%)
Oil - Cuba - net working-interest production (barrels per day)		**10,724**		11,702	(8%)
Electricity (gigawatt hours) (33⅓% basis)		**155**		148	5%
Unit costs[3]					
Nickel (US$ per pound)[4]	$	**5.13**	$	4.07	26%
Coal - Prairie Operations ($ per tonne)[5]		**13.32**		12.72	5%
Coal - Mountain Operations ($ per tonne)		**89.08**		78.26	14%
Oil - Cuba ($ per barrel)		**13.06**		11.19	17%
Electricity ($ per megawatt hour)		**17.16**		18.67	(8%)
Averaged-realized prices[3]					
Nickel ($ per pound)	$	**8.66**	$	11.73	(26%)
Cobalt ($ per pound)		**14.10**		17.55	(20%)
Coal - Prairie Operations ($ per tonne)[5]		**17.01**		15.04	13%
Coal - Mountain Operations ($ per tonne)		**104.04**		91.44	14%
Oil - Cuba ($ per barrel)		**78.47**		61.92	27%
Electricity ($ per megawatt hour)		**41.48**		40.54	2%

$ millions, except as noted, as at		2012 March 31		2011 December 31	Change
Financial condition					
Current ratio		**3.35:1**		3.73:1	(10%)
Net working capital balance	$	**964.1**	$	1,016.7	(5%)
Cash, cash equivalents and short-term investments		**592.9**		631.4	(6%)
Total assets		**6,478.3**		6,497.5	-
Total loans and borrowings		**1,696.2**		1,744.7	(3%)
Shareholders' equity		**3,715.2**		3,731.7	-
Long-term debt to total assets[6]		**27%**		28%	(4%)

(1) For additional information see the Non-GAAP measures – EBITDA section.
(2) Spending on capital and intangible assets includes accruals and does not include spending on the Ambatovy Project or service concession arrangements.
(3) Management uses unit cost and average-realized price statistics to monitor the performance of the Corporation's operating divisions. These non-GAAP measures do not have a standardized meaning under International Financial Reporting Standards (IFRS) and may not be comparable to similar measures provided by other companies. Average-realized price is calculated by dividing revenue by sales volume for the given product. For additional information on unit cost calculation, see the Review of operations section for each division.
(4) Net direct cash cost is inclusive of by-product credits and third-party feed costs.
(5) Excludes royalties, activated carbon and char operating costs and revenue.
(6) Calculated as total loans and borrowings divided by total assets excluding goodwill. This leverage ratio is monitored by management and lenders.

Executive summary

Q1 2012 HIGHLIGHTS

- Revenue for the three months ended March 31, 2012 was $462.2 million compared to $474.5 million in the prior year. Lower revenue was primarily the result of lower nickel prices. These reductions were partly offset by higher revenue as a result of higher oil prices and the overall impact of a weaker Canadian dollar relative to the U.S. dollar compared to the prior year.
- EBITDA[1] for the three months ended March 31, 2012 was $146.4 million compared to $164.4 million in the prior year. Lower EBITDA was primarily a result of lower revenue discussed above and higher operating costs at Metals primarily due to higher input commodity prices.
- Net earnings for the three months ended March 31, 2012 were $32.3 million compared to $63.6 million in the prior year. In addition to the impact of revenue and operating costs described above, net earnings were lower as a result of a $27.7 million increase in net finance expense.
- Net finance expense was higher primarily due to a higher net loss on financial instruments of $17.4 million, as well as higher interest expense and accretion on higher loans and borrowings balances, and lower interest income on lower average investment balances. The largest component of the increase in the net loss on financial instruments was a non-cash change in the fair value estimate of the Ambatovy call option of $13.7 million. The Ambatovy call option relates to the right of the Corporation and Sumitomo Corporation to acquire SNC-Lavalin Inc.'s 5% equity interest in the Ambatovy Joint Venture at any time over a two-year period following the completion of construction and the satisfaction of certain completion tests. The fair value of the option is updated each quarter and can be volatile as it is derived from a mathematical model, Black-Scholes, that is used to price derivative financial instruments that depends on estimates primarily related to future cash flows, interest rates, risk, and timing.
- Operating cash flow for the three months ended March 31, 2012, was $122.8 million compared to $107.3 million in the prior year, as the change in non-cash working capital more than offset lower net earnings.
- At Ambatovy, the current estimate of total project costs remains US$6.4 billion inclusive of financing charges, working capital and foreign exchange. Total project costs in the first quarter of 2012 were US$239.9 million (100% basis). Cumulative total project costs to March 31, 2012 were US$6.0 billion (100% basis). Total capital costs are expected to remain within the US$5.5 billion (100% basis) estimate.
- At Ambatovy, all of the systems in the pressure acid leach (PAL) area are either in operation or start-up. Of the key PAL process components, the slurry thickener, three ore leach autoclaves, neutralization circuit and countercurrent decantation (CCD) wash circuit are operable. The final step in the PAL process – sulphide precipitation – which results in the production of mixed sulphides, is in start-up and is expected to be operational in April. First metal remains scheduled for the second quarter of 2012.
- At March 31, 2012, total available liquidity was approximately $1.0 billion. Total debt at March 31, 2012 was $1.7 billion including $786.6 million related to non-recourse Ambatovy Partner loans to Sherritt. The Corporation's liquidity profile includes a current ratio of 3.35:1, a net working capital balance of $964.1 million, and cash, cash equivalents, and short-term investments of $592.9 million. The Corporation's long-term debt to total assets ratio was 27%.

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[1] For additional information, see the Non-GAAP measures – EBITDA section.

Consolidated financial results

$ millions, except per share amounts, for the three months ended March 31		2012		2011	Change
Revenue by segment					
Metals	**$**	**114.8**	$	140.4	(18%)
Coal		**245.3**		245.9	-
Oil and Gas		**82.2**		70.5	17%
Power		**16.6**		14.4	15%
Corporate and other		**3.3**		3.3	-
		462.2		474.5	(3%)
EBITDA(1) by segment					
Metals	**$**	**31.3**	$	65.9	(53%)
Coal		**53.1**		47.7	11%
Oil and Gas		**65.2**		54.8	19%
Power		**5.9**		4.8	23%
Corporate and other		**(9.1)**		(8.8)	3%
		146.4		164.4	(11%)
Earnings (loss) from operations and associate					
Metals	**$**	**24.3**	$	57.4	(58%)
Coal		**25.8**		23.5	10%
Oil and Gas		**46.4**		39.4	18%
Power		**3.3**		2.2	50%
Corporate and other		**(9.7)**		(9.4)	3%
		90.1		113.1	(20%)
Net finance expense		**45.3**		17.6	157%
Income taxes		**12.2**		31.5	(61%)
Loss from discontinued operation, net of tax		**0.3**		0.4	(25%)
Net earnings	**$**	**32.3**	$	63.6	(49%)
Net earnings per share					
Basic	**$**	**0.11**	$	0.22	(50%)
Diluted	**$**	**0.11**	$	0.22	(50%)
Effective tax rate		**27%**		33%	(18%)

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

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

- Metals' earnings from operations and associate of $24.3 million for the three months ended March 31, 2012 were $33.1 million lower than in the same period in 2011, primarily as a result of lower nickel and cobalt prices and higher input commodity prices, partly offset by higher fertilizer revenue and the impact of a weaker Canadian dollar relative to the U.S. dollar;
- Coal's earnings from operations of $25.8 million for the three months ended March 31, 2012 were $2.3 million higher than in the same period in 2011, primarily due to higher coal mining revenue at Prairie Operations, partly offset by a loss at Mountain Operations due to lower export sales volume that more than offset the increase in export coal prices;
- Oil and Gas' earnings from operations of $46.4 million for the three months ended March 31, 2012 were $7.0 million higher than in the same period in 2011, primarily due to an increase in the average-realized price for oil produced in Cuba;
- Power's earnings from operations of $3.3 million for the three months ended March 31, 2012 were $1.1 million higher than in the same period in 2011, primarily due to higher volume and a higher average-realized sales price;

- Net finance expense of $45.3 million for the three months ended March 31, 2012 was $27.7 million higher compared to the same period in the prior year. Finance expense was $8.0 million higher than the same period in the prior year, primarily due to higher interest expense and accretion on loan and borrowing balances and higher foreign exchange losses. Finance income was $19.7 million lower than the same period in the prior year, primarily due to a loss on financial instruments. The net loss on financial instruments was $17.4 million higher compared to the first quarter of 2011 as a result of the following; a reduction in the value of the Ambatovy call option of $11.8 million in the first quarter of 2012, an increase in the value of the Ambatovy call option of $1.9 million in the first quarter of 2011, and an increase in the value of the master asset vehicle notes of $3.7 million in the first quarter of 2011 that were later sold in 2012. The reduction in fair value of the Ambatovy call option in the first quarter of 2012 was a result of changes in various inputs used in the Black-Scholes model, including volatility, which is based on a blend of historical commodity prices and publicly-traded stock prices of companies with comparable projects, and the reduced time to expiration of the option; and
- The effective consolidated tax rate for the three months ended March 31, 2012 was 27% compared to 33% in the same period in the prior year. This decrease in the effective tax rate is primarily the result of changes in the relative mix of earnings, including foreign exchange gains and losses, which were incurred by the various divisions in different tax rate jurisdictions, as well as the recognition of the tax benefit of certain tax losses that had not previously been recognized.

Review of operations

METALS

Financial review

$ millions, for the three months ended March 31	2012	2011	Change
Revenue			
Nickel	**$ 82.8**	$ 110.7	(25%)
Cobalt	**14.4**	17.8	(19%)
Fertilizers	**15.0**	8.2	83%
Other	**2.6**	3.7	(30%)
	114.8	140.4	(18%)
Cost of sales(1)			
Mining, processing and refining	**65.1**	53.7	21%
Third-party feed costs	**1.3**	2.2	(41%)
Fertilizers	**9.5**	7.9	20%
Selling costs	**3.1**	2.6	19%
Other	**2.9**	6.0	(52%)
	81.9	72.4	13%
Administrative expenses(1)	**1.6**	2.1	(24%)
EBITDA(2)	**31.3**	65.9	(53%)
Depletion, depreciation and amortization	**8.2**	7.4	11%
Share of (earnings) loss of associate	**(1.2)**	1.1	(209%)
Earnings from operations and associate	**$ 24.3**	$ 57.4	(58%)

(1) Excluding depletion, depreciation and amortization.
(2) For additional information see the Non-GAAP measures – EBITDA section.

The change in earnings from operations and associated entity between 2012 and 2011 is detailed below:

$ millions, for the three months ended March 31	2012
Lower realized nickel prices, denominated in U.S. dollars	**$ (30.3)**
Lower realized cobalt prices, denominated in U.S. dollars	**(3.7)**
Higher fertilizer prices	**1.7**
Higher metal and fertilizer sales volumes	**0.8**
Higher mining and processing costs net of lower third-party feed costs	**(8.6)**
Weaker Canadian dollar relative to the U.S. dollar	**3.5**
Other	**3.5**
Change in earnings from operations, compared to 2011	**$ (33.1)**

Metal prices

Prices, for the three months ended March 31		2012		2011	Change
Nickel - average-realized ($ per pound)	$	**8.66**	$	11.73	(26%)
Cobalt - average-realized ($ per pound)		**14.10**		17.55	(20%)
Nickel - average-reference (US$ per pound)		**8.91**		12.20	(27%)
Cobalt - average-reference (US$ per pound) (1)		**14.59**		18.38	(21%)

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

The average nickel reference price decreased US$3.29 per pound reflecting lower global demand and the projected increase in nickel supply from projects currently in development. The average cobalt reference price decreased US$3.79 per pound, primarily as a result of global production outpacing demand. Average-realized prices in 2012 were positively impacted by the weaker Canadian dollar relative to the U.S. dollar.

Production and sales

Production (tonnes) (50% basis), for the three months ended March 31	2012	2011	Change
Mixed sulphides	**4,676**	4,844	(3%)
Finished nickel	**4,299**	4,303	-
Finished cobalt	**477**	470	1%

Sales, for the three months ended March 31	2012	2011	Change
Finished nickel (thousands of pounds)(50% basis)	**9,555**	9,438	1%
Finished cobalt (thousands of pounds)(50% basis)	**1,017**	1,014	-
Fertilizer (tonnes)(1)	**26,627**	17,694	50%

(1) 100% basis except Moa JV refinery by-product fertilizers included at 50%.

Production of 9,352 tonnes (100% basis) of contained nickel and cobalt in mixed sulphides was 336 tonnes (100% basis) lower reflecting lower throughput at the processing plant as a result of reduced mining truck availability, which has since been resolved. Finished nickel production of 8,598 tonnes (100% basis) and finished cobalt production of 954 tonnes (100% basis) was consistent with the prior year as a result of stable refinery operation and processing of feed from inventory.

Finished nickel sales were higher due to timing of shipments. Fertilizer sales volumes were 8,933 tonnes higher in 2012, as sales in the prior year were impacted by the high level of snow cover in Western Canada that delayed spring fertilizer application.

Unit costs

Net direct cash cost[1], for the three months ended March 31		2012		2011	Change
Mining, processing and refining costs	**$**	**6.50**	$	5.52	18%
Third-party feed costs		**0.14**		0.24	(42%)
Cobalt by-product credits		**(1.50)**		(1.91)	(21%)
Other[2]		**(0.01)**		0.22	(105%)
Net direct cash cost (US$ per pound of nickel)	**$**	**5.13**	$	4.07	26%
Natural gas costs ($ per gigajoule)		**2.14**		3.68	(42%)
Sulphur (US$ per tonne)		**274.30**		199.85	37%
Sulphuric acid (US$ per tonne)		**198.04**		174.09	14%

(1) Net direct cash cost is a non-GAAP measure. Net direct cash cost is calculated by dividing cost of sales per the Financial review table, above, (adjusted for the following items: cobalt, fertilizers and other revenue per the Financial review table, above, and other costs of $0.8 million, primarily related to the impact of opening and closing inventory values (2011 – $4.8 million)), by the number of finished nickel pounds sold, translated to U.S. dollars using an average U.S. to Canadian dollar exchange rate of 1.00 (2011 – 0.99). Unit costs may not calculate based on amounts presented due to rounding.

(2) Includes fertilizer profit or loss, marketing costs, premiums, and other by-product credits.

Components of mining, processing and refining costs[1], for the three months ended March 31	2012	2011	Change
Fixed costs	**20%**	22%	(9%)
Sulphur	**10%**	8%	25%
Sulphuric acid	**18%**	19%	(5%)
Fuel oil	**20%**	18%	11%
Maintenance	**11%**	11%	-
Other variable	**21%**	22%	(5%)
	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.

Net direct cash cost of nickel increased US$1.06 per pound, primarily due to higher mining, processing and refining costs and lower cobalt by-product credits, partly offset by lower third-party feed costs and higher fertilizer by-product credits. Increased mining, processing and refining costs primarily reflected higher commodity input prices. Third-party feed costs decreased as a result of lower availability of third-party feed.

Spending on capital[1]

$ millions, for the three months ended March 31		2012		2011	Change
Sustaining[2]	**$**	**4.9**	$	4.5	9%
Expansion		**0.9**		1.8	(50%)
Total	**$**	**5.8**	$	6.3	(8%)

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

(2) Includes leased expenditures of $0.9 million and $nil million for the three months ended March 31, 2012 and 2011, respectively.

Capital spending for the Moa Joint Venture primarily focused on sustaining activities. Expansion spending for the Moa Joint Venture includes capitalized interest related to financing of the Phase 2 Expansion and the Moa acid plant. Capitalization of interest ceased during the quarter due to prolonged administrative delays.

Ambatovy Project update

- All of the systems in the pressure acid leach (PAL) area are either in operation or start-up. Of the key PAL process components, the slurry thickener, three ore leach autoclaves, neutralization circuit and countercurrent decantation (CCD) wash circuit are operable. The final step in the PAL process - sulphide precipitation - which results in the production of mixed sulphides, is in start-up and is expected to be operational in April. First metal remains scheduled for the second quarter of 2012.
- Capital costs are expected to remain within the US$5.5 billion estimate. The current estimate of total project costs remains at US$6.4 billion inclusive of financing charges, working capital and foreign exchange.
- Total project costs may vary until commercial production and will primarily depend on changes to the project schedule and fluctuations in the market price for nickel and cobalt. Variability in the project schedule is most likely to arise from three categories of potential risk:
  - Parts and equipment. There remains an inherent risk that parts and equipment may fail or fail to perform in accordance with design due to mechanical or engineering issues during early operation. Given the location and associated logistics, replacement components may not be immediately available;
  - Construction quality risk. Programs were implemented to rectify all known quality deficiencies, but latent issues may still exist that may affect metal recoveries and operations; and
  - Operational risk. The pace of the start-up process and production ramp-up is directly affected by the performance of core operators and maintenance teams. The commissioning process has been utilized to train and familiarize the new operators with the facility. However, their performance in an operating plant remains untested. Supplementary operators and maintenance personnel, experienced in both start-up activities and steady-state operations, have been mobilized to assist further in the training and start-up to mitigate the short-term risks. In addition, a system has been instituted that will monitor the qualifications and performance of this group and mitigate issues over the medium and long term.
- If the risks outlined above do not materialize in a significant manner, the Ambatovy operations are expected to reach commercial production (defined as an average of 70% mixed sulphides production capacity over a 30-day period) by the end of 2012 or early 2013. Commercial production is a significant milestone as it defines the point at which all operating costs, net of revenue, are expensed rather than capitalized. The date at which the project becomes cash-flow neutral is difficult to predict as it depends on several external factors, including the nickel reference price which has demonstrated significant volatility in 2012.
- Total project costs in the first quarter of 2012 were US$239.9 million ($240.4 million) (100% basis), inclusive of capital costs of US$45.7 million ($45.8 million) (100% basis). Cumulative total project costs at March 31, 2012 were US$6.0 billion (100% basis). Approximately US$230.0 million ($231.5 million) (100% basis) in funding was provided by the Ambatovy Joint Venture partners in the first quarter of 2012 with Sherritt funding its US$92.0 million ($92.6 million) share directly.
- As of March 31, 2012, approximately 90% of the construction personnel have been demobilized. The remaining construction personnel are working on start-up and maintenance activities and will be demobilized in a staged manner.
- Management continues to work diligently to manage the potential impact of weather, labour and other country risks that could put pressure on the schedule, potentially impacting total project costs. During the quarter there was a cyclone in the area which did not cause damage to the project or mine site, but resulted in an 8-day delay on the schedule due to the evacuation of staff, plant shut down, and restart of project activities. During the quarter there was also a labour disturbance at the Mine Site, and in a separate incident, protestors blocked access to the processing plant site in Toamasina. Both disturbances were handled successfully through discussions among management, employees, local authorities and protestors, resulting in minimal impact to the project schedule or costs.

- The Transition Government of Madagascar continues to progress the "Roadmap", which was designed by the Southern African Development Community to facilitate Madagascar's return to democratic rule, although several key milestones are outstanding. The project continues to regularly monitor the political climate in Madagascar and continues to engage in ongoing communication with representatives of the national, regional and local government as well as multilateral institutions and key embassies. The project continues to have active working relations with relevant Malagasy Ministries to facilitate the commissioning and start-up of operations.

Outlook for 2012

Production volumes and spending on capital and project For the three and twelve months ended	**Actual** **March 31** **2011**	Projected December 2012
Production		
Mixed sulphides (tonnes, 100% basis)		
Moa Joint Venture	**9,352**	38,000
Ambatovy Joint Venture	**-**	9,000 – 14,500
	9,352	47,000 − 52,500
Finished nickel (tonnes, 100% basis)		
Moa Joint Venture	**8,598**	33,900
Ambatovy Joint Venture	**-**	8,000 – 13,000
	8,598	41,900 – 46,900
Finished cobalt (tonnes, 100% basis)		
Moa Joint Venture	**954**	3,375
Ambatovy Joint Venture	**-**	800 – 1,300
	954	4,175 – 4,675
Spending on capital ($ millions)		
Moa Joint Venture (50% basis), Fort Saskatchewan (1)	**6**	60
Project capital spending (US$ millions, 100% basis)		
Ambatovy Joint Venture	**46**	100 – 250

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

For the Moa Joint Venture, the estimate for full-year 2012 production of mixed sulphides and finished metal production remains unchanged from prior estimates. Guidance for spending on capital for the Moa Joint Venture is unchanged from prior guidance, and does not include any significant expansion-related expenditures. The Moa Joint Venture partners continue to review options and update costs pertaining to the completion of the Phase 2 Expansion and construction of a sulphuric acid plant at Moa.

For the Ambatovy Joint Venture, first metal is scheduled for the second quarter of 2012 and estimated full-year 2012 production of mixed sulphides and finished metal remains unchanged from prior guidance. Spending on capital for 2012 at Ambatovy is expected to range between US$100 million and US$250 million (100% basis). The amount of capital ultimately required during the year will be dependent largely on the performance of key equipment during start-up.

COAL

Financial review

$ millions, for the three months ended March 31	Prairie Operations 2012	2011	Change	Mountain Operations and coal development assets 2012	2011	Change	Total 2012	2011	Change
Mining revenue	**$ 145.6**	$ 133.2	9%	**$ 86.2**	$ 96.1	(10%)	**$ 231.8**	$ 229.3	1%
Coal royalties	**10.8**	11.8	(8%)	**-**	-	-	**10.8**	11.8	(8%)
Potash royalties	**2.7**	4.8	(44%)	**-**	-	-	**2.7**	4.8	(44%)
	159.1	149.8	6%	**86.2**	96.1	(10%)	**245.3**	245.9	-
Cost of sales[1]	**113.5**	112.2	1%	**74.6**	82.1	(9%)	**188.1**	194.3	(3%)
Administrative expenses[1]	**2.1**	2.4	(13%)	**2.0**	1.5	33%	**4.1**	3.9	5%
EBITDA[2]	**43.5**	35.2	24%	**9.6**	12.5	(23%)	**53.1**	47.7	11%
Depletion, depreciation and amortization	**14.0**	13.4	4%	**13.3**	10.8	23%	**27.3**	24.2	13%
Earnings (loss) from operations	**$ 29.5**	$ 21.8	35%	**$ (3.7)**	$ 1.7	(318%)	**$ 25.8**	$ 23.5	10%

(1) Excluding depletion, depreciation and amortization.
(2) For additional information see the Non-GAAP measures – EBITDA section.

The change in earnings from operations between 2012 and 2011 is detailed below:

$ millions, for the three months ended March 31	2012
Prairie Operations	
Higher mining revenue, net of cost of sales	**$ 11.1**
Lower coal and potash royalties	**(3.1)**
Other	**(0.3)**
Change in earnings from operations, compared to 2011	**$ 7.7**
Mountain Operations and coal development assets	
Higher export coal prices, denominated in U.S. dollars	**11.3**
Higher mining costs	**(8.4)**
Higher depreciation and amortization	**(2.5)**
Lower export sales volumes	**(3.3)**
Lower domestic sales volumes	**(1.3)**
Other	**(1.2)**
Change in earnings from operations, compared to 2011	**$ (5.4)**

Coal prices

Average-realized prices ($ per tonne)[1], for the three months ended March 31	2012	2011	Change
Prairie Operations	**$ 17.01**	$ 15.04	13%
Mountain Operations	**104.04**	91.44	14%

(1) Average-realized price is a non-GAAP measure. It is calculated by dividing revenue from the Financial review table above by the number of tonnes sold. For Prairie Operations revenue excludes royalties, activated carbon, char and other of $21.3 million (2011 – $23.1 million) and tonnes sold excludes activated carbon and char of 28.0 thousand tonnes (2011 – 31.4 thousand tonnes). Average-realized price may not calculate based on amounts presented due to rounding.

In Prairie Operations, the average-realized price increased $1.97 per tonne reflecting higher realized prices earned at all mines. The largest factors in the increase were attributable to the Highvale mine (contract mining operations) as a result of higher cost recoveries and the Boundary Dam mine as a result of having a significant fixed component of mining revenue on lower sales volume. The Boundary Dam mine sales volume was lower due to unscheduled maintenance activities at the customer's power generating unit which returned to service in February 2012.

In Mountain Operations, the average-realized price increased $12.60 per tonne, primarily due to higher thermal export coal pricing.

Royalty revenue

$ millions, for the three months ended March 31		2012		2011	Change
Prairie Operations					
Coal royalties	**$**	**10.8**	$	11.8	(8%)
Potash royalties		**2.7**		4.8	(44%)

Coal royalties were lower due to the timing of mining activities in royalty assessable areas. Potash royalties were lower due to lower production volumes from potash producers given weaker demand in the first quarter of 2012.

Production and sales

Production (millions of tonnes), for the three months ended March 31	2012	2011	Change
Prairie Operations	**8.6**	8.6	-
Mountain Operations	**1.0**	1.1	(9%)

Sales (millions of tonnes), for the three months ended March 31	2012	2011	
Prairie Operations	**8.1**	8.5	(5%)
Mountain Operations	**0.8**	1.0	(20%)

In Prairie Operations, sales volumes were lower, primarily as a result of lower volumes at the Boundary Dam mine, as discussed above. Overall, production volumes were consistent with the prior period. Activated carbon established a quarterly production record of 2,127 tonnes (50% basis) which was 729 tonnes higher than in the prior period.

In Mountain Operations, production volumes were lower as production levels at the Obed Mountain mine were reduced to achieve an optimal thermal export sales mix. Sales volumes were lower due to port and rail congestion that delayed the timing of a vessel scheduled to ship in the first quarter of 2012.

Unit costs

Unit cost ($ per tonne), for the three months ended March 31		2012		2011	Change
Prairie Operations (1)	**$**	**13.32**	$	12.72	5%
Mountain Operations (2)		**89.08**		78.26	14%

(1) Unit cost is a non-GAAP measure. It is calculated by dividing cost of sales from the Financial review table above (adjusted to exclude cost of sales relating to royalties, activated carbon, char and other of $5.6 million (2011 – $5.0 million)), by the number of tonnes sold (adjusted to exclude tonnes relating to activated carbon and char of 28.0 thousand tonnes (2011 – 31.4 thousand tonnes)). Unit costs may not calculate based on amounts presented due to rounding.

(2) Unit cost is a non-GAAP measure. It is calculated by dividing cost of sales from the Financial review table above (adjusted to exclude cost of sales relating to coal development assets and other of $0.9 million (2011 – $0.1 million)), by the number of tonnes sold. Unit costs may not calculate based on amounts presented due to rounding.

Components of unit cost (%), for the three months ended March 31	2012	2011	Change
Prairie Operations			
Labour	**42%**	44%	(5%)
Repairs and maintenance	**26%**	27%	(4%)
Fuel	**16%**	16%	-
Other (1)	**16%**	13%	23%
Total	**100%**	100%	-
Mountain Operations			
Labour	**22%**	21%	5%
Repairs and maintenance	**15%**	14%	7%
Fuel	**11%**	10%	10%
Rentals and contractors	**16%**	15%	7%
Ex-Mine(2)	**30%**	32%	(6%)
Other (3)	**6%**	8%	(25%)
Total	**100%**	100%	-

(1) Composed of rentals, subcontractors, explosives, power, taxes, tires, licenses and other miscellaneous expenses.
(2) Primarily composed of commissions, royalties, freight and port fees.
(3) Composed of tires, explosives, power, taxes, licenses and other miscellaneous expenses.

In Prairie Operations, unit costs increased $0.60 per tonne due to higher cost recoveries at the Highvale mine (contract mining operations), partly offset by lower unit costs at the Poplar River and Boundary Dam mines as a result of higher production volumes.

In Mountain Operations, unit costs increased $10.82 per tonne due to lower Obed Mountain mine production volumes as discussed in the Production and sales section.

Spending on capital

$ millions, for the three months ended March 31	2012	2011	Change
Prairie Operations			
Sustaining(1)(2)	**$ 7.2**	$ 15.5	(54%)
Mountain Operations			
Sustaining(3)	**16.1**	4.3	274%
Total	**$ 23.3**	$ 19.8	18%

(1) Includes leased expenditures of $2.9 million and $9.5 million for the three months ended March 31, 2012 and 2011, respectively.
(2) Includes capital expenditures of $1.1 million and $4.9 million for the three months ended March 31, 2012 and 2011, respectively, related to assets that are categorized as finance lease receivables.
(3) Includes leased expenditures of $1.9 million and $2.4 million for the three months ended March 31, 2012 and 2011, respectively.

During 2012, in addition to the acquisition of $2.9 million of leased equipment, Prairie Operations spent $4.3 million, primarily related to the replacement of a dragline component at the Bienfait mine which is expected to be completed in the second half of 2012. Capital spending was lower due to the timing of equipment arrivals at the mines.

In Mountain Operations, in addition to the acquisition of $1.9 million of leased equipment, Coal Valley mine spent $14.2 million of which $9.8 million related to the purchase of loading equipment and $4.4 million related to initial mining activities in a new mining area where coal production has not yet commenced.

Regulatory update

The status of the draft regulations published by the federal government on August 27, 2011, "Reduction of Carbon Dioxide Emissions from Coal-Fired Generation of Electricity" (the Draft Regulations), remains uncertain. The Draft Regulations would require, among other things, that new and certain refurbished coal-fired plants commissioned on or after July 1, 2015, achieve an emissions intensity performance standard of 375 tonnes of CO_2 per gigawatt hour. In general, for units commissioned prior to that date, the same standard would take effect 45 years from the unit's commissioning date or upon the expiration of the unit's power purchase agreement, whichever comes later. The Corporation provided written comments to the federal government within a prescribed 60-day comment period. The Corporation has also continued to actively engage with key stakeholders, including provincial and federal governments, to express its concerns with the Draft Regulations.

Outlook for 2012

Production volumes, royalties and spending on capital For the three and twelve months ended	**Actual** **March 31** **2011**	Projected December 2012
Production		
Prairie Operations (millions of tonnes)	**9**	33
Mountain Operations (millions of tonnes)	**1.0**	4.0
Royalties ($ millions)		
Coal	**11**	39
Potash	**3**	19
Spending on capital ($ millions)		
Prairie Operations	**7**	97
Mountain Operations	**16**	65

For Prairie Operations, full-year 2012 production and spending on capital remains consistent with prior guidance. Full-year 2012 coal and potash royalties are unchanged from prior guidance.

For Mountain Operations, full-year 2012 production is 7% (0.3 million tonnes) lower than previous guidance, reflecting both a delay in the receipt of licenses that were required to enter a new mining area (received at the end of the first quarter of 2012), and delays at equipment suppliers that affected the scheduled delivery of a large shovel, and continued management of production levels at the Obed Mountain mine to achieve an optimal export thermal sales mix. Spending on capital for full-year 2012 remains consistent with prior guidance.

OIL AND GAS

Financial review

$ millions, for the three months ended March 31	2012	2011	Change
Revenue			
Cuba	**$ 76.6**	$ 65.2	17%
Spain	**4.1**	4.0	2%
Pakistan	**0.3**	0.3	-
Processing	**1.2**	1.0	20%
	82.2	70.5	17%
Cost of sales[1]	**14.5**	13.4	8%
Administrative expenses[1]	**2.5**	2.3	9%
EBITDA[2]	**65.2**	54.8	19%
Depletion, depreciation and amortization	**18.8**	15.4	22%
Earnings from operations	**$ 46.4**	$ 39.4	18%

(1) Excluding depletion, depreciation and amortization.

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

The change in earnings from operations between 2012 and 2011 is detailed below:

$ millions, for the three months ended March 31	2012
Higher realized oil and gas prices	**$ 12.3**
Lower gross working-interest volumes	**(1.7)**
Increased depletion, depreciation and amortization	**(3.7)**
Weaker Canadian dollar relative to the U.S. dollar	**0.9**
Other	**(0.8)**
Change in earnings from operations, compared to 2011	**$ 7.0**

Oil prices

Prices, for the three months ended March 31	2012	2011	Change
Average-realized prices			
Cuba ($ per barrel)	**$ 78.47**	$ 61.92	27%
Spain ($ per barrel)	**120.21**	105.29	14%
Pakistan ($ per boe)[1]	**8.08**	7.98	1%
Reference price (US$ per barrel)			
Gulf Coast Fuel Oil No. 6	**108.06**	86.45	25%
Brent	**119.70**	105.95	13%

(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 production in Cuba increased by $16.55 per barrel, primarily as a result of higher oil reference prices and the impact of a weaker Canadian dollar relative to the U.S. dollar. The average-realized price for oil produced in Spain was higher for the same reasons.

Production and sales

Daily production volumes[1], for the three months ended March 31	2012	2011	Change
Gross working-interest oil production in Cuba[2][3]	**20,079**	20,874	(4%)
Net working-interest oil production			
Cuba (heavy oil)			
Cost recovery	**3,069**	4,197	(27%)
Profit oil	**7,655**	7,505	2%
Total	**10,724**	11,702	(8%)
Spain (light/medium oil)[4]	**376**	425	(12%)
Pakistan (natural gas)[4]	**355**	357	(1%)
Total	**11,455**	12,484	(8%)

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

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

(3) For further information on gross working-interest oil production in Cuba, cost recovery, and profit oil see page 43 of the 2011 annual report.

(4) For Spain and Pakistan, net working-interest production is equal to gross working-interest production.

Gross working-interest (GWI) oil production in Cuba decreased 795 bopd, primarily due to natural reservoir declines partly offset by production from two new wells that were completed in the period and are now producing oil, and the optimization of production from existing wells.

Cost-recovery oil production in Cuba decreased 1,128 bopd, primarily due to higher oil prices, as well as lower cost-recovery spending. Profit-oil production, which represents Sherritt's share of production after cost recovery volumes are deducted from GWI volumes, increased by 150 bopd.

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

Unit costs

Unit cost[1] ($ per net boe), for the three months ended March 31	2012	2011	Change
Cuba	**$ 13.06**	$ 11.19	17%
Spain	**46.51**	33.35	39%
Pakistan	**2.74**	3.77	(27%)
Weighted-average	**$ 13.94**	$ 11.73	19%

(1) Unit cost is a non-GAAP measure. Unit cost is calculated by dividing cost of sales from the Financial review table above (adjusted to exclude costs which do not impact oil production of $nil (2011 – $0.3 million)) by net working-interest production. Unit costs may not calculate based on amounts presented due to rounding.

Components of unit cost - Cuba (%), for the three months ended March 31	**2012**	2011	Change
Labour	26%	26%	-
Maintenance	12%	10%	20%
Treatment and transportation	17%	21%	(19%)
Freight and duty	5%	5%	-
Production chemicals	6%	9%	(33%)
Fuel and electricity	9%	6%	50%
Insurance	3%	5%	(40%)
Other	22%	18%	22%
	100%	100%	-

Unit costs in Cuba increased $1.87 per barrel, primarily due to lower net production and higher fuel, electricity and other costs, partly offset by lower production chemical and insurance costs.

Unit costs in Spain increased $13.16 per barrel, primarily due to increased production expenses and employee costs and lower oil production in the first quarter of 2012, partly offset by a stronger Canadian dollar relative to the Euro.

Spending on capital

$ millions, for the three months ended March 31		**2012**		2011	Change
Development and facilities	**$**	**7.8**	$	14.5	(46%)
Exploration		**1.6**		0.2	700%
Total	**$**	**9.4**	$	14.7	(36%)

In the first quarter of 2012, development and facilities capital spending was composed primarily of $6.1 million for development drilling activities and $0.5 million related to facility improvements. Spending on capital in the first quarter of 2012 was $5.3 million lower, primarily due to reduced equipment and inventory purchases in Cuba.

During the first quarter of 2012, Sherritt completed the drilling of two wells which are currently producing oil.

Of the three wells that were being assessed at December 31, 2011, one is currently being tested, one has been suspended pending further evaluation, and the third did not produce commercial quantities of oil and is being relinquished.

Exploration spending in 2012 was focused in the United Kingdom North Sea prospect area and in the Alboran Sea prospect area off the southern coast of Spain.

Outlook for 2012

Production volumes and spending on capital For the three and twelve months ended	**Actual** **March 31** **2011**	Projected December 2012
Production		
Gross working-interest oil (Cuba) (bopd)	**20,079**	20,000
Net working-interest production, all operations (boepd)	**11,455**	11,780
Spending on capital ($ millions)		
Cuba	**7**	51
Other	**2**	18

Guidance for full-year 2012 GWI oil production in Cuba, net working-interest production (all operations), and spending on capital remains consistent with prior estimates.

POWER

Financial review

$ millions (33⅓% basis), for the three months ended March 31		2012		2011	Change
Revenue					
Electricity sales	$	**6.4**	$	6.0	7%
By-products and other		**1.9**		1.6	19%
Fixed-price lease contracts (1)		**1.3**		1.3	-
Construction activity		**7.0**		5.5	27%
		16.6		14.4	15%
Cost of sales (2)		**2.7**		2.8	(4%)
Cost of construction		**7.0**		5.5	27%
Administrative expenses (2)		**1.0**		1.3	(23%)
EBITDA (3)		**5.9**		4.8	23%
Depletion, depreciation and amortization		**2.6**		2.6	-
Earnings from operations	$	**3.3**	$	2.2	50%

(1) Composed of fixed lease payments received in relation to the 25 MW power plant in Madagascar.
(2) Excluding depletion, depreciation and amortization.
(3) For additional information see the Non-GAAP measures - EBITDA section.

The change in earnings from operations between 2012 and 2011 is detailed below:

$ millions, for the three months ended March 31		2012
Higher electricity volumes	$	**0.3**
Higher realized by-product prices		**0.1**
Lower administrative expenses		**0.3**
Weaker Canadian dollar relative to the U.S. dollar		**0.1**
Other		**0.3**
Change in earnings from operations, compared to 2011	$	**1.1**

Electricity prices

Price ($ per MWh) (1), for the three months ended March 31		2012		2011	Change
Average-realized price	$	**41.48**	$	40.54	2%

(1) Megawatt hours (MWh).

The average-realized price of electricity was $0.94 per MWh higher, primarily due to a weaker Canadian dollar relative to the U.S. dollar.

Production and sales

Production/Sales (33⅓% basis), for the three months ended March 31	2012	2011	Change
Electricity sold (GWh) (1)	**155**	148	5%

(1) Gigawatt hours (GWh).

Production was slightly higher due to a decrease in maintenance activity compared to the same period in the prior year.

Unit costs

For the three months ended March 31	2012	2011	Change
Unit cost[1] ($ per MWh)	$ 17.16	$ 18.67	(8%)

(1) Unit cost is a non-GAAP measure. The unit cost is calculated by dividing cost of sales from the Financial review table above by the number of MWh of electricity sold. Unit costs may not calculate based on amounts presented due to rounding.

Components of unit cost (%), for the three months ended March 31	2012	2011	Change
Labour	33%	34%	(3%)
Maintenance	22%	20%	10%
Freight and duty	7%	4%	75%
Insurance	9%	10%	(10%)
Other	29%	32%	(9%)
Total	100%	100%	-

Unit costs were $1.51 per MWh lower, primarily due to increased production while cost of sales remained consistent with the prior year.

Spending on capital and service concession arrangements

$ millions (33⅓% basis), for the three months ended March 31	2012	2011	Change
Sustaining	$ 0.2	$ -	-
Growth	1.1	0.6	83%
Total	$ 1.3	$ 0.6	117%

Sustaining capital expenditures were primarily related to the purchase of equipment and major long-term spare parts. Growth spending related to capitalized interest on the 150 MW Boca de Jaruco Combined Cycle Project.

$ millions (33⅓% basis), for the three months ended March 31	2012	2011	Change
Service concession arrangements	$ 7.0	$ 5.5	27%

Service concession arrangement expenditures relate to the 150 MW Boca de Jaruco project. Engineering for the project is substantially complete and all major equipment has been ordered, the majority of which is on site. The project is scheduled to begin production in the first half of 2013. Sherritt's estimate of the total project cost remains $271.0 million.

Outlook for 2012

Production volumes and spending on capital (33⅓% basis) and project For the three and twelve months ended	**Actual** **March 31** **2011**	Projected December 2012
Production		
Electricity (GWh)	**155**	550
Spending on capital ($ millions)		
Cuba(1)	**1**	8
Project capital spending ($ millions)		
150 MW Boca de Jaruco (100% basis)	**21**	109

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

Full-year 2012 guidance on production and spending on capital remain unchanged.

For the 150 MW Boca de Jaruco Combined Cycle Project, spending in 2012 remains unchanged from prior guidance and the Project remains on schedule to begin production in the first half of 2013.

OTHER

Technologies

Technologies continued to support the Ambatovy Project construction and commissioning activities with rotational assignment of its personnel to site and by providing consulting support from Technologies' office in Fort Saskatchewan.

Commissioning of a Brazilian gold pressure oxidation project continued and significant pilot test work was completed for a number of other gold and other industry clients.

Development of coal to liquid technology continued with a third party. Work continued on the detailed design and installation of a pilot plant to further evaluate the process.

The division continues to support Sherritt Coal in progressing initiatives on coal gasification and coal pre-combustion beneficiation technologies.

For the three months ended March 31, 2012, Technologies generated external revenue of $3.1 million, consistent with the prior year.

Sulawesi Project update

The Sulawesi Project is a large, high-grade undeveloped lateritic nickel deposit on the Indonesian island of Sulawesi. Under the terms of its earn-in and shareholders' agreement, with a subsidiary of Rio Tinto Limited (Rio Tinto), the Corporation may elect to acquire a 57.5% interest in a holding company that owns the Sulawesi Nickel Project in Indonesia upon funding expenditures of US$30.0 million and meeting certain other conditions by October 1, 2013. In addition, upon meeting the above conditions, the Corporation may elect to spend an additional US$80.0 million by June 30, 2017 towards producing a feasibility study from which a development decision will be made. If the Corporation elects not to spend the US$80.0 million it would forfeit its interest in the Sulawesi Project companies.

In compliance with Indonesia's mining law, Rio Tinto has concluded agreements to divest a 20% interest in the Sulawesi Project to Indonesian interests. Following such divestiture, which is expected to occur prior to production, Sherritt and Rio Tinto together will indirectly own and control an 80% interest in the Sulawesi Project, which will give Sherritt a 46% economic interest, and Rio Tinto a 34% economic interest, respectively.

Pursuant to Indonesian Government Regulation No. 24 of 2012 which came into force on February 21, 2012, all foreign-owned mining companies in Indonesia must offer at least 51% of their shares to Indonesian interests by the end of the 10th year after the commencement of production. The implementation of this government regulation may result in a diminution of Sherritt's economic interest in the Sulawesi Project. The Corporation is studying the impact of this and other Indonesian government regulations directed at the mining industry on the Sulawesi Project.

In the first quarter of 2012, the Corporation incurred US$0.4 million of expenditures related to advancing the prefeasibility work. At March 31, 2012, the Corporation has incurred US$9.7 million of qualified expenditures and continues to advance work on permitting related to the next phase of a resource drilling program, environmental and social baseline studies, and the project prefeasibility study.

Activity in 2012 is anticipated to include the commencement of a resource drilling program in the second half of 2012, which is expected to bring total spending on the project to approximately US$30.0 million, or 27% of the total funding requirement to obtain Sherritt's 46% economic interest in the project. The environmental and social baseline studies are expected to be completed mid-year 2013.

Liquidity and capital resources

Based on the Corporation's financial position and liquidity at March 31, 2012, and projected future earnings, management expects to be able to fund its working capital and project needs, and meet its other obligations including debt repayments.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

$ millions, as at March 31, 2012	Total	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ 217.0	$ 217.0	$ -	$ -	$ -	$ -	$ -
Income taxes payable	23.8	23.8	-	-	-	-	-
Advances and loans payable	145.4	15.0	11.4	10.7	10.2	14.7	83.4
Loans and borrowings(1)	2,786.8	95.1	71.9	420.7	463.1	181.9	1,554.1
Finance leases and other equipment financing	160.1	53.9	41.6	26.8	27.7	10.1	-
Operating leases	52.2	17.3	13.4	4.5	3.0	2.9	11.1
Capital commitments	16.9	16.9	-	-	-	-	-
Environmental rehabilitation provision	393.7	32.8	35.9	36.6	25.7	20.9	241.8
Pensions	99.8	9.3	9.4	9.6	9.7	9.6	52.2
Total	$ 3,895.7	$ 481.1	$ 183.6	$ 508.9	$ 539.4	$ 240.1	$ 1,942.6

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

OTHER COMMITMENTS

The following commitments are not reflected in the table above:

Ambatovy Joint Venture

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

- Capital purchase commitments of $32.8 million due within the next year;
- Environmental rehabilitation commitments of $151.9 million, with no significant repayments due in the next four years; and
- Ambatovy Joint Venture senior debt financing of US$840.0 million ($839.2 million), with principal repayments beginning the later of six months after financial completion of the Ambatovy Project or 30 months after final draw down, but not later than June 2013.

Sulawesi Project

The Corporation expects to fund US$30.0 million in exploration and development costs by October 1, 2013, and can elect to spend an additional US$80.0 million by June 30, 2017. The Corporation has incurred US$9.7 million of qualifying expenditures as of March 31, 2012.

150 MW Boca de Jaruco project

The Corporation expects to fund $100.5 million (100% basis) related to the remainder of its service concession arrangement commitment for the 150 MW Boca de Jaruco project which is expected to be completed in the first half of 2013.

INVESTMENT LIQUIDITY

At March 31, 2012, cash and cash equivalents, and short-term and long-term investments were located in the following countries:

$ millions, as at March 31, 2012	Cash and cash equivalents	Short-term investments	Investments	Total
Canada	$ 132.0	$ 429.0	$ 5.6	$ 566.6
Cuba	12.6	-	51.1	63.7
Other	19.3	-	-	19.3
Total	$ 163.9	$ 429.0	$ 56.7	$ 649.6

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 March 31, 2012, included in cash equivalents was $67.4 million in Government of Canada treasury bills having original maturity dates of less than three months. Included in short-term investments was $429.0 million in Government of Canada treasury bills having original maturity dates of greater than three months and less than one year.

Included in cash, cash equivalents and short-term investments was $43.7 million (50% basis) of cash held by the Moa Joint Venture. All cash held by the Moa Joint Venture is for the exclusive use of the joint venture.

The table above does not include $10.0 million of cash held by the Ambatovy Joint Venture (which is included as part of the investment in an associate balance in the consolidated statement of financial position). The cash balances are deposited with major financial institutions rated A or higher by Standard and Poor's and are for the exclusive use of the Ambatovy Joint Venture.

Investments

As a result of the agreement in January 2009 with Oil and Gas and Power's Cuban customers, Sherritt acquired approximately US$159.1 million in certificates of deposit (CDs). These CDs were issued by a Cuban bank and bear interest at a rate of 30-day LIBOR plus 5%. In the event of default, Sherritt has the right to receive payment from the cash flows payable by the Moa Joint Venture to its Cuban beneficiaries. At March 31, 2012, the balance of the CDs was $51.1 million.

AVAILABLE CREDIT FACILITIES

At March 31, 2012, the Corporation and its divisions had borrowed $1.7 billion under available credit facilities. Total credit available under these facilities was $435 million.

The following table outlines the maximum amount and amounts available to the Corporation for credit facilities that have amounts available at March 31, 2012 and December 31, 2011. A detailed description of these facilities is provided in the Loans, borrowings and other liabilities note in the Corporation's audited consolidated financial statements for the year ended December 31, 2011.

$ millions, as at	**2012 March 31**		2011 December 31	
	Maximum	**Available**	Maximum	Available
Short-term				
Syndicated 364-day revolving term credit facility (1)	**$ 115**	**$ 100**	$ 115	$ 109
Line of credit	**20**	**20**	20	20
Letters of credit facility(2)	**64**	**6**	64	6
Long-term				
Ambatovy Joint Venture partner loans (US$) (3)	**213**	**127**	213	127
Senior credit facility agreement(4)	**235**	**182**	235	159
Total Canadian equivalent	**$ 647**	**$ 435**	$ 651	$ 424
Supplementary information				
Ambatovy Project financing (US$) (40%)(5)	**$ 840**	**$ -**	$ 840	-
Finance leases(6)	**$ 190**	**$ 58**	$ 190	$ 41

(1) Available for general corporate purposes. Total available draw is based on eligible receivables and inventory. At March 31, 2012, the Corporation had $15.2 million of letters of credit outstanding.
(2) Uncommitted letter of credit facility entered into and available to CVRI.
(3) Available to fund Sherritt's contributions to the Ambatovy Joint Venture.
(4) Available to Prairie Mines and Royalty Ltd (PMRL), a subsidiary of Royal Utilities. At March 31, 2012, PMRL had drawn $14.0 million on this facility and had $39.1 million of letters of credit outstanding.
(5) Due to the equity accounting for Ambatovy Joint Venture previously discussed, this loan is not included in loans and borrowings on the Corporation's statement of financial position.
(6) Finance leases include only those that have been committed by lenders.

Covenants

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

At March 31, 2012, the Corporation and its divisions were in compliance with all of their financial covenants. The Corporation expects to remain in compliance with all of its financial covenants during the next twelve 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.

SOURCES AND USES OF CASH

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

$ millions, for the three months ended March 31		2012		2011	Change
Cash from operating activities					
Cash from operating activities before change in non-cash working capital	**$**	**117**	$	141	(17%)
Change in non-cash working capital		**6**		(34)	(118%)
	$	**123**	$	107	15%
Cash provided by (used for) investing and financing activities					
Property, plant, equipment and intangible expenditures	**$**	**(22)**	$	(24)	(8%)
Loans to an associate		**(23)**		(59)	(61%)
Net repayment of loans and borrowings and other financial liabilities		**(47)**		(4)	1075%
Investment in an associate		**(70)**		(34)	106%
Decrease in investments		**7**		7	-
Dividends paid on common shares		**(11)**		(11)	-
Repayment of short-term loans		**-**		(14)	(100%)
Other		**5**		4	25%
	$	**(161)**	$	(135)	19%
		(38)		(28)	36%
Cash, cash equivalents and short-term investments:					
Beginning of the period		**631**		760	(17%)
End of the period	**$**	**593**	$	732	(19%)

The significant items affecting the sources and uses of cash during the three months ended March 31, 2012 are described below:

- Cash from operating activities before change in non-cash working capital decreased compared to the prior year, primarily as a result of lower net earnings. The change in non-cash working capital is primarily due to higher deferred revenue related to fertilizer pre-sales and the collection of overdue receivables at Oil and Gas, partly offset by an increase in inventories, primarily related to the timing of shipments at Metals and Coal;
- Cash used for spending on property, plant, equipment and intangibles was $22 million. A discussion of these expenditures is included in the Review of operations sections for each division;
- A total of $93 million (US$92 million) was provided in cash to the Ambatovy Joint Venture as Sherritt's share of the joint venture funding requirements. Of the funding provided, $23 million was provided as a loan and the remaining $70 million was a direct contribution to Sherritt's investment in the joint venture;
- Of the cash used for the repayment of loans and borrowings, $29 million was used to repay some of the senior credit facility and $11 million was used to repay some of the Corporation's finance lease obligations;
- The decrease in investments of $7 million primarily relate to amounts collected by the Corporation on the Cuban certificates of deposit.

Common shares

As at April 24, 2012, the Corporation had 296,150,140 common shares outstanding. An additional 4,244,317 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan.

On February 15, 2012, the Board of Directors of the Corporation approved a quarterly dividend of $0.038 per share payable on April 13, 2012 to shareholders of record at the close of business on March 30, 2012.

Managing risk

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

Accounting pronouncements

There have been no new accounting pronouncements issued in the first quarter of 2012 that are expected to impact the Corporation. For a summary of recent pronouncements, see the Recent accounting pronouncements note in the Corporation's audited financial statements for the year ended December 31, 2011.

Summary of quarterly results

The following table presents a summary of the segment revenue and consolidated operating results for each of the eight quarters ended June 2010 to March 31 2012.

$ millions, except per share amounts, for the three months ended	**2012 Mar. 31**	2011 Dec. 31	2011 Sept. 30	2011 June 30	2011 Mar. 31	2010 Dec. 31	2010 Sept. 30	2010 June 30
Revenue								
Metals	**$ 114.8**	$ 137.7	$ 122.9	$ 149.4	$ 140.4	$ 147.0	$ 127.8	$ 138.3
Coal(1)	**245.3**	303.3	247.2	254.1	245.9	260.6	217.8	189.8
Oil and Gas	**82.2**	74.4	78.5	81.5	70.5	61.9	53.2	63.8
Power	**16.6**	18.6	14.0	13.0	14.4	12.3	11.0	12.3
Corporate and other	**3.3**	2.8	3.8	2.6	3.3	3.4	2.9	2.1
	$ 462.2	$ 536.8	$ 466.4	$ 500.6	$ 474.5	$ 485.2	$ 412.7	$ 406.3
Net earnings	**32.3**	28.1	45.5	60.1	63.6	42.7	22.5	50.2
Net earnings per share								
Basic	**$ 0.11**	$ 0.10	$ 0.16	$ 0.20	$ 0.22	$ 0.15	$ 0.07	$ 0.17
Diluted	**$ 0.11**	$ 0.09	$ 0.15	$ 0.20	$ 0.22	$ 0.14	$ 0.07	$ 0.17

(1) The Corporation fully consolidated Mountain Operations (100%) beginning July 1, 2010. Prior to July 1, 2010, the Corporation proportionately consolidated its 50% interest in Mountain Operations.

Net earnings for the Corporation are primarily affected by commodity prices and exchange rates that impact revenue and costs. Generally, a stronger Canadian dollar relative to the U.S. dollar partly offset higher commodity prices over most of the quarters. Net earnings in the first quarter of 2012 were also impacted by higher net finance expense primarily due to a loss on financial instruments. Net earnings in the fourth quarter of 2011 were also impacted by higher net finance expense primarily due to an early redemption premium paid on the redemption of debentures in December 2011 and other non-recurring costs. The third and fourth quarters of 2010 were impacted by a higher foreign exchange loss and finance expenses related to Ambatovy Partner loans as well as an impairment loss in Oil and Gas in the third quarter and closure costs related to Mineral Products in the fourth quarter. The second quarter of 2010 was impacted by a gain primarily related to the re-measurement of the Corporation's previously held 50% equity interest when it acquired the remaining 50% of Coal Valley Partnership.

Off-balance sheet arrangements

The Corporation has no foreign exchange or commodity options, futures or forward contracts. The Corporation has made a completion guarantee to the Ambatovy Project lenders and has also guaranteed letters of credit issued by Coal and payments under a lease contract entered into by Coal. Details of these arrangements can be found in the Environmental rehabilitation provisions, contingencies and guarantees note in the Corporation's audited consolidated financial statements for the year ended December 31, 2011 and its unaudited interim consolidated financial statements at March 31, 2012.

Transactions with related parties

$ millions, for the three months ended March 31		**2012**		2011
Total value of goods and services:				
Provided to jointly controlled entities	**$**	**21.0**	$	20.0
Provided to associate		**1.1**		0.9
Purchased from jointly controlled entities		**6.8**		5.5
Net financing income from jointly controlled entities		**6.4**		5.9

$ millions, as at		**2012 March 31**		2011 December 31
Accounts receivable from jointly controlled entities	**$**	**3.8**	$	4.1
Accounts receivable from associate		**42.7**		22.1
Accounts payable to jointly controlled entities		**0.6**		-
Accounts payable to associate		**0.4**		0.3
Advances and loans receivable from associate		**974.6**		968.9
Advances and loans receivable from Energas		**174.2**		166.9
Advances and loans receivable from certain Moa Joint Venture entities		**134.7**		142.8

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

As at March 31, 2012, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended March 31, 2012 the Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Supplementary information

SENSITIVITY ANALYSIS

The following table shows the approximate impact on the Corporation's net earnings and earnings per share for the first quarter of 2012 from a change in selected key variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor	Increase	Approximate change in Q1 net earnings ($ millions) Increase/(decrease)	Approximate change in Q1 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
Volume			
Nickel - tonnes (50% basis)[(1)]	1,000	2	0.01
Cobalt - tonnes (50% basis)[(1)]	250	2	0.01
Oil - gross working-interest barrels per day	1,000	1	-
Exchange rate			
Strengthening of the Canadian dollar relative to the U.S. dollar	US$ 0.05	(11)	(0.04)
Operating costs			
Natural gas - cost per gigajoule (Metals) (50% basis)	$ 1.00	(1)	-
Sulphuric acid - cost per tonne (Metals) (50% basis)	US$ 25.00	(1)	-
Fuel - WTI oil price (Coal)	US$ 10.00	(1)	-

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

NON-GAAP MEASURES - EBITDA

Management uses EBITDA to monitor financial performance and provide additional information to investors and analysts. This measure does not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As this measure does not have a standardized meaning, it may not be comparable to similar measures provided by other companies.

The Corporation defines EBITDA as net earnings (loss) from continuing operations as reported in the IFRS financial statements, adjusted for amounts included in net earnings or net loss for income taxes, net finance expense (income), depletion, depreciation and amortization, impairment charges for property, plant and equipment, intangible assets, goodwill and investments, gain or loss on disposal of property, plant and equipment, and share of income or loss of associate.

The table below reconciles EBITDA to net earnings from continuing operations.

$ millions, for the three months ended March 31, 2012	Metals	Coal	Oil and Gas	Power	Corporate and other	Total
Revenue	$ 114.8	$ 245.3	$ 82.2	$ 16.6	$ 3.3	$ 462.2
Cost of sales	90.1	214.8	33.2	12.3	4.4	354.8
Gross profit (loss)	24.7	30.5	49.0	4.3	(1.1)	107.4
Administrative expenses	1.6	4.7	2.6	1.0	8.6	18.5
Operating profit (loss)	23.1	25.8	46.4	3.3	(9.7)	88.9
Add:						
Depletion, depreciation and amortization in:						
Cost of sales	8.2	26.7	18.7	2.6	0.2	56.4
Administrative expenses	-	0.6	0.1	-	0.4	1.1
EBITDA	31.3	53.1	65.2	5.9	(9.1)	146.4
Less:						
Depletion, depreciation and amortization, above	(8.2)	(27.3)	(18.8)	(2.6)	(0.6)	(57.5)
Add:						
Share of earnings of an associate	1.2	-	-	-	-	1.2
Earnings (loss) from operations and associate	24.3	25.8	46.4	3.3	(9.7)	90.1
Net finance expense (income)	36.1	(0.6)	(6.2)	(3.0)	19.0	45.3
Income tax expense (recovery)	4.0	2.8	13.5	0.8	(8.9)	12.2
Net earnings (loss) from continuing operations	$ (15.8)	$ 23.6	$ 39.1	$ 5.5	$ (19.8)	$ 32.6

$ millions, for the three months ended March 31, 2011	Metals	Coal	Oil and Gas	Power	Corporate and other	Total
Revenue	$ 140.4	$ 245.9	$ 70.5	$ 14.4	$ 3.3	$ 474.5
Cost of sales	78.1	217.8	28.6	10.8	2.5	337.8
Gross profit	62.3	28.1	41.9	3.6	0.8	136.7
Administrative expenses	3.8	4.6	2.5	1.4	10.2	22.5
Operating profit (loss)	58.5	23.5	39.4	2.2	(9.4)	114.2
Add:						
Depletion, depreciation and amortization in:						
Cost of sales	5.7	23.5	15.2	2.5	0.7	47.6
Administrative expenses	1.7	0.7	0.2	0.1	(0.1)	2.6
EBITDA	65.9	47.7	54.8	4.8	(8.8)	164.4
Less:						
Depletion, depreciation and amortization, above	(7.4)	(24.2)	(15.4)	(2.6)	(0.6)	(50.2)
Share of loss of an associate	(1.1)	-	-	-	-	(1.1)
Earnings (loss) from operations and associate	57.4	23.5	39.4	2.2	(9.4)	113.1
Net finance expense (income)	12.4	(0.6)	(5.7)	(1.9)	13.4	17.6
Income tax expense (recovery)	17.9	1.4	13.5	0.4	(1.7)	31.5
Net earnings (loss) from continuing operations	$ 27.1	$ 22.7	$ 31.6	$ 3.7	$ (21.1)	$ 64.0

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include statements respecting certain future expectations about capital expenditures; capital project commissioning and completion dates; commencement dates of production; commodity and product prices and demand; production volumes; earnings and revenues; debt repayments; compliance with financial covenants; sufficiency of working capital and capital project funding; the impact of regulations related to greenhouse gas emissions and credits; and certain corporate objectives, plans or goals for 2012, including development of wells in Cuba. These forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The Corporation cautions readers of this MD&A not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

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

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the three months ended March 31, 2012

Condensed consolidated statements of comprehensive (loss) income

Unaudited, Canadian $ millions, except per share amounts, for the three months ended March 31	Note		2012		2011
Revenue		**$**	**462.2**	$	474.5
Cost of sales	5		**354.8**		337.8
Gross profit			**107.4**		136.7
Administrative expenses			**18.5**		22.5
Operating profit			**88.9**		114.2
Share of earnings (loss) of an associate, net of tax	12		**1.2**		(1.1)
Earnings from operations and associate			**90.1**		113.1
Financing income	6		**2.2**		(17.5)
Financing expense	6		**43.1**		35.1
Net finance expense			**45.3**		17.6
Earnings before tax			**44.8**		95.5
Income tax expense	7		**12.2**		31.5
Net earnings from continuing operations			**32.6**		64.0
Loss from discontinued operation, net of tax			**0.3**		0.4
Net earnings for the period		**$**	**32.3**	$	63.6
Other comprehensive (loss) income					
Foreign currency translation differences on foreign operations			**(36.8)**		(41.4)
Comprehensive (loss) income		**$**	**(4.5)**	$	22.2
Net earnings from continuing operations per common share:					
Basic	8	**$**	**0.11**	$	0.22
Diluted	8	**$**	**0.11**	$	0.22
Net earnings per common share:					
Basic	8	**$**	**0.11**	$	0.22
Diluted	8	**$**	**0.11**	$	0.22

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

Condensed consolidated statements of financial position

Unaudited, Canadian $ millions, as at	Note		2012 March 31		2011 December 31
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**163.9**	$	174.6
Restricted cash			**1.2**		1.1
Short-term investments	17		**429.0**		456.8
Investments			**28.3**		29.1
Advances, loans receivable and other financial assets	9		**68.3**		71.1
Other non-financial assets	9		**0.2**		0.2
Finance lease receivables	9		**22.3**		23.3
Trade accounts receivable, net	17		**388.6**		386.5
Income taxes receivable			**19.1**		19.1
Inventories	10		**240.1**		215.1
Prepaid expenses			**13.3**		12.1
			1,374.3		1,389.0
Non-current assets					
Advances, loans receivable and other financial assets	9		**1,275.6**		1,278.8
Other non-financial assets	9		**12.8**		17.1
Finance lease receivables	9		**191.4**		196.0
Property, plant and equipment	11		**1,409.0**		1,430.4
Investments			**28.4**		34.7
Investment in an associate	12		**1,088.6**		1,053.1
Goodwill			**307.9**		307.9
Intangible assets			**786.0**		786.2
Deferred income taxes			**2.8**		2.8
			5,102.5		5,107.0
Assets of discontinued operation			**1.5**		1.5
		$	**6,478.3**	$	6,497.5
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Loans and borrowings	14	**$**	**21.9**	$	56.9
Trade accounts payable and accrued liabilities			**217.0**		179.8
Income taxes payable			**23.8**		25.9
Other financial liabilities	14		**70.4**		69.8
Other non-financial liabilities	14		**43.8**		8.0
Environmental rehabilitation provisions	15		**33.3**		31.9
			410.2		372.3
Non-current liabilities					
Loans and borrowings	14		**1,674.3**		1,687.8
Other financial liabilities	14		**192.5**		205.4
Other non-financial liabilities	14		**14.8**		15.1
Intangible liability			**8.0**		9.1
Environmental rehabilitation provisions	15		**230.5**		235.8
Deferred income taxes			**224.6**		232.1
			2,344.7		2,385.3
Liabilities of discontinued operation			**8.2**		8.2
			2,763.1		2,765.8
Shareholders' equity					
Capital stock	16		**2,801.8**		2,803.1
Retained earnings			**805.9**		784.9
Reserves	16		**195.7**		195.1
Accumulated other foreign currency translation reserve	16		**(88.2)**		(51.4)
			3,715.2		3,731.7
		$	**6,478.3**	$	6,497.5

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

Condensed consolidated statements of changes in equity

Unaudited, Canadian $ millions

	Note	Capital stock	Retained earnings	Reserves	Accumulated foreign currency translation reserve	Total
Balance as at December 31, 2010		$ 2,787.3	$ 632.5	$ 206.6	$ (98.1)	$ 3,528.3
Shares issued for:						
Treasury stock - restricted stock plan	16	(0.6)	-	-	-	(0.6)
Stock options exercised	16	0.1	-	-	-	0.1
Restricted stock plan amortization	16,20	-	-	0.3	-	0.3
Employee share purchase plan expense	16,20	-	-	0.2	-	0.2
Stock option plan expense	16,20	-	-	0.1	-	0.1
Dividends declared to common shareholders	16	-	(11.2)	-	-	(11.2)
Total comprehensive income:						
Net earnings for the period		-	63.6	-	-	63.6
Foreign currency translation differences on foreign operations	16	-	-	-	(41.4)	(41.4)
		-	63.6	-	(41.4)	22.2
Balance as at March 31, 2011		$ 2,786.8	$ 684.9	$ 207.2	$ (139.5)	$ 3,539.4
Shares issued for:						
Treasury stock - restricted stock plan	16	(0.1)	-	-	-	(0.1)
Restricted stock plan (vested)	16	0.1	-	(0.1)	-	-
Employee share purchase plan	16	2.4	-	-	-	2.4
Cross-guarantee	16	13.9	-	(13.9)	-	-
Restricted stock plan amortization	16,20	-	-	0.4	-	0.4
Employee share purchase plan expense	16,20	-	-	0.5	-	0.5
Stock option plan expense	16,20	-	-	1.0	-	1.0
Dividends declared to common shareholders	16	-	(33.7)	-	-	(33.7)
Total comprehensive income:						
Net earnings for the period		-	133.7	-	-	133.7
Foreign currency translation differences on foreign operations	16	-	-	-	88.1	88.1
		-	133.7	-	88.1	221.8
Balance as at December 31, 2011		$ 2,803.1	$ 784.9	$ 195.1	$ (51.4)	$ 3,731.7
Shares issued for:						
Treasury stock - restricted stock plan	16	(1.5)	-	-	-	(1.5)
Restricted stock plan (vested)	16	0.2	-	(0.2)	-	-
Restricted stock plan amortization	16,20	-	-	0.3	-	0.3
Employee share purchase plan expense	16,20	-	-	0.1	-	0.1
Stock option plan expense	16,20	-	-	0.4	-	0.4
Dividends declared to common shareholders	16	-	(11.3)	-	-	(11.3)
Total comprehensive income:						
Net earnings for the period		-	32.3	-	-	32.3
Foreign currency translation differences on foreign operations	16	-	-	-	(36.8)	(36.8)
		-	32.3	-	(36.8)	(4.5)
Balance as at March 31, 2012		$ 2,801.8	$ 805.9	$ 195.7	$ (88.2)	$ 3,715.2

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

Condensed consolidated statements of cash flow

Unaudited, Canadian $ millions, for the three months ended March 31	Note		2012		2011
Operating activities					
Net earnings		**$**	**32.3**	$	63.6
Add (deduct)					
Depletion, depreciation and amortization	4		**57.5**		50.2
Accretion expense on environmental rehabiliation provisions	6		**1.2**		1.4
Stock-based compensation (recovery) expense, net	20		**0.8**		1.9
Share of (earnings) loss of an associate, net of tax	12		**(1.2)**		1.1
Impairment losses	5		**1.2**		0.1
Net loss (gain) on financial instruments	6		**11.8**		(5.6)
Current income tax expense	7		**18.7**		28.9
Deferred income tax (recovery) expense	7		**(6.5)**		2.6
Unrealized foreign exchange loss			**4.4**		2.2
Liabilities settled for environmental rehabilitation	15		**(7.0)**		(4.8)
Service concession arrangement			**(7.0)**		(5.5)
Cross-guarantee fee amortization	6		**3.0**		3.0
Interest income	6		**(9.6)**		(11.9)
Interest expense	6		**32.1**		28.5
Other items			**(1.5)**		1.0
Net change in non-cash working capital	21		**6.3**		(34.0)
Interest received			**10.3**		11.5
Interest paid			**(3.6)**		(2.9)
Income tax paid			**(20.4)**		(24.0)
Cash provided by operating activities			**122.8**		107.3
Investing activities					
Property, plant and equipment expenditures	4		**(19.4)**		(22.4)
Exploration and evaluation intangible expenditures	4		**(1.6)**		(0.7)
Other intangible expenditures	4		**(1.1)**		(0.5)
Increase in advances, loans receivable and other financial assets			**(12.7)**		(10.9)
Repayment of advances, loans receivable and other financial assets			**13.4**		13.7
Investments			**6.8**		6.7
Loans to an associate			**(22.7)**		(58.9)
Investment in an associate			**(69.9)**		(33.9)
Restricted cash			**(0.1)**		-
Net proceeds from sale of property, plant and equipment			**0.7**		0.1
Short-term investments			**27.8**		145.6
Cash (used for) provided by investing activities			**(78.8)**		38.8
Financing activities					
Repayment of loans and borrowings and other financial liabilities			**(46.8)**		(50.3)
Increase in loans and borrowings and other financial liabilities			**-**		46.6
Repayment of short-term loans			**-**		(14.2)
Increase in finance lease receivables			**(0.6)**		(3.7)
Repayment of finance lease receivables			**6.2**		5.1
Issuance of common shares	16		**-**		0.1
Treasury stock - restricted stock plan	16		**(1.5)**		(0.6)
Dividends paid on common shares	16		**(11.3)**		(11.2)
Cash used for financing activities			**(54.0)**		(28.2)
Effect of exchange rate changes on cash and cash equivalents			**(0.7)**		(0.1)
(Decrease) increase in cash and cash equivalents			**(10.7)**		117.8
Cash and cash equivalents at beginning of the period			**174.6**		263.1
Cash and cash equivalents at end of the period		**$**	**163.9**	$	380.9
Cash and cash equivalents consist of:					
Cash on hand and balances with banks		**$**	**96.5**	$	70.0
Cash equivalents	17		**67.4**		310.9

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

Notes to the interim condensed consolidated financial statements

(All dollar amounts presented in tables are expressed in millions of Canadian dollars except per share amounts)

1 NATURE OF OPERATIONS AND CORPORATE INFORMATION

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

The Corporation is domiciled in Ontario, Canada and its registered office is 1133 Yonge Street, Toronto, Ontario, M4T 2Y7. These consolidated financial statements were approved and authorized for issuance by the Audit Committee on behalf of the Board of Directors of Sherritt on April 24, 2012. The Corporation is listed on the Stock Exchange in Toronto.

2 BASIS OF PRESENTATION

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of Sherritt for the year ended December 31, 2011. The disclosure contained in these interim condensed consolidated financial statements does not include all requirements in IAS 1, "Presentation of Financial Statements" (IAS 1). Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2011.

4 SEGMENTED INFORMATION

Business segments

Canadian $ millions, for the three months ended March 31	Metals	Coal	Oil and Gas	Power	Corporate and Other	Total 2012
Revenue	$ 114.8	$ 245.3	$ 82.2	$ 16.6	$ 3.3	$ 462.2
Cost of sales	90.1	214.8	33.2	12.3	4.4	354.8
Gross profit (loss)	24.7	30.5	49.0	4.3	(1.1)	107.4
Administrative expenses	1.6	4.7	2.6	1.0	8.6	18.5
Operating profit (loss)	23.1	25.8	46.4	3.3	(9.7)	88.9
Share of earnings of associate	1.2	-	-	-	-	1.2
Earnings (loss) from operations and associate	24.3	25.8	46.4	3.3	(9.7)	90.1
Financing income	11.8	(4.4)	(1.4)	(0.6)	(3.2)	2.2
Financing expense	24.3	3.8	(4.8)	(2.4)	22.2	43.1
Net finance expense (income)	36.1	(0.6)	(6.2)	(3.0)	19.0	45.3
(Loss) earnings before tax	(11.8)	26.4	52.6	6.3	(28.7)	44.8
Income tax expense (recovery)	4.0	2.8	13.5	0.8	(8.9)	12.2
Net (loss) earnings from continuing operations	(15.8)	23.6	39.1	5.5	(19.8)	32.6
Loss from discontinued operation	-	-	-	-	0.3	0.3
Net (loss) earnings for the period	$ (15.8)	$ 23.6	$ 39.1	$ 5.5	$ (20.1)	$ 32.3
Supplementary information						
Depletion, depreciation and amortization	$ 8.2	$ 27.3	$ 18.8	$ 2.6	$ 0.6	$ 57.5
Property, plant and equipment expenditures	2.9	6.6	8.6	0.2	1.1	19.4
Intangible asset expenditures	-	-	1.6	1.1	-	2.7

Canadian $ millions, as at March 31						2012
Non-current assets(1)	$ 656.1	$ 1,430.4	$ 222.1	$ 176.9	$ 17.4	$ 2,502.9
Total assets	3,008.5	1,923.3	938.5	440.1	167.9	6,478.3

Canadian $ millions, for the three month ended March 31	Metals	Coal	Oil and Gas	Power	Corporate and Other	Total 2011
Revenue	$ 140.4	$ 245.9	$ 70.5	$ 14.4	$ 3.3	$ 474.5
Cost of sales	78.1	217.8	28.6	10.8	2.5	337.8
Gross profit	62.3	28.1	41.9	3.6	0.8	136.7
Administrative expenses	3.8	4.6	2.5	1.4	10.2	22.5
Operating profit (loss)	58.5	23.5	39.4	2.2	(9.4)	114.2
Share of loss of associate	(1.1)	-	-	-	-	(1.1)
Earnings (loss) from operations and associate	57.4	23.5	39.4	2.2	(9.4)	113.1
Financing income	(1.9)	(4.6)	(2.0)	(0.7)	(8.3)	(17.5)
Financing expense	14.3	4.0	(3.7)	(1.2)	21.7	35.1
Net finance expense (income)	12.4	(0.6)	(5.7)	(1.9)	13.4	17.6
Earnings (loss) before tax	45.0	24.1	45.1	4.1	(22.8)	95.5
Income tax expense (recovery)	17.9	1.4	13.5	0.4	(1.7)	31.5
Net earnings (loss) from continuing operations	27.1	22.7	31.6	3.7	(21.1)	64.0
Loss from discontinued operation	-	-	-	-	0.4	0.4
Net earnings (loss) for the period	$ 27.1	$ 22.7	$ 31.6	$ 3.7	$ (21.5)	$ 63.6
Supplementary information						
Depletion, depreciation and amortization	$ 7.4	$ 24.2	$ 15.4	$ 2.6	$ 0.6	$ 50.2
Property, plant and equipment expenditures	5.7	2.5	14.0	-	0.2	22.4
Intangible asset expenditures	-	-	0.7	0.5	-	1.2

Canadian $ millions, as at December 31						2011
Non-current assets(1)	$ 666.7	$ 1,432.9	$ 234.9	$ 173.1	$ 16.9	$ 2,524.5
Total assets	2,926.1	1,937.2	919.0	436.5	278.7	6,497.5

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

Geographic segments

The Corporation carries on business in the following geographic areas:

Canadian $ millions, as at		2012 March 31			2011 December 31			
		Non-current assets[1]		Total assets		Non-current assets[1]		Total assets
Canada	$	**1,730.6**	$	**3,044.6**	$	1,735.9	$	3,058.4
Cuba		**748.0**		**1,246.0**		765.6		1,281.1
Madagascar		**12.9**		**2,095.5**		12.9		2,052.2
Europe		**10.1**		**27.0**		8.6		24.5
Asia		**1.3**		**2.3**		1.5		2.2
Other		**-**		**62.9**		-		79.1
	$	**2,502.9**	$	**6,478.3**	$	2,524.5	$	6,497.5

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

Canadian $ millions, for the three months ended March 31		2012 Total revenue		2011 Total revenue
Canada	$	**176.6**	$	165.6
Cuba		**94.1**		80.0
Madagascar		**2.4**		2.1
Europe		**83.6**		76.0
Asia		**49.9**		111.7
Other		**55.6**		39.1
	$	**462.2**	$	474.5

Revenue segments

Revenue includes the following significant categories:

Canadian $ millions, for the three months ended March 31		2012		2011
Commodity and electricity	$	**429.7**	$	439.5
Royalty		**13.7**		16.8
Other		**18.8**		18.2
	$	**462.2**	$	474.5

5 COST OF SALES

Cost of sales includes the following select information:

Canadian $ millions, for the three months ended March 31		2012		2011
Employee costs	**$**	**94.2**	$	88.1
Depletion, depreciation and amortization of property, plant and equipment and intangible assets		**56.4**		47.6
Exploration and evaluation expenses		**2.6**		0.1
Impairment losses		**1.2**		0.1

The exploration and evaluation expenses incurred by the Corporation relate mainly to the Sulawesi Project in Indonesia. The Corporation expensed $2.6 million relating to this project for the three months ended March 31, 2012 ($nil for the three months ended March 31, 2011).

6 NET FINANCE EXPENSE

Canadian $ millions, for the three months ended March 31	Note		2012		2011
Net (loss) gain on financial instruments	17	**$**	**(11.8)**	$	5.6
Interest income on cash, cash equivalents and short-term investments			**1.1**		1.8
Interest income on investments			**1.9**		2.7
Interest income on advances and loans receivable			**2.2**		3.0
Interest income on finance leases			**4.4**		4.4
Total financing income			**(2.2)**		17.5
Interest expense and accretion on loans and borrowings			**28.9**		26.0
Interest expense on other liabilities			**1.1**		0.8
Interest expense on finance lease obligations			**2.1**		1.7
Accretion expense on environmental rehabilitation provisions	15		**1.2**		1.4
Foreign exchange loss			**3.4**		0.1
Cross-guarantee fee amortization			**3.0**		3.0
Other finance charges			**3.4**		2.1
Total financing expense			**43.1**		35.1
Net finance expense		**$**	**45.3**	$	17.6

7 INCOME TAXES

Canadian $ millions, for the three months ended March 31		2012		2011
Current income tax expense				
Current period	**$**	**18.7**	$	28.9
		18.7		28.9
Deferred income tax (recovery) expense				
Origination and reversal of temporary differences		**(2.5)**		0.6
Reduction in tax rate		**(0.3)**		-
(Recognition) non-recognition of tax assets (not) previously recognized		**(3.7)**		2.0
		(6.5)		2.6
Income tax expense	**$**	**12.2**	$	31.5

8 EARNINGS PER SHARE

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

Net earnings per share

Canadian $ millions, except per share amounts, for the three months ended March 31		2012		2011
Net earnings from continuing operations	$	32.6	$	64.0
Loss from discontinued operation		0.3		0.4
Net earnings - basic	$	32.3	$	63.6
Net earnings from continuing operations	$	32.6	$	64.0
Adjustment to cash-settled share-based compensation expense(1)		(0.1)		-
Earnings from continuing operations - diluted		32.5		64.0
Loss from discontinued operation		0.3		0.4
Net earnings - diluted	$	32.2	$	63.6
Weighted-average number of common shares - basic		296.2		295.0
Weighted-average effect of dilutive securities:(1)				
Employee share purchase		-		0.2
Stock options		0.1		-
Restricted stock		0.3		0.3
Cross-guarantee		-		0.9
Weighted-average number of common shares - diluted		296.6		296.4
Net earnings from continuing operations per common share:				
Basic	$	0.11	$	0.22
Diluted	$	0.11	$	0.22
Loss from discontinued operation per common share:				
Basic	$	-	$	-
Diluted	$	-	$	-
Net earnings per common share:				
Basic	$	0.11	$	0.22
Diluted	$	0.11	$	0.22

(1) The determination of the weighted-average number of common shares - diluted excludes 3.6 million shares related to stock options that were anti-dilutive for the three months ended March 31, 2012 (5.3 million for the three months ended March 31, 2011). There were 0.8 million shares related to the employee share purchase plan that were anti-dilutive for the three months ended March 31, 2012 (no shares for the three months ended March 31, 2011).

9 ADVANCES, LOANS RECEIVABLE, OTHER ASSETS AND FINANCE LEASE RECEIVABLES

Advances, loans receivable and other financial assets

Canadian $ millions, as at	Note		2012 March 31		2011 December 31
Advances, loans receivable					
Ambatovy subordinated loan receivable	19	**$**	**974.6**	$	968.9
Energas conditional sales agreement	19		**174.2**		166.9
Moa Joint Venture loans receivable	19		**134.7**		142.8
Other			**24.5**		24.3
Other financial assets					
Ambatovy call option	17		**25.6**		38.0
Deferred reclamation recoveries			**10.3**		9.0
			1,343.9		1,349.9
Current portion of advances, loans receivable and other financial assets			**(68.3)**		(71.1)
		$	**1,275.6**	$	1,278.8

Other non-financial assets

Canadian $ millions, as at		2012 March 31		2011 December 31
Cross-guarantee fee asset	**$**	**7.6**	$	10.6
Pension asset		**2.1**		2.4
Other		**3.3**		4.3
		13.0		17.3
Current portion of other non-financial assets		**(0.2)**		(0.2)
	$	**12.8**	$	17.1

Finance lease receivables

Canadian $ millions, as at		2012 March 31								2011 December 31		
		Future minimum lease payments		**Interest**		**Present value of minimum lease payments**		Future minimum lease payments		Interest		Present value of minimum lease payments
Less than one year	**$**	**36.9**	**$**	**14.6**	**$**	**22.3**	$	38.3	$	15.0	$	23.3
Between one and five years		**117.0**		**45.3**		**71.7**		122.8		45.8		77.0
More than five years		**150.9**		**31.2**		**119.7**		149.5		30.5		119.0
	$	**304.8**	**$**	**91.1**	**$**	**213.7**	$	310.6	$	91.3	$	219.3

10 INVENTORIES

Canadian $ millions, as at		2012 March 31		2011 December 31
Uncovered coal	**$**	**11.0**	$	8.5
Raw materials		**10.0**		8.5
Materials in process		**35.6**		37.7
Finished products		**85.9**		64.8
		142.5		119.5
Spare parts and operating materials		**97.6**		95.6
	$	**240.1**	$	215.1

For the three months ended March 31, 2012, the cost of inventories recognized as an expense and included in cost of sales was $235.5 million ($237.3 million for the three months ended March 31, 2011).

11 PROPERTY, PLANT AND EQUIPMENT

Canadian $ millions, for the three months ended March 31								2012
		Mining properties		Oil and Gas properties		Plant, equipment and land		Total
Cost								
Balance, beginning of the period	**$**	**417.6**	**$**	**1,047.0**	**$**	**1,991.1**	**$**	**3,455.7**
Additions		**4.2**		**7.1**		**25.7**		**37.0**
Capitalized closure costs		**5.3**		**-**		**(2.6)**		**2.7**
Disposals		**-**		**-**		**(6.4)**		**(6.4)**
Capitalized interest		**-**		**-**		**0.6**		**0.6**
Effect of movements in exchange rates		**(0.5)**		**(13.4)**		**(11.4)**		**(25.3)**
Balance, end of the period		**426.6**		**1,040.7**		**1,997.0**		**3,464.3**
Depletion, depreciation and impairment losses								
Balance, beginning of the period		**262.0**		**917.0**		**846.3**		**2,025.3**
Depletion and depreciation		**9.2**		**16.2**		**26.0**		**51.4**
Disposals		**-**		**-**		**(5.9)**		**(5.9)**
Effect of movements in exchange rates		**(0.3)**		**(11.7)**		**(3.5)**		**(15.5)**
Balance, end of the period		**270.9**		**921.5**		**862.9**		**2,055.3**
Net book value	**$**	**155.7**	**$**	**119.2**	**$**	**1,134.1**	**$**	**1,409.0**

Canadian $ millions, for the year ended December 31								2011
		Mining properties		Oil and Gas properties		Plant, equipment and land		Total
Cost								
Balance, beginning of the year	$	367.4	$	984.8	$	1,809.4	$	3,161.6
Additions		12.1		45.2		134.4		191.7
Capitalized closure costs		37.3		0.5		42.1		79.9
Disposals		-		-		(27.9)		(27.9)
Capitalized interest		-		-		3.6		3.6
Effect of movements in exchange rates		0.8		16.5		29.5		46.8
Balance, end of the year		417.6		1,047.0		1,991.1		3,455.7
Depletion, depreciation and impairment losses								
Balance, beginning of the year		208.5		851.2		761.2		1,820.9
Depletion and depreciation		52.8		50.9		90.4		194.1
Impairments		-		-		2.0		2.0
Disposals		-		-		(23.0)		(23.0)
Effect of movements in exchange rates		0.7		14.9		15.7		31.3
Balance, end of the year		262.0		917.0		846.3		2,025.3
Net book value	$	155.6	$	130.0	$	1,144.8	$	1,430.4

Canadian $ millions		**Plant, equipment and land**
Assets held under finance lease at net book value, included in above		
As at March 31, 2012	**$**	**117.6**
As at December 31, 2011		120.6
Assets under construction, included in above		
As at March 31, 2012	**$**	**284.3**
As at December 31, 2011		281.6

12 INVESTMENT IN AN ASSOCIATE

Statement of financial position

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

Canadian $ millions, Sherritt's 40% interest, as at		2012 March 31		2011 December 31
Assets				
Cash on hand and balances with banks	**$**	**10.0**	$	13.7
Inventories(1)		**64.8**		55.7
Other current assets		**42.5**		38.4
Property, plant and equipment		**3,026.2**		3,007.7
Other assets		**2.0**		2.3
Deferred income taxes(2)		**-**		0.2
Liabilities				
Current liabilities		**110.5**		106.1
Long-term debt				
Ambatovy Joint Venture financing		**824.7**		838.9
Subordinated loan payable		**974.6**		968.9
Environmental rehabilitation provision		**30.9**		32.4
Other long-term liabilities		**-**		0.1
Deferred income taxes		**116.2**		118.5
Net assets	**$**	**1,088.6**	$	1,053.1

(1) Inventories are primarily comprised of raw materials, spare parts and materials in process.

(2) As at March 31, 2012, the Ambatovy Joint Venture has earned investment tax credits of $174.5 million (December 31, 2011 - $145.7 million) for which a deferred income tax asset has not been recognized. The investment tax credits have an indefinite carry forward period and may be used to partially offset Malagasy income tax otherwise payable by the Ambatovy Joint Venture in subsequent years.

Results of operations

For the three months ended March 31, 2012, the Corporation recognized net earnings of $1.2 million, representing its 40% interest in the Ambatovy Joint Venture. The net earnings were primarily composed of foreign exchange gains offset by cost of sales and administrative expenses (net loss of $1.1 million for the three months ended March 31, 2011 primarily composed of foreign exchange losses). The Ambatovy Joint Venture has not yet commenced operations or generated any revenue.

Contingent liabilities

In April 2012, a request for arbitration was received by Ambatovy Minerals S.A., one of the Ambatovy Joint Venture's operating companies. The request for arbitration was submitted by one of the Ambatovy Joint Venture's contractor's to the International Court of Arbitration of the International Chamber of Commerce (ICC). The contractor was responsible for constructing a 220 km long slurry pipeline. Amongst other things, the contractor is alleging that design changes, physical conditions and other events caused delays in completing the pipeline which resulted in damages to the contractor for which the Ambatovy Joint Venture is liable. The Ambatovy Joint Venture disputes these allegations and will pursue this matter, including a possible counterclaim against the contractor, in accordance with ICC Rules of Arbitration.

13 INTEREST IN JOINT VENTURES

Jointly controlled entities

The following table is a summary of the Corporation's proportionate interest in its jointly controlled entities:

Canadian $ millions, as at March 31						2012
		Moa Joint Venture		**Carbon Development Partnership**		**Energas**
		50%		**50%**		**33 1/3%**
Current assets	**$**	**176.4**	**$**	**0.7**	**$**	**19.8**
Non-current assets		**556.8**		**29.6**		**134.6**
Current liabilities		**99.4**		**1.0**		**11.0**
Non-current liabilities		**227.3**		**0.5**		**79.2**
Net assets	**$**	**406.5**	**$**	**28.8**	**$**	**64.2**

Canadian $ millions, for the three months ended March 31						2012
		Moa Joint Venture		**Carbon Development Partnership**		**Energas**
		50%		**50%**		**33 1/3%**
Revenue	**$**	**104.2**	**$**	**0.2**	**$**	**15.3**
Expenses		**88.0**		**0.4**		**13.9**
Net earnings (loss)	**$**	**16.2**	**$**	**(0.2)**	**$**	**1.4**

Canadian $ millions, as at December 31						2011
		Moa Joint Venture		Carbon Development Partnership		Energas
		50%		50%		33 1/3%
Current assets	$	160.6	$	0.9	$	21.2
Non-current assets		565.7		29.6		131.2
Current liabilities		91.2		1.1		11.4
Non-current liabilities		239.1		0.5		75.4
Net assets	$	396.0	$	28.9	$	65.6

Canadian $ millions, for the three months ended March 31						2011
		Moa Joint Venture		Carbon Development Partnership		Energas
		50%		50%		33 1/3%
Revenue	$	133.1	$	0.3	$	13.1
Expenses		89.7		0.4		12.6
Net earnings (loss)	$	43.4	$	(0.1)	$	0.5

14 LOANS, BORROWINGS AND OTHER LIABILITIES

Loans and borrowings

Canadian $ millions, as at	Note	2012 March 31	2011 December 31
Long-term loans			
8.25% senior unsecured debentures due 2014	17	**$ 223.2**	$ 223.0
7.75% senior unsecured debentures due 2015	17	**273.0**	272.9
8.00% senior unsecured debentures due 2018	17	**391.5**	391.2
Ambatovy Joint Venture additional partner loans		**696.0**	708.5
Ambatovy Joint Venture partner loans		**90.6**	92.2
Senior credit facility agreement		**14.0**	43.0
Loan from financial institution		**-**	2.7
3-year non-revolving term loan		**7.9**	11.2
		1,696.2	1,744.7
Current portion of loans and borrowings		**(21.9)**	(56.9)
		$ 1,674.3	$ 1,687.8

Other financial liabilities

Canadian $ millions, as at	2012 March 31	2011 December 31
Advances and loans payable	**$ 99.6**	$ 104.0
Finance lease obligations	**135.9**	142.8
Other long-term financial liabilities	**16.2**	17.2
Stock compensation liability	**11.2**	11.2
	262.9	275.2
Current portion of other financial liabilities	**(70.4)**	(69.8)
	$ 192.5	$ 205.4

Finance lease obligations

Canadian $ millions, as at			2012 March 31			2011 December 31
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**$ 50.4**	**$ 6.3**	**$ 44.1**	$ 52.1	$ 6.8	$ 45.3
Between one and five years	**100.0**	**8.2**	**91.8**	107.2	9.7	97.5
	$ 150.4	**$ 14.5**	**$ 135.9**	$ 159.3	$ 16.5	$ 142.8

Other long-term financial liabilities

Canadian $ millions, as at	2012 March 31	2011 December 31
Less than one year	**$ 3.2**	$ 3.7
Between one and five years	**6.2**	7.0
More than five years	**6.8**	6.5
	$ 16.2	$ 17.2

Other non-financial liabilities

Canadian $ millions, as at	2012 March 31	2011 December 31
Pension liability	**$ 13.8**	$ 14.1
Deferred revenue	**44.8**	9.0
	58.6	23.1
Current portion of other non-financial liabilities	**(43.8)**	(8.0)
	$ 14.8	$ 15.1

15 ENVIRONMENTAL REHABILITATION PROVISIONS AND GUARANTEES

Environmental rehabilitation provisions

Canadian $ millions	Note	For the three months ended 2012 March 31	For the year ended 2011 December 31
Balance, beginning of the period		$ 267.7	$ 208.3
Additions		5.8	17.2
Change in estimates		(4.4)	55.9
Utilized during the period		(7.0)	(19.4)
Accretion	6	1.2	5.4
Foreign exchange translation		0.5	0.3
Balance, end of the period		263.8	267.7
Current portion		(33.3)	(31.9)
		$ 230.5	$ 235.8

Guarantees

Coal Valley Resources Inc.

In relation to the 3-year non-revolving term loan (note 14), Sherritt and its former partner had each provided a $12.5 million limited guarantee. Upon acquiring the remaining 50% interest in CVP, the Corporation indemnified its former partner's guaranteed portion of the letter of credit and payments under the lease. In March 2012, the creditor released Sherritt's former partner of the $12.5 million limited guarantee thereby cancelling the Corporation's indemnification.

16 SHAREHOLDERS' EQUITY

Capital Stock

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

Canadian $ millions, except share amounts		For the three months ended 2012 March 31		For the year ended 2011 December 31	
	Note	Number	Capital stock	Number	Capital stock
Balance, beginning of the period		296,390,692	$ 2,803.1	295,016,500	$ 2,787.3
Treasury stock - restricted stock plan	20	(260,400)	(1.5)	(88,500)	(0.7)
Restricted stock plan (vested)	20	19,848	0.2	21,856	0.1
Employee share purchase plan	20	-	-	477,560	2.4
Stock options exercised	20	-	-	20,000	0.1
Cross-guarantee[(1)]		-	-	943,276	13.9
Balance, end of the period		296,150,140	$ 2,801.8	296,390,692	$ 2,803.1

(1) On December 30, 2011, the Corporation issued 943,276 common shares valued at $14.74 per common share as the final annual issuance in relation to the cross-guarantees provided by Sumitomo and SNC-Lavalin on the Ambatovy senior credit facility. The issuance resulted in a total of $13.9 million being reclassified from the cross-guarantee reserve to capital stock.

The following dividends were paid or were declared but unpaid:

Canadian $ millions, except share amounts	2012 March 31		2011 March 31	
	Per share	Total	Per share	Total
Dividends paid during the period	$ 0.038	$ 11.3	$ 0.038	$ 11.2
Dividends declared but unpaid	0.038	11.3	0.038	11.2

Reserves

Canadian $ millions	Note		For the three months ended 2012 March 31		For the year ended 2011 December 31
Stated capital reserve(1)					
Balance, beginning of the period		**$**	**190.3**	$	190.3
Balance, end of the period			**190.3**		190.3
Stock-based compensation reserve(2)					
Balance, beginning of the period			**4.8**		2.4
Restricted stock plan (vested)	20		**(0.2)**		(0.1)
Restricted stock plan amortization	20		**0.3**		0.7
Employee share purchase plan expense	20		**0.1**		0.7
Stock option plan expense	20		**0.4**		1.1
Balance, end of the period			**5.4**		4.8
Cross-guarantee reserve					
Balance, beginning of the period			**-**		13.9
Issuance of common shares			**-**		(13.9)
Balance, end of the period			**-**		-
Total reserves, end of the period		**$**	**195.7**	$	195.1

(1) In May 2000, the Corporation's shareholders approved the elimination of the December 31, 1999 accumulated deficit of $6.9 million through a $200.0 million reduction in the stated value of the Corporation's restricted voting shares and the creation of a $193.1 million stated capital reserve. Between 2000 and 2007, this reserve was reduced to $190.3 million as a result of losses on repurchase of common shares and the redemption of convertible debentures.

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

Accumulated foreign currency translation reserve

Shareholders' equity includes a reserve pertaining to the accumulated foreign currency translation adjustment which relates to deferred exchange gains and losses arising from the translation of the financial statements of the Corporation's foreign operations that have a functional currency that differs from that of the Corporation.

17 FINANCIAL INSTRUMENTS

Financial instrument hierarchy

Canadian $ millions, as at	Note	Hierarchy level		2012 March 31		2011 December 31
Financial assets:						
Held for trading, measured at fair value						
Cash equivalents		1	**$**	**67.4**	$	64.9
Short-term investments		1		**429.0**		456.8
Ambatovy call option	9	3		**25.6**		38.0

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

Canadian $ million	Note		For the three months ended 2012 March 31		For the year ended 2011 December 31
Balance, beginning of period		**$**	**38.0**	**$**	**34.5**
Total (losses) gains in net earnings [1]	6		**(11.8)**		**2.7**
Effect of movements in exchange rates			**(0.6)**		**0.8**
Balance, end of period		**$**	**25.6**	**$**	**38.0**

(1) Gains and losses are recognized in net financing expense (note 6).

Ambatovy call option

During the three months ended March 31, 2012, the Corporation recognized a downward fair value adjustment of $11.8 million (upward fair value adjustment of $1.9 million for the three months ended March 31, 2011) in financing income on the Ambatovy call option as a result of changes in various inputs used in the Black-Scholes model, including volatility, which is based on a blend of historical commodity prices and the publicly traded stock prices of companies with comparable projects, and the reduced time to expiration of the option.

Fair values

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

Canadian $ millions, as at	Note		2012 March 31 Carrying value		2012 March 31 Fair value		2011 December 31 Carrying value		2011 December 31 Fair value
8.25% senior unsecured debentures due 2014	14	**$**	**223.2**	**$**	**237.6**	$	223.0	$	233.0
7.75% senior unsecured debentures due 2015	14		**273.0**		**288.9**		272.9		283.1
8.00% senior unsecured debentures due 2018	14		**391.5**		**422.3**		391.2		408.4

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

As at March 31, 2012, the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, trade accounts receivable, current portion of advances and loans receivable, current portion of other financial assets, current portion of finance lease receivables, current portion of loans and borrowings, current portion of other financial liabilities, trade accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

The fair values of non-current loans and borrowings and other financial liabilities approximate their carrying amount, except as noted above. The fair value of a financial instrument on initial recognition is normally the transaction price, the fair value of the consideration given or received. The fair values of non-current advances and loans receivable and finance lease receivables are estimated based on discounted cash flows. Due to the use of judgment and uncertainties in the determination of the estimated fair values, these values should not be interpreted as being realizable in the immediate term.

As at March 31, 2012, the carrying amount for the Cuban certificates of deposit is approximately equal to the fair value (note 18).

As at March 31, 2012, the carrying amount of the lenders' conversion option under the Ambatovy Joint Venture additional partner loan agreements is 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 $12.6 million at March 31, 2012 (December 31, 2011 – $14.8 million).

As at March 31, 2012, $4.9 million of cash on the Corporation's interim condensed consolidated statements of financial position was held by Energas and $43.7 million by the Moa Joint Venture (December 31, 2011 – $6.6 million and $30.0 million, respectively). These funds are for the use of each joint venture, respectively.

As at March 31, 2012, the Corporation had $496.4 million in Government of Canada treasury bills (December 31, 2011 – $521.7 million) included in cash and cash equivalents and short-term investments.

Trade accounts receivable

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

Canadian $ millions, as at	Note		**2012 March 31**		2011 December 31
Trade accounts receivable		**$**	**327.5**	$	345.0
Allowance for doubtful accounts			**(0.1)**		(0.1)
Accounts receivable from jointly controlled entities	19		**3.8**		4.1
Accounts receivable from associate	19		**42.7**		22.1
Other			**14.7**		15.4
		$	**388.6**	$	386.5

Of which are:

Canadian $ million, as at		**2012 March 31**		2011 December 31
Not past due	**$**	**338.8**	$	323.9
Past due no more than 30 days		**37.1**		33.2
Past due for more than 30 days but no more than 60 days		**1.1**		19.5
Past due for more than 60 days		**11.7**		10.0
	$	**388.7**	$	386.6

18 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

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:

Canadian $ millions, as at		**2012 March 31**		2011 December 31
Cash	**$**	**12.6**	$	14.8
Trade accounts receivable, net		**199.0**		218.7
Advances and loans receivable		**534.7**		539.4
Cuban certificates of deposit		**51.1**		58.2
Total	**$**	**797.4**	$	831.1

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

Liquidity risk

Financial obligation maturity analysis

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

Canadian $ millions, as at March 31	Total	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ 217.0	$ 217.0	$ -	$ -	$ -	$ -	$ -
Advances and loans payable	145.4	15.0	11.4	10.7	10.2	14.7	83.4
Income taxes payable	23.8	23.8	-	-	-	-	-
Loans and borrowings(1)	2,786.8	95.1	71.9	420.7	463.1	181.9	1,554.1
Finance leases and other equipment financing	160.1	53.9	41.6	26.8	27.7	10.1	-
Environmental rehabilitation provisions	393.7	32.8	35.9	36.6	25.7	20.9	241.8
Operating leases	52.2	17.3	13.4	4.5	3.0	2.9	11.1
Total	$ 3,779.0	$ 454.9	$ 174.2	$ 499.3	$ 529.7	$ 230.5	$ 1,890.4

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

Market risk

Foreign exchange risk

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

Based on financial instrument balances as at March 31, 2012, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have an unfavourable or favourable impact of approximately $3.9 million, respectively, on net earnings, and $41.2 million on other comprehensive income.

Interest rate risk

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

Based on the balance of short-term and long-term loans and borrowings, cash equivalents, short-term and long-term investments, and advances and loans receivable at March 31, 2012, 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 $2.1 million, respectively. The Corporation does not engage in hedging activities to mitigate its interest rate risk.

Capital risk management

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

Canadian $ millions, as at	**2012 March 31**	2011 December 31
Capital stock	**$ 2,801.8**	$ 2,803.1
Retained earnings	**805.9**	784.9
Un-drawn credit facilities	**435.4**	423.6

The Corporation and its divisions were in compliance with all of their financial covenants as at March 31, 2012. The Corporation is not subject to any externally imposed capital restrictions.

19 RELATED PARTY TRANSACTIONS

Jointly controlled entities and associate

Canadian $ millions, for the three months ended March 31				2012		2011
Total value of goods and services:						
Provided to jointly controlled entities			$	**21.0**	$	20.9
Provided to associate				**1.1**		0.9
Purchased from jointly controlled entities				**6.8**		5.5
Net financing income from jointly controlled entities				**6.4**		5.9

Canadian $ millions, as at	Note		2012 March 31		2011 December 31
Accounts receivable from jointly controlled entities	17	$	**3.8**	$	4.1
Accounts receivable from associate	17		**42.7**		22.1
Accounts payable to jointly controlled entities			**0.6**		-
Accounts payable to associate			**0.4**		0.3
Advances and loans receivable from associate	9		**974.6**		968.9
Advances and loans receivable from Energas	9		**174.2**		166.9
Advances and loans receivable from certain Moa Joint Venture entities	9		**134.7**		142.8

20 STOCK-BASED COMPENSATION PLANS

Stock options and options with tandem stock appreciation rights

The following is a summary of stock option activity:

For the three months ended March 31	2012 Options		2012 Weighted-average exercise price	2011 Options		2011 Weighted-average exercise price
Outstanding, beginning of period	**4,976,817**	$	**10.38**	4,819,146	$	10.37
Granted	**692,500**		**6.04**	546,200		9.10
Exercised for cash	**-**		**-**	(51,666)		5.16
Exercised for shares	**-**		**-**	(20,000)		5.05
Forfeited	**(1,425,000)**		**10.92**	(15,000)		15.02
Outstanding, end of period	**4,244,317**		**9.49**	5,278,680		10.30
Options exercisable, end of period	**2,764,599**	$	**10.91**	3,482,187	$	11.34

The following table summarizes information on stock options outstanding and exercisable at March 31, 2012:

Range of exercise prices	Number outstanding	Weighted-average remaining contractual life		Weighted-average exercise price	Exercisable number		Exercisable weighted-average exercise price
$3.05 - $5.05	40,000	6.6 years	$	3.69	40,000	$	3.69
$5.06 - $9.77	2,545,982	8.5 years		7.01	1,066,264		7.23
$9.78 - $11.64	543,335	3.7 years		10.26	543,335		10.26
$11.64 - $15.23	1,115,000	5.4 years		14.99	1,115,000		14.99
Total	4,244,317	7.1 years	$	9.49	2,764,599	$	10.91

As at March 31, 2012, 2,984,017 options with tandem SARs (March 31, 2011 – 4,732,480) and 1,260,300 options (March 31, 2011 – 546,200) remained outstanding for which the Corporation has recognized a compensation recovery of $1.2 million for the three months ended March 31, 2012 (compensation expense of $0.3 million for the three months ended March 31, 2011). The carrying amount of liabilities associated with cash-settled compensation arrangements is $4.0 million at March 31, 2012 (December 31, 2011 – $5.5 million).

Inputs for measurement of grant date fair values

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

For the three months ended March 31	**2012**	2011
Share price at grant date	**$5.96**	$8.95
Exercise price	**$6.04**	$9.10
Risk-free interest rates (based on 10-year Government of Canada bonds)	**1.95%**	3.33%
Expected volatility	**49.00%**	48.48%
Expected dividend yield	**2.55%**	1.63%
Expected life of options	**10 years**	10 years
Weighted average fair value of options granted during the period	**$2.52**	$4.49

Other stock-based compensation

A summary of the Share Purchase Plan, SARs, RSUs, DSUs and RSPs outstanding as at March 31, 2012 and 2011 and changes during the period is as follows:

For the three months ended March 31					**2012**
	Share Purchase Plan	**SAR**	**RSU**	**DSU**	**RSP**
Outstanding, beginning of period	**769,055**	**-**	**1,754,529**	**336,160**	**270,374**
Issued	**-**	**-**	**758,375**	**85,000**	**260,400**
Dividends credited	**-**	**-**	**17,515**	**2,941**	**-**
Forfeited	**(16,440)**	**-**	**-**	**-**	**-**
Vested	**-**	**-**	**-**	**-**	**(19,848)**
Outstanding, end of period	**752,615**	**-**	**2,530,419**	**424,101**	**510,926**
Units exercisable, end of the period	**n/a**	**-**	**n/a**	**424,101**	**n/a**
Weighted-average exercise price	**n/a**	**-**	**n/a**	**n/a**	**n/a**

For the three months ended March 31					2011
	Share Purchase Plan	SAR	RSU	DSU	RSP
Outstanding, beginning of the period	948,652	140,000	1,531,914	283,359	203,730
Issued	-	-	509,605	44,000	71,700
Dividends credited	-	-	8,172	1,556	-
Exercised	-	(100,000)	(316,568)	-	-
Forfeited	(16,724)	-	(5,688)	-	-
Outstanding, end of the period	931,928	40,000	1,727,435	328,915	275,430
Units exercisable, end of the period	n/a	40,000	n/a	328,915	n/a
Weighted-average exercise price	n/a	5.56	n/a	n/a	n/a

The Corporation recorded a compensation expense of $2.0 million for the three months ended March 31, 2012 for other stock-based compensation plans ($1.6 million compensation expense for the three months ended March 31, 2011). The carrying amount of liabilities associated with cash-settled compensation arrangements is $7.2 million at March 31, 2012 (December 31, 2011 – $5.7 million).

Measurement of fair values at grant date

The fair value of the Share Purchase Plan, RSUs, DSUs and RSPs are determined by reference to the market value of the shares at the time of grant. The following summarizes the fair value measurement factor for the Share Purchase Plan, RSU, DSU and RSP grants during the period:

For the three months ended March 31				2012
	Share Purchase Plan	**RSU**	**DSU**	**RSP**
Weighted-average share price at grant date	**n/a**	**$ 5.96**	**$ 6.15**	**$ 5.96**

For the three months ended March 31				2011
	Share Purchase Plan	RSU	DSU	RSP
Weighted-average share price at grant date	n/a	$ 8.95	$ 8.95	$ 8.95

The intrinsic value of cash-settled stock-based compensation awards vested and outstanding as at March 31, 2012 was $8.0 million (December 31, 2011 - $6.3 million).

21 NET CHANGE IN NON-CASH WORKING CAPITAL

Canadian $ millions, for the three months ended March 31	2012	2011
Trade accounts receivable	**$ 1.3**	$ (31.3)
Inventories	**(26.6)**	(17.7)
Prepaid expenses	**(3.7)**	1.0
Trade accounts payable and accrued liabilities	**(0.5)**	(0.4)
Deferred revenue	**35.8**	14.4
	$ 6.3	$ (34.0)

22 NON-CASH TRANSACTIONS

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

Canadian $ for the three months ended March 31	2012	2011
Acquisition of property, plant and equipment under a finance lease	**$ 5.7**	$ 11.9

23 OPERATING LEASE ARRANGEMENTS

Corporation acts as a lessor

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

Canadian $ millions, as at	2012 March 31	2011 December 31
Less than one year	**$ 5.1**	$ 5.1
Between one and five years	**8.1**	9.3
	$ 13.2	$ 14.4

All operating lease payments related to the Varadero facility are contingent on power generation and therefore excluded from the table above. For the three months ended March 31, 2012, contingent revenue was $3.3 million ($3.4 million for the three months ended March 31, 2011).

Corporation acts as a lessee

Operating lease payments recognized as an expense in the consolidated statement of comprehensive income were $5.0 million for the three months ended March 31, 2012 ($5.8 million for the three months ended March 31, 2011).

24 COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at March 31	2012
Property, plant and equipment commitments	$ 16.9
Jointly controlled entities	
Property, plant and equipment commitments	5.0
Construction commitments relating to service concession arrangements (100% basis)	100.5
Other commitments	1.7
Jointly controlled operations	
Property, plant and equipment commitments	5.5
Associate	
Property, plant and equipment commitments	32.8

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